BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-assisted rate case in Highlands County by Damon Utilities, Inc.	DOCKET NO. 910690-WS ORDER NO. 25789 ISSUED: 2/24/92

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates in the event of a protest, 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

Damon Utilities, Inc. (Damon or utility) is a Class C water and wastewater facility located in Highlands County, Florida. The utility was granted Water Certificate No. 499-W and Wastewater Certificate No. 433-S, by Order No. 19655, issued July 11, 1988. Initial rates were also set in that Order, and the utility has not had any changes to rates since that time. On June 19, 1991, the utility applied for staff assistance. The utility paid the appropriate filing fee. The official filing date is August 21, 1991. The test year for this case is the historical test year ended June 30, 1991. The utility provided water service to

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approximately 135 customers and wastewater service to approximately 25 customers during the test year.

QUALITY OF SERVICE

A customer meeting was held at the River Greens Clubhouse, in Avon Park, Florida, on December 10, 1991. Approximately 60 people attended this meeting. Customers commented about the following problems: sediment, chlorine, and air bubbles in the water, water pressure, and excessive unaccounted-for water.

We contacted the Department of Environmental Regulation (DER) regarding these issues. About the question of sediment in the lines, DER stated that the chemical analysis results showed the color, odor, Ph and turbidity to be well within the satisfactory range. The Casa del Lago subdivision is actively under construction, with new service taps being installed on a regular basis. Any time a service connection is installed, the possibility of sediment entering the line is high. Regulatory guidelines dictate that any time potable water flow is interrupted, the utility must disinfect the distribution system by purging the lines with an overdose of disinfectant (chlorine).

Two field visits to the service area were conducted. During each of these visits, none of the pressure problems mentioned above were apparent. The hydropneumatic tank is adjusted to cycle on/off to yield an average pressure of 50 pounds per square inch (psi). DER does require that a minimum of 20 psi be maintained at the customer connection. Upon a customer complaint or request, DER will set up a twenty-four hour pressure recorder to verify the fluctuations in pressure levels on a daily basis.

The unaccounted-for water calculation for the test year was 6.8 percent, with its highest percentage being registered in the last quarter at 11.97 percent. This is the gross, unmetered water versus metered water sold calculation and does not include an adjustment for wastewater treatment plant washdowns or flushings of the above grade flush valves. These two uses of treated water are considered unmetered water and not unaccounted-for water. When these two uses are subtracted, the remaining unaccounted-for water percentage is considered reasonable.

The utility must maintain a minimum free chlorine residual of 0.2 parts per million (ppm) throughout the distribution system at

all times as required by DER Rule 17-550.510, Florida Administrative Code. DER does not set a maximum limit. To determine the free chlorine residual throughout the system, a water sample is commonly tested at the most remote tap from the treatment plant. The monthly average of remote tap readings during the test year was 0.65 ppm. This slightly exceeds the minimum requirement of 0.2 ppm, but it is not excessive. Considering that the Casa del Lago subdivision is adding tap-ins on a regular basis, this level of disinfection is accepted as reasonable.

All required water and wastewater tests are up-to-date and the results are satisfactory. DER does not currently have any open citations or deficiencies listed against this utility. The complaints registered at the customer meeting concerning the quality of service provided by the utility have been investigated. Based on the facts stated above and the information from DER, we find the quality of service provided by Damon 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 1-A, and our adjustments are itemized on Schedule No. 1-B. 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 is a closed system of operation that currently relies on two wells, with a total capacity of 200 gallons per minute (gpm), to meet instantaneous fluctuations in flow demands. In accordance with General Waterworks Design Criteria, each customer connection requires a minimum of 1.1 gpm which should be met by the lowest capacity well. To evaluate the utility in its current condition, the actual capacity of both wells, 200 gpm, was compared to the minimum requirements for the number of customer connections. Using the used and useful formula as an indicator of useful plant, we find that the water treatment plant is 100 percent used and useful.

The wastewater treatment plant has a treatment capacity of 50,000 gallons per day (gpd). The highest five-day average of

daily flows during the test year was 5,800 gpd. On July 13, 1990, DER gave the utility permission to take off-line some aeration tanks to reduce capacity to 20,000 gpd. By removing these aeration tanks, plant performance should be improved, electrical consumption should be reduced, and operator on-site time should be lessened. However, because the issue of original investment was for a 50,000 gpd plant, it is necessary for the used and useful evaluation to be based on the plant's full capacity. Using the used and useful formula, our calculation indicates that the used and useful portion of plant is 15.08 percent. Therefore, we find that the wastewater treatment plant is 15.08 percent used and useful

The water distribution system has a proposed capacity of 269 equivalent residential connections (ERCs). The average number of test year connections is 126 ERCs. The margin reserve amount, which reflects the number of ERCs expected to connect to the system in the next eighteen months, is 36 ERCs. The 126 ERCs added to the margin reserve amount divided by the capacity (269 ERCs) yields a used and useful calculation of 60.22 percent. Therefore, we find that the water distribution system is 60.22 percent used and useful, except the meters and meter installation accounts. We find that the meters and meter installation accounts are 100 percent used and useful.

The wastewater collection system has a proposed capacity of 73 ERCs. The average number of test year connections is 17 ERCs. The margin reserve for this system is 5 ERCs. The 17 ERCs added to the margin reserve amount divided by the capacity (73 ERCs) yields a used and useful calculation of 30.27 percent. Therefore, we find that the wastewater collection system is 30.27 percent used and useful. Each phase of development appears to have been constructed with the appropriate size gravity lines along with prudent placement of lift stations. The one exception to this finding is the services account, which is 100 percent used and useful.

The water plant is equipped with two master meters. First and last quarter totals of treated water flows compare favorably to metered water sold. A visual inspection for physical evidence did not reveal any signs of excessive water losses. The age of the collection system and the type of mains used in construction are favorable. The wastewater collection system was inspected at a primary point just prior to the plant inlet. All physical indicators common to excessive infiltration appeared normal. No excessive infiltration is suspected within the utility collection

system. Therefore, based on the above, we have not made any adjustments for excessive unaccounted-for water or infiltration.

Plant-in-Service

During our audit of the books and records of this utility, the utility's books reflected a balance of $61,027 for water plant in service and a balance of $152,153 for wastewater plant-in-service at the end of the test year. A review of plant invoices indicates that the appropriate plant balances at the end of the test year are $96,449 for water and $179,562 for wastewater, so adjustments of $35,422 and $27,409 have been made for water and wastewater, respectively. Averaging adjustments of ($447) for water and ($408) for wastewater are necessary. Our total for average plant-in-service includes $5,658 in water organizational costs and $17,504 in wastewater organizational costs which are amortized with contributions-in-aid-of-construction (CIAC).

Accumulated Depreciation

The utility's books reflected a balance of $16,690 in accumulated depreciation for water and $83,065 in accumulated depreciation for wastewater at the end of the test period. The utility had been using an accelerated depreciation rate, however, instead of those rates outlined in Rule 25-30.140, Florida Administrative Code. To correct for this, we have reduced depreciation by $5,936 for water and $42,436 for wastewater. Averaging adjustments of $1,660 for water and $3,988 for wastewater further reduce the balances.

Accumulated Amortization

Damon has two components of rate base which require amortizing: CIAC and organizational costs. Amortization of CIAC has been calculated following the guidelines of Rule 25-30.140, Florida Administrative Code. Accumulated amortization of CIAC at the end of the test year is $3,956 for water and $368 for wastewater. We have made averaging adjustments of ($791) for water and ($76) for wastewater. Amortization of organizational costs is calculated in the same manner, resulting in additional adjustments of ($892) for water and ($2,014) for wastewater, with averaging adjustments of $98 and $220.

Plant Held for Future Use

Plant held for future use has been calculated based on the non-used and useful percentages of plant net of accumulated depreciation. The reductions which have been made to rate base for plant held for future use are $19,806 for water and $100,923 for wastewater.

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

The utility's books reflected a balance of $46,250 for water CIAC and a balance of $6,045 for wastewater CIAC. An averaging adjustment reduces water CIAC by $225. Imputation of CIAC associated with margin reserve increases the CIAC balance by $2,325 for wastewater. For the water system, we have eliminated the service availability charge. Therefore, no CIAC associated with the margin reserve is imputed.

Land Value

The land on which the water plant is located is owned by the related company River Greens Golf Course, Inc. The land on which the wastewater plant is located is owned by the related company DDH Partnership. The utility has a 99-year lease with each of these companies. According to the leases, dated October 31, 1986, the annual lease payments are $1,200 and $1,500 for the water plant land and the wastewater plant land, respectively. Because the land is leased, we hereby find that land value should not be included in rate base for either of these parcels. However, we have included the lease payments in Operation and Maintenance Expenses.

Working Capital

We find it appropriate to use the formula method, in calculating the working capital requirement of this utility, or one-eighth of operation and maintenance expenses. In a later section of this Order, we approve operation and maintenance expenses of $18,337 for water and $7,954 for wastewater. Therefore, we have included one-eighth of that amount, $2,292 for water and $994 for wastewater, in rate base as the utility's working capital allowance.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base to be $25,740 for the water system and $32,712 for the wastewater system.

CAPITAL STRUCTURE

The utility's capital structure is composed entirely of a loan from the DDH Partnership in the amount of $165,238 with a 10 percent interest rate. Since debt is the only component in the utility's capital structure, the overall rate of return is 10.00 percent. Order No. 19655 established the return on equity for future purposes such as AFUDC and interim rates at 11.29 percent. We believe that since there is no equity in this capital structure, no change in the established equity rate is necessary at this time.

NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedules Nos. 3 and 3-A, and our adjustments are itemized on Schedule No. 3-B. 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.

Test Year Operating Revenues

The utility recorded water system revenues of $15,838 and wastewater system revenues of $4,003 during the test period. A revenue check shows that the utility charged its approved rates and that all customers were billed. However, our audit showed that $950 in meter installation charges were collected and reflected in water operating revenue. We have reduced water revenues by $950 because meter installation charges are considered CIAC and not revenue. Therefore, the appropriate test year operating revenue is $14,888 for water and $4,003 for wastewater.

Operation and Maintenance Expense (O&M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain

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disallowances. We find that the appropriate amounts of operating expense are $20,762 for water and $10,178 for wastewater. The utility's test year operating expenses have been traced to invoices. The utility recorded $11,239 of O&M to water and $1,810 of O&M to wastewater during the test year. A summary of our adjustments follows.

1) Salaries and Wages - Officers - This expense has been adjusted by $2,160 for water and $240 for wastewater to reflect an unrecorded test year management fee of $200 per month for Rodney Davis, the co-owner. This amount has been allocated 90 percent and 10 percent between the water system and the wastewater system, respectively.

2) Sludge Removal - This expense has been increased by $200 on the wastewater side to reflect an allowance for sludge removal expense.

3) Purchased Power - The utility recorded purchased power expense of $1,953 for water and $217 for wastewater during the test year. These expenses have been reduced by $718 for water and increased by $827 for wastewater to reflect the accrued and properly allocated totals which are the appropriate amounts to include in the water and wastewater operating expenses for the test year.

4) Chemicals - The utility recorded chemical expense of $169 for water and $19 for wastewater during the test period. We have adjusted this amount by $56 for water and $94 for wastewater to reflect an annual amount for liquid and gas chlorine purchases.

5) Materials and Supplies - The utility recorded materials and supplies expense of $1,182 for water and $1 for wastewater during the test year. We have reduced the water expense by $106 and increased the wastewater expense by $106 to reflect reallocation of office supplies, postage, and printing expenses. This amount has been allocated 90 percent and 10 percent between water and wastewater. We have made additional allowances of $437 for water and $110 for wastewater to cover material and supply needs of the plants themselves.

6) Contractual Services - The utility recorded contractual services expenses of $4,796 for water and $491 for wastewater during the test year. We have found it appropriate to reduce DER

water and wastewater testing expenses by $1,321 and $88, respectively, to reflect the costs of monthly bacteriological sampling and annual sludge analysis at their current costs and to reflect amortization of those tests which are only required every three years. Further, we have reduced the contracted water plant operator expenses by $660 and increased the contracted wastewater plant operator expenses by $1,860 in order to reallocate expenses to the appropriate plant and to reflect the operator's annual cost at the current rate, $125 per month for water and $175 per month for wastewater. We have found it necessary to make an adjustment to water of ($37) and to wastewater of $37 to reallocate accounting fees 90 percent and 10 percent between water and wastewater.

7) Repairs - Utility Maintenance - Damon has been utilizing the skills of a maintenance man from a related company, Central Florida Turf Corporation, to make normal repairs to the water and wastewater systems rather than relying on the contracted operator to make repairs at a cost of parts plus labor. We estimate that approximately five hours per week are devoted to utility maintenance. Therefore, we find that an additional allowance of $1,864 for water and $474 for wastewater for this labor is appropriate.

8) Repairs - Sand Filter - We believe that Damon should change the sand in the wastewater treatment plant sand filter once a year. Thus, an annual allowance of $82 for this purpose is appropriate.

9) Groundskeeping - The water treatment plant is at a very visible location in the subdivision, and mowing and groundskeeping of the water plant must be performed on a regular basis. The larger area around the wastewater plant and absorption field require mowing as well, though not as frequently. Therefore, we find it appropriate to give an annual allowance of $540 for water and $500 for wastewater for mowing and groundskeeping purposes.

10) Meter Reading - We find an allowance for the services of a meter reader at $259 for water and $29 for wastewater to be appropriate.

11) Bookkeeper - We find an allowance for the services of a bookkeeper at $1,944 for water and $216 for wastewater to be appropriate.

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12) Rents - The utility did not record any rent expense for the test year, but the land on which the water plant sits is leased from River Greens Golf Course, Inc., and the land on which the wastewater plant sits is leased from DDH Partnership. The properties are leased for $1,200 annually for water and $1,500 annually for wastewater. These lease amounts were determined to be reasonable in Order No. 19655, therefore, we find it appropriate to reflect these amounts in the expense category.

13) Office Supplies & Expense - The utility also incurred an unrecorded office space rental expense of $120 per month. We have made an adjustment of $1,296 for water and $144 for wastewater reflecting this expense split 90 percent and 10 percent.

14) Transportation Expense - This expense has been adjusted by $832 for water and $208 for wastewater to reflect unrecorded test year expense.

15) Insurance Expense - The utility recorded insurance expenses of $669 for water and $668 for wastewater during the test year. We have adjusted these amounts by $169 for water and ($169) for wastewater to reflect reallocation of this expense to appropriate plant.

16) Regulatory Commission Expense - During the test year, the utility recorded regulatory commission expenses of $855 for water and $264 for wastewater. We have removed both of these amounts in order to reclassify them to Taxes Other Than Income. We have added $38 per system to this account to reflect the filing fee for this rate case amortized over four years.

Depreciation Expense (Net of Amortization of CIAC):

Applying the prescribed depreciation rates to the appropriate used and useful plant-in-service account balances results in depreciation expenses of $2,762 for water and $1,379 for wastewater during the test year. Applying the composite depreciation rates to the appropriate CIAC account balances offsets depreciation expense by $1,582 for water and $152 for wastewater during the test year. Applying the composite depreciation rate to the wastewater margin reserve CIAC for the test year further offsets this account by $47.

Amortization of Organizational Costs:

Test year amortization expenses for organizational costs have been calculated by applying the test year composite depreciation rates for the respective systems to the unamortized test year balance. This results in amortization expenses of $195 for water and $439 for wastewater.

Taxes Other Than Income Taxes:

This expense has been adjusted by $855 for water and $264 for wastewater to reflect the reallocation of the utility's regulatory assessment fee to the proper account. This expense has also been reduced by $185 for water and $84 for wastewater to adjust the regulatory assessment fee to 4.5 percent on test year revenue.

Operating Revenues:

Revenues have been adjusted by $8,448 for water and $9,446 for wastewater to reflect the increase in revenue required to cover expenses and allow our approved rate of return on investment.

Taxes Other Than Income Taxes:

This expense has been increased by an additional $380 for water and $425 for wastewater to reflect the regulatory assessment fee of 4.5 percent on the increase in revenue.

Operating Expenses Summary:

Based on the foregoing, the appropriate amount of operating expenses are $20,762 for water and $10,178 for wastewater. The appropriate test year operating losses for this utility are $5,494 for water and $5,750 for wastewater. The test year operating revenues for Damon are $14,888 for water and $4,003 for wastewater,

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is $23,336 for water and $13,449 for wastewater. However, in view of the impact that such a large wastewater rate increase would have on its customers, the utility has offered to accept lower wastewater rates, which will yield

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estimated wastewater operating revenues of $6,990. In a letter dated January 15, 1992, the utility agreed to "an equivalent percentage increase" of the wastewater rates to the water rates. The utility states that it will accept a 5/8"x3/4" base facility charge of $14.16 and a gallonage charge of $2.68 per 1,000 gallons. Accordingly, we find it appropriate to approve an annual increase in revenue of $8,448 (56.74 percent) for water and $9,446 (235.98 percent) for wastewater, although the actual wastewater revenue increase will be lower as a result of the utility's offer of lower wastewater rates. These revenue requirements will allow the utility the opportunity to recover its operating expenses and will allow it the opportunity to earn a 10.00 percent return on its investment.

RATES AND RATE STRUCTURE

We have calculated new water 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/gallonage charge rate structure in designing these rates. The approved wastewater rates were not calculated based on the appropriated revenue requirement. Rather, the wastewater rates were offered by the utility in the letter mentioned above. The approved rates are lower than those originally calculated based on the revenue requirement.

The base facility/gallonage 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 gallonage 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

	Current Rate	Commission Approved Rate
Base Facility Charge Meter Sizes:		
5/8" x 3/4"	$ 5.35	$ 7.73
3/4"		11.60
1"		19.34
1 1/2"		38.67
2"		61.88
3"		123.75
4"		193.37
6"		386.73
Consumption Charge Per 1,000 Gallons	$ 0.89	$ 1.32

MONTHLY RATES - WASTEWATER
Residential and General Service

	Current Rate	Commission Approved Rate
Base Facility Charge Meter Sizes:		
5/8" x 3/4"	$ 9.80	$ 14.16
3/4"		21.24
1"		35.40
1 1/2"		70.80
2"		113.28
3"		226.56
4"		354.00
6"		708.00
Consumption Charge Per 1,000 Gallons (10,000 Gallon Cap)	$ 1.81	$ 2.68

Service Availability Charges

The utility's current tariff contains provisions for a water meter installation charge of $75, a water plant capacity charge of

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$575, and a wastewater plant capacity charge of $465. The utility shall discontinue collecting the $575 plant capacity charge for water because our findings indicate that the water system is currently 78 percent contributed while it has not yet reached design capacity. No change needs to be made to the $75 water meter installation charge and the $465 wastewater plant capacity charge. We encourage Damon to request the re-examination of its water service availability policy if it adds to its water plant at a later date.

Miscellaneous Service Charges

The utility's current tariff contains the following miscellaneous service charges:

	Charges
Initial Connection	$15.00
Normal Reconnection	$15.00
Violation Reconnection	$15.00
Premises Visit (in lieu of disconnection)	$10.00

There will be no wastewater-only customers; therefore, we find that no wastewater-only violation reconnection charge at actual cost is appropriate. We find the utility's current miscellaneous service charges to be appropriate.

Effective Date

The approved monthly metered rates shall be effective for meter readings on or after thirty (30) days from 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 this Commission's decision, that the proposed customer notice is adequate, and the proper security for refund, if necessary, is provided.

Statutory Rate Reduction and Recovery Period

The statutory recovery period for rate case expense is four years. The appropriate annual rate reduction at the end of that period is $39 for each system.

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

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

The only rate case expense incurred by the utility in the instant case was the $300 filing fee. The four-year recovery period for this fee allows the utility to recover $37.50 per system per year through its rates. Once the annual rate case expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to $39.

At the end of four years, Damon's rates should be reduced by $39 annually. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is an approximate $.02 reduction in the water base facility charge and a $.04 reduction in the wastewater base facility charge for a 5/8" x 3/4" meter. The water gallonage charge will not be reduced, and the wastewater gallonage charge will be reduced by $.01.

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

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 Commission Staff, adequate security for a potential refund through a bond, letter of credit in the amount of $12,333 or an escrow account, a proposed customer notice, and revised tariff sheets.

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

1) The Commission approves the rate increase; or

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

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 a 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 Consentino v. Elson, 263 So.2d 253 (Fla. 3d 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 a 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

Currently, the utility's books are not maintained in conformity with the Uniform System of Accounts (USOA). 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 Utility Commissioners.

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We believe the utility has the expertise necessary to convert and maintain the utility's records in conformity with this rule. Therefore, the utility is ordered to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Damon Utilities, Inc., for an increase in its water and wastewater rates in Highlands 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 provisions 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 25-222.029, Florida Administrative Code, is received by the Director 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 Damon Utilities, Inc., is authorized to charge the new rates 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 pages. It is further

ORDERED that prior to its implementation of the rates approved herein, Damon 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 approved herein, Damon Utilities, Inc., shall submit and have approved a

bond or letter of credit in the amount of $12,333 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates charges approved herein, Damon Utilities, 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 with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Damon 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 Damon Utilities, Inc. has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that Damon 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 this docket shall be closed if no timely protest is received from a substantially affected person by the expiration of the protest period.

By ORDER of the Florida Public Service Commission, this 24th of FEBRUARY, 1992.

STEVE TRIBBLE, Director,
Division of Records and Reporting

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by: Kay Flynn
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the granting of temporary rates in the event of a protest, 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 3/16/92. 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.

DAMON UTILITIES, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 1
DOCKET NO. 910690-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	$ 61,027 A	$ 34,975	$ 96,002
LAND/NON-DEPRECIABLE ASSETS	0	0	0
PLANT HELD FOR FUTURE USE	0 B	(19,806)	(19,806)
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	(46,250)C	225	(46,025)
ACCUMULATED DEPRECIATION	(16,690)D	7,596	(9,094)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC & ORGANIZATIONAL COSTS	0 E	2,371	2,371
WORKING CAPITAL ALLOWANCE	0 F	2,292	2,292
WATER RATE BASE	$ (1,913)	$ 27,653	$ 25,740

DAMON UTILITIES, INC.
SCHEDULE OF WASTEWATER RATE BASE
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 1-A
DOCKET NO. 910690-WS

	TEST YEAR PER UTILITY		COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	$ 152,153	A	$ 27,001	$ 179,154
LAND/NON-DEPRECIABLE ASSETS	0		0	0
PLANT HELD FOR FUTURE USE	0	B	(100,923)	(100,923)
ACQUISITION ADJUSTMENT	0		0	0
CWIP	0		0	0
CIAC	(6,045)	C	(2,325)	(8,370)
ACCUMULATED DEPRECIATION	(83,065)	D	46,424	(36,641)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0		0	0
AMORTIZATION OF CIAC & ORGANIZATIONAL COSTS	0	E	(1,502)	(1,502)
WORKING CAPITAL ALLOWANCE	0	F	994	994
WASTEWATER RATE BASE	$ 63,043		$ (30,331)	$ 32,712

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DAMON UTILITIES, INC.
DOCKET NO. 910690-WS
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 1-B
ADJUSTMENTS TO
RATE BASE

	WATER	WASTEWATER
A. DEPRECIABLE PLANT IN SERVICE:		
1. To reflect unrecorded plant	35,422	27,409
2. Averaging adjustment	(447)	(408)
Subtotal	34,975	27,001
B. PLANT HELD FOR FUTURE USE:		
1. To reflect non-used and useful plant net of depreciation	(19,806)	(100,923)
C. CONTRIBUTIONS IN AID OF CONSTRUCTION:		
1. Averaging Adjustment	225	
2. CIAC associated with margin reserve		(2,325)
D. ACCUMULATED DEPRECIATION:		
1. To reflect Comm.'s calculated total at 6/30/91	5,936	42,436
2. Averaging adjustment	1,660	3,988
Subtotal	7,596	46,424
E. ACCUMULATED AMORTIZATION:		
1. To reflect Commission's calculated total of accumulated amortization of CIAC at 6/30/91	3,956	368
2. Averaging adjustment	(791)	(76)
3. To reflect Commission's calculated total of accumulated amortization of organization costs at 6/30/91	(892)	(2,014)
4. Averaging adjustment for organizational costs	98	220
Subtotal	2,371	(1,502)
F. WORKING CAPITAL ALLOWANCE:		
1. To reflect working capital allowance based on one-eighth of O&M expenses	2,292	994

DAMON UTILITIES, INC.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED JUNE 30. 1991

SCHEDULE NO.2
DOCKET NO.910690-WS

	PER UTILITY	COMM.ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	$ 165,238	$ (106,786)	$ 58,452	100.00%	10.00%	10.00%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	8.00%	0.00%
COMMON EQUITY	0	0	0	0.00%	11.29%	0.00%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	$ 165,238	$ (106,786)	$ 58,452	100.00%		10.00%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.29%	12.29%
OVERALL RATE OF RETURN	10.00%	10.00%

500-T

DAMON UTILITIES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO.3
DOCKET NO.910690-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	ADJUSTMENT FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	$ 15,838 A	$ (950)	$ 14,888 F	$ 8,448	$ 23,336
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	11,239 B	7,098	18,337	0	18,337
DEPRECIATION (NET)	0 C	1,180	1,180	0	1,180
AMORTIZATION	0 D	195	195	0	195
TAXES OTHER THAN INCOME TAXES	0 E	670	670 G	380	1,050
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	11,239	$ 9,143	$ 20,382	$ 380	$ 20,762
OPERATING INCOME/(LOSS)	4,599	$ (10,093)	$ (5,494)	$ 8,068	$ 2,574
WATER RATE BASE	(1,913)		$ 25,740		$ 25,740
RATE OF RETURN	-240.41%		-21.34%		10.00%

DAMON UTILITIES, INC.
SCHEDULE OF WASTEWATER OPERATING INCOME
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO.3-A
DOCKET NO.910690-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	ADJUSTMENT FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	$ 4,003 A	$ 0	$ 4,003 F	$ 9,446	$ 13,449
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	1,810 B	6,144	7,954	0	7,954
DEPRECIATION (NET)	0 C	1,227	1,180	0	1,180
AMORTIZATION	0 D	439	439	0	439
TAXES OTHER THAN INCOME	0 E	180	180 G	425	605
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	1,810	$ 7,990	$ 9,753	$ 425	$ 10,178
OPERATING INCOME/(LOSS)	2,193	$ (7,990)	$ (5,750)	$ 9,021	$ 3,271
WASTEWATER RATE BASE	63,043	$	32,712	$	32,712
RATE OF RETURN	3.48%		-17.58%		10.00%

500-V

DAMON UTILITIES, INC.
DOCKET NO. 910690-WS
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 3B
ADJUSTMENTS TO
OPERATING INCOME
PAGE 1 OF 3

	WATER	WASTEWATER
A. OPERATING REVENUES:		
1. To remove miscellaneous service charges from operating revenues	(950)	
B. OPERATION AND MAINTENANCE EXPENSES:		
1. Salaries & Wages - Officers		
1. To reflect unrecorded management fee of $200 per month split 90/10 between water and wastewater	2,160	240
2. Sludge Removal		
1. To reflect Commission's approved sludge removal expense		200
3. Purchased Power Expense:		
1. To reflect Commission's approved purchased power expense	(718)	827
4. Chemicals Expense:		
1. To reflect Commission's approved chemical expense	56	94
5. Materials and Supplies Expense:		
1. To reallocate office supplies, postage, and printing expenses 90/10 between water and wastewater	(106)	106
2. To reflect Commission's approved additional materials and supplies	437	110
Subtotal	331	216
6. Contractual Services Expense:		
1. To reflect Commission's approved DER testing expense	(1,321)	(88)
2. To reflect operator expense at current contract rate and to reallocate expense from water to wastewater	(660)	1,860
3. To reallocate accounting fees 90/10 between water and wastewater	(37)	37

DAMON UTILITIES, INC.
DOCKET NO. 910690-WS
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 3B
ADJUSTMENTS TO
OPERATING INCOME
PAGE 2 OF 3

	WATER	WASTEWATER
4. To reflect Commission's approved additional contract maintenance expense	1,864	474
5. To reflect sand filter changeout expense		82
6. To reflect Commission's approved expense for mowing and groundskeeping	540	500
7. To reflect allowance for meter reader	259	29
8. To reflect allowance for bookkeeper	1,944	216
Subtotal	2,589	3,110
7. Rents Expense:		
1. To reflect unrecorded land lease expense	1,200	1,500
2. To reflect unrecorded office space rent expense	1,296	144
Subtotal	2,496	1,644
8. Transportation Expense		
1. To reflect Commission's approved transportation expense	832	208
9. Insurance Expense		
1. To reflect partial reallocation of liability and fire insurance from water to wastewater	169	(169)
10. Regulatory Commission Expense:		
1. To reflect reclassification of regulatory assessment fee to Taxes Other Than Income	(855)	(264)
2. To reflect rate case filing fee amortized over four years	38	38
Subtotal	(817)	(226)
O&M Adjustments	7,908	6,469

500-X

ORDER NO. 25789
DOCKET NO. 910690-WS
PAGE 30

DAMON UTILITIES, INC.
DOCKET NO. 910690-WS
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 3B
ADJUSTMENTS TO
OPERATING INCOME
PAGE 3 OF 3

	WATER	WASTEWATER
C. DEPRECIATION EXPENSE:		
1. Adjustment to reflect test year depreciation expense	2,762	1,379
2. Adjustment to reflect test year amortization expense of CIAC	(1,582)	(152)
3. Adjustment to reflect test year amortization expense of margin reserve		(47)
Subtotal	1,180	1,180
D. AMORTIZATION EXPENSE:		
1. Adjustment to reflect amortization expense of organizational costs	195	439
E. TAXES OTHER THAN INCOME:		
1. To reflect reclassification of regulatory assessment fee from Regulatory Commission Expense	855	264
2. To reflect adjustment of regulatory assessment fees to test year revenue	(185)	(84)
Subtotal	670	180
F. OPERATING REVENUES:		
1. To reflect Commission's approved revenue increase	8,448	9,446
G. TAXES OTHER THAN INCOME:		
1. To reflect the additional regulatory assessment fees associated with Commission's approved revenue increase	380	425

DAMON UTILITIES, INC.
SCHEDULE OF WATER RATE CASE EXPENSE
RATE REDUCTION AFTER FOUR YEARS
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 4
DOCKET NO. 910690-WS

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE	APPROVED RATES	RATE DECREASE
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	$ 7.73	0.02
3/4"	11.60	0.02
1"	19.34	0.04
1-1/2"	38.67	0.08
2"	61.88	0.12
3"	123.75	0.25
4"	193.37	0.39
6"	386.73	0.77
GALLONAGE CHARGE		
PER 1000 GALLONS	$ 1.32	0.00

500-Z

DAMON UTILITIES, INC.
SCHEDULE OF WASTEWATER RATE CASE EXPENSE
RATE REDUCTION AFTER FOUR YEARS
TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 4-A
DOCKET NO. 910690-WS

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE	APPROVED RATES	RATE DECREASE
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	$ 14.16	0.04
3/4"	21.24	0.06
1"	35.40	0.11
1-1/2"	70.80	0.21
2"	113.28	0.34
3"	226.56	0.68
4"	354.00	1.06
6"	708.00	2.12
GALLONAGE CHARGE-RESIDENTIAL SERVICE		
PER 1000 GALLONS	$ 2.68	0.01