

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate ) DOCKET NO. 951258-WS  
increase in Brevard County by ) ORDER NO. PSC-96-0119-FOF-WS  
Florida Cities Water Company ) ISSUED: January 23, 1996  
(Barefoot Bay Division). )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER DENYING SUGGESTION OF ERROR AND ORAL ARGUMENT  
AND  
ORDER SUSPENDING PROPOSED RATES AND GRANTING INTERIM WATER AND  
WASTEWATER RATES INCREASE SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Florida Cities Water Company, Barefoot Bay Division, (FCWC or utility) is a Class A utility providing water and wastewater service for a predominately residential area in Barefoot Bay, Florida. The utility's Barefoot Bay Division served 4,458 water and 4,440 wastewater customers at year end December 31, 1994. For the twelve months ended December 31, 1994, the utility recorded operating revenues of \$671,582 for water service and \$823,463 for wastewater service. The utility recorded a net operating loss of \$73,769 for the water system and a net operating income of \$77,577 for the wastewater system. The Barefoot Bay system is in an area that has been designated by the St. Johns River Water Management District as a critical water supply use caution area.

On November 6, 1995, FCWC filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. The utility satisfied the minimum filing requirements (MFRs) for a rate increase, and this date was designated as the official filing date, pursuant to Section 367.083, Florida Statutes. The utility requested that this case be scheduled for a formal hearing and not processed pursuant to the proposed agency action process as provided for in Section

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367.081(8), Florida Statutes. This case has been scheduled for hearing in Brevard County on April 1 and 2, 1996.

The utility's last rate case for only the Barefoot Bay water system was finalized by Order No. PSC-94-1237-FOF-WU, issued October 11, 1994. The utility's last rate case for both Barefoot Bay systems was finalized by Order No. PSC-92-0563-FOF-WS, issued June 24, 1992. The utility received a price index rate increase every year since 1993.

The utility requested interim and final application for increased rates is based on test year ended June 30, 1996. FCWC requested interim and final revenues of \$916,723 for water and \$2,110,481 for wastewater. This represents an increase of \$153,136 for water and \$1,273,024 for wastewater, or 20.05% and 152.01%, respectively.

#### SUGGESTION OF ERROR

On December 27, 1995, FCWC filed a Suggestion of Error based on our staff's recommendation on interim rates. In its Suggestion of Error, FCWC argues that there are numerous errors in Staff's recommendation. We stated in Order No. PSC-95-0573-FOF-WS, issued May 9, 1995, in Docket No. 940847-WS, Application for a rate increase in Duval County by Ortega Utility Company, Inc., that:

Parties may be allowed to address mistakes or mathematical errors through an appropriate pleading, such as a "Suggestion of Error in Staff Recommendation." However, differences of opinion as to policy or accounting methodology shall not be communicated through such a pleading.

We find that FCWC's pleading was not one which addressed mathematical mistakes, but which questioned Commission policy, and the methodology in calculating interim rates. Therefore, FCWC's Suggestion of Error is hereby denied. If a utility believes that the Commission made a mistake of law or fact, the proper vehicle for stating its belief is to file a motion for reconsideration after the Order has been issued.

#### ORAL ARGUMENT

Attached to FCWC's pleading, was a request for oral argument. Rule 25-22.0021, Florida Administrative Code, states that parties will not be allowed to participate at the agenda conference on items concerning interim rates. Therefore, oral argument is denied.

### SUSPENSION OF RATES

Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within sixty (60) days after filing unless the Commission votes to withhold consent to implementation of the requested rates. Further, the above-referenced statute permits the proposed rates to go into effect, under bond, eight months after filing unless final action has been taken by the Commission.

We reviewed the filings and considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We find that it is reasonable and necessary to require further amplification, explanation and cross-examination of the data filed by the utility, as well as additional and/or corroborative data. In consideration of the above, we find that it is appropriate to suspend the proposed rate increase.

### TEST YEAR

In its application, FCWC requested interim and final rates using the projected test year ended June 30, 1996. FCWC stated that by approving its requested interim rates, all parties are protected by the interim statute. The utility further stated that its request for interim rates based on the projected test year is more than justified and it made a prima facie showing as required by Section 367.082(1), Florida Statutes.

We reviewed the utility's requested test year for interim purposes. Section 367.082(1), Florida Statutes, states that upon application by a utility, the Commission may use a projected test year rate base to determine interim rates or revenues subject to refund. This language was inserted in the interim statute in the 1992 Legislative Session. FCWC is the second utility to request interim rates using a projected test year. The first utility was Southern States Utilities, Inc. (SSU) in Docket No. 950495-WS.

By Order No. PSC-95-1327-FOF-WS, issued November 1, 1995, we denied SSU's request to grant interim rates based on a projected test year. In addition to rejecting the utility's methodology, we were also concerned about approving interim rates using a projected test year for the reasons set forth below. We stated that the language of Section 367.082(1), Florida Statutes, regarding the use of a projected test year rate base is permissive. This statute does not give any direction as to the implementation of the new provision regarding a utility's request to utilize a projected interim test year. As such, the procedure for reviewing a projected test year filing must be made on a case-by-case basis and

that sufficient guidelines must be developed for a proper filing. By Order No. PSC-95-1327-FOF-WS, we outlined our concerns regarding the projected interim language and its application. Those concerns were whether the statute permits the use of a fully projected interim test year or whether it is appropriate to consider only a projected test year rate base. We were concerned that to broaden a projected test year to include more than the rate base would exceed the clear meaning of Section 367.082(1), Florida Statutes. Additionally, we questioned what types of projections should be allowed for interim purposes, and whether projections should only reflect noncontrollable items.

If we are to interpret the language in the interim statute literally, only the projected balance of rate base would be allowed. The question then becomes how to treat all of the other components of the interim rate determination. Using a projected rate base with historical revenues, expenses, customers and capital structure would present a mismatch. Some of the rate base components could be revenue producing, or growth-related plant costs. Generally, revenue producing plant with associated customer growth mitigates the need for a rate increase. Another factor to consider is that when rate base increases, capital costs would accordingly increase. This could present either an increase or a decrease in the weighted cost of capital, depending on the new capital obtained. Simply put, to allow only one component to increase does not accurately match the traditional concept of the test year ratemaking philosophy required by the statute.

Further, we researched the legislative history of the projected test year rate base language change in Section 367.082(1), Florida Statutes. There is nothing available to allow us to determine the legislative intent of this change in the statute. If the legislature intended to include all components of a test year, then the addition of the words rate base would have been unnecessary. However, given that the statute allows us the discretion to determine when it may be appropriate to use the projected test year rate base, we believe that to refrain from utilizing this language until the statute is clarified is the most prudent method. Until such a time when the legislature clarifies the interim statute, we shall continue to allow interim rate consideration on an historical basis. To do otherwise would present a ratemaking mismatch.

The utility argues that it has made a prima facie showing that it is entitled to interim rates based on a projected test year. Section 367.082(1), Florida Statutes, states that to establish a prima facie entitlement for interim relief, it must be demonstrated that the utility is earning outside the range of reasonableness on

its rate of return. Further, that same section states that interim rates may be calculated using a projected test year rate base. We find that the utility has made a prima facie showing that it is entitled to interim rate relief. However, we find it appropriate to base the utility's interim rate relief on the historic test year ended June 30, 1995 based on the reasons set forth above.

#### INTERIM REVENUE INCREASE

Based on a projected year ended June 30, 1996, FCWC requested interim rates for its Barefoot Bay Division designed to generate annual revenues of \$916,723 for water and \$2,110,481 for wastewater. The utility's requested revenues result in an increase of \$153,136 (20.05%) and \$1,273,024 (152.01%) for water and wastewater, respectively. The utility filed rate base, cost of capital, and operating statements to support its requested water and wastewater rate increases. As previously discussed, we opted to use a historical test year ended June 30, 1995, thereby denying the utility's request for a projected test year.

For both water and wastewater, we reported the utility's position as stated in its June 30, 1996, interim request. The first adjustment we made reflects the utility's adjusted balances for June 30, 1995. This was done for rate base, cost of capital, operating revenues and operating expenses. In addition, since the utility did not submit separate schedules for interim, we made several adjustments to make the schedules consistent with the interim statute. These additional adjustments are discussed below.

#### RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is 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.

#### Construction Work in Progress (CWIP)

In its MFRs, the utility's balance per books as of June 30, 1995, included CWIP in rate base for water and wastewater in the amounts of \$18,308 and \$1,421,517, respectively. The utility's test year adjustments include reductions to rate base to remove all of the CWIP as of June 30, 1996. In accordance with our adjustments to reflect the utility's rate base as of June 30, 1995, it would be necessary to add back the utility's CWIP balance to

reflect the amount provided in the MFRs. However, this adjustment would be inconsistent with the interim statute. Section 367.082(5)(b)(1), Florida Statutes, requires that the achieved rate of return be calculated by applying appropriate adjustments consistent with those used in the utility's most recent rate proceeding. To be consistent with the interim statute, we have not included CWIP in the test year rate base.

#### Allocation of General Office

In its MFRs, the utility's rate base calculation includes a specific adjustment for the allocation of FCWC's general office (net of depreciation) to the Barefoot Bay Division for water and wastewater in the amounts of \$21,766 and \$19,787, respectively. In the utility's last water rate case, the allocation of general office was included in the rate base calculation. On the other hand, there were no provisions for this allocation included in the last wastewater rate case. While we believe that it would be consistent with the interim statute to include this component in the water rate base only, the utility did not provide us with the information to be able to calculate the appropriate allocation as of June 30, 1995. Therefore, we removed the entire provisions for water and wastewater.

#### Working Capital

In this proceeding, the utility used the balance sheet method to compute its requested provision for working capital. In the last individual rate proceedings for both water and wastewater, the provision for working capital was derived using the formula method, or one-eighth of operation and maintenance (O&M) expenses. In accordance with the interim statute, the working capital allowance for this case shall be calculated using the formula method. Based on our adjustment of O&M expenses, we calculated a working capital provision of \$78,776 for water and \$72,407 for wastewater. Accordingly, we shall increase working capital by \$30,561 and \$28,479 for water and wastewater, respectively.

Applying these adjustments to working capital and the adjustments to reflect the utility's adjusted balances for June 30, 1995, we find that the interim rate base shall be \$1,158,691 for water and \$1,880,412 for wastewater.

#### COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedules Nos. 2-A and 2-B. Those adjustments which are self-explanatory or which are essentially

mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

In its MFRs, FCWC used a projected year-end capital structure and made no specific adjustments. The utility then made pro rata adjustments to reconcile the capital structure to rate base. Using the projected debt cost of 8.33% and a cost of equity of 11.88%, the utility requested an overall cost of capital of 8.75%.

We made several adjustments to the cost of capital for interim purposes. First, the utility's cost of debt reflects the projected cost rate as of June 30, 1996. During the test year, the utility refinanced some of its high cost long-term debt at a lower cost rate. To be consistent with our approved interim test year, it would be inappropriate to include the lower cost of debt in calculating the overall rate of return. Based on the information provided in the MFRs, we calculated the cost of debt to be 9.46% as of June 30, 1995.

For interim purposes, the utility used a cost of equity derived using the current leverage formula contained in Order No. PSC-95-0982-FOF-WS, issued August 10, 1995. Consequently, the requested cost of capital for interim rates was not calculated in accordance with Section 367.082, Florida Statutes. The rate of return on equity, according to Section 367.082, Florida Statutes, is calculated using the lower end of the range of the utility's last authorized return on equity. By Order No. PSC-95-0039-FOF-WU, issued January 10, 1995, we established the utility's required rate of return on equity for water with a range of 10.34% to 12.34%. Accordingly, we find it appropriate to set the utility's required rate of return on equity for water at 10.34%.

For wastewater, we established the required rate of return on equity in Order No. PSC-92-0563-FOF-WS, issued June 24, 1992, with a range of 12.11% to 14.11%. Consistent with the interim statute, the cost of capital used for interim rates is the minimum of the range of the last authorized return on equity, or 12.11%. However, since the requested cost of equity is less than what the statute would allow, we used the requested cost rate of 10.88%. We have consistently applied this treatment in interim rate proceedings. See Orders Nos. PSC-94-1237-FOF-WU, PSC-93-1174-FOF-SU and PSC-95-0573-FOF-WS, issued on October 11, 1994, August 10, 1993 and May 9, 1995, respectively.

In its MFRs, the utility calculated the weighted cost of Investment Tax Credits (ITCs) as 9.61%. In its calculation, the utility included customer deposits in determining the cost rate of

ITCs. We calculate the weighted cost of ITCs by including only the investor sources of capital - common stock, preferred stock, long-term and short-term debt. As such, we removed the customer deposit component from the calculation of the cost rate. Based on the adjustments to the cost of long-term debt, the cost of equity and the adjustment to remove customer deposits, we calculated the weighted cost of ITCs as 9.69% for water and 9.87% for wastewater. Based on the above, for interim purposes, we calculated an overall rate of return of 8.72% for water and 8.88% for wastewater.

#### NET OPERATING INCOME

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

#### Operating Revenues

Section 367.082(5)(b)(1), Florida Statutes, states that the achieved rate of return is calculated by applying appropriate adjustments and annualizing any rate changes occurring during such period. FCWC last received a price index increase on July 1, 1995. In its application, FCWC annualized its revenues related to this price index. Because the index was implemented after the approved interim test year, we removed the annualized revenues which were adjusted for the index. Therefore, we reduced test year revenues by \$10,902 and \$9,275 for water and wastewater, respectively. Based on our review of the MFRs, the utility increased wastewater revenues by \$5,884 for proposed reclaimed water revenues for the projected test year. Accordingly, we have decreased test year wastewater revenues by \$5,884 to remove these proposed reclaimed water revenues. Corresponding adjustments were also made to income taxes and taxes other than income to remove taxes associated with the revenue adjustments discussed above and to reflect the test year ended June 30, 1995.

#### Rate Case Expense

In its filing, the utility included a provision for rate case expense which reflects expenses associated with the current case. Consistent with the interim statute, we find it appropriate to include only the dollar amount of rate case expense which we approved in the last rate cases. By Order No. PSC-92-0563-FOF-WS, issued June 24, 1992, we allowed rate case expense of \$6,320 on an annual basis for both water and wastewater. Additionally, by Order



No. PSC-95-0039-FOF-WU, issued January 10, 1995, we allowed an additional \$10,251 in rate case expenses for the water only case. Since the four-year rate reduction required by Section 367.0816, Florida Statutes, has not occurred for either case, we find it appropriate to consider rate case expense for both prior cases.

For interim purposes, we find it appropriate to grant \$16,571 in rate case expense for water. After making the adjustment to reduce expenses to the interim test year, the amount of rate case expense calculated for water is below the level that the prior orders would allow. Consequently, for interim purposes, we believe that it is inappropriate to increase water O&M expenses. For wastewater, we find it appropriate to grant \$6,320 in rate case expense. Accordingly, we reduced expenses by \$2,370 for wastewater to reduce rate case expense to the amount allowed.

Based on the utility's filing and the above adjustments, the test year operating income before any revenue increase is \$752,685 for water and \$822,297 for wastewater. This represents an achieved rate of return of 2.57% for water and 4.01% for wastewater.

#### Revenue Requirement

Based upon recovery of actual operating expenses for the test year ended June 30, 1995, an 8.72% overall rate of return for water and an 8.88% overall rate of return for wastewater on a year-end rate base, we find it appropriate to approve \$872,254 in annual water revenues and \$976,222 in annual wastewater revenues. This represents an annual increase of \$119,569 (or 15.89%) for water and \$153,925 (or 18.72%) for wastewater.

#### Interim Rates

We find that interim service rates for FCWC's Barefoot Bay Division should be designed to allow the utility the opportunity to generate additional annual operating revenues of \$119,569 and \$153,925 for its water and wastewater systems, respectively. This results in increases of 15.97% and 18.81%, excluding miscellaneous revenues, in its existing water and wastewater rates, when applied as an across the board increase to total revenues.

The interim rates shall be implemented for service rendered on or after the stamped approval date on the tariff sheets in accordance with Rule 25-30.475, Florida Administrative Code, provided customers have received notice. The utility shall provide proof of notice within 10 days of the date of notice. The revised tariff sheets will be approved upon our staff's verification that the tariffs are consistent with the our decision, that the proposed

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notice to the customers of the approved increase is adequate and the required security has been filed.

The utility's current, proposed interim and proposed final rates, and our approved interim rates are shown on Schedules Nos. 4-A and 4-B.

SECURITY FOR INTEREST

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over previously authorized rates shall be collected under guarantee subject to refund with interest. We determined that a corporate undertaking signed by FCWC would be sufficient to protect the potential refunds. Therefore, the utility shall provide a corporate undertaking in the amount of \$192,800 as guarantee of any potential refund of water and wastewater service revenues collected under interim conditions.

Further, by no later than the twentieth (20th) day after each monthly billing, FCWC shall file a report showing the amount of revenues collected each month and the amount of revenues collected to date relating to the interim increases. If refunds are required, the refunds shall be made with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the Suggestion of Error on Staff Recommendation on Interim Rates filed by Florida Cities Water Company, Barefoot Bay Division is denied. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division's request for oral argument is hereby denied. It is further

ORDERED that the final rates and schedules proposed by Florida Cities Water Company, Barefoot Bay Division are hereby suspended in accordance with Section 367.081(6), Florida Statutes. It is further

ORDERED that the requested interim water and wastewater rates by Florida Cities Water Company, Barefoot Bay Division are hereby granted to the extent set forth in the body of this Order. It is further

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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 the approved interim water and wastewater rates shall become effective for service rendered on or after the stamped approval date on the tariff sheets in accordance with Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division shall provide proof that notice was given to its customers within 10 days of the date of notice. It is further

ORDERED that the difference between the interim rates granted herein and Florida Cities Water Company, Barefoot Bay Division's previously authorized rates shall be collected subject to refund, with interest. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division shall provide a corporate undertaking in the amount of \$192,800 as guarantee of any potential refund of water and wastewater service revenues collected under interim conditions. It is further

ORDERED that prior to the implementation of the interim water and wastewater rates approved herein, Florida Cities Water Company, Barefoot Bay Division shall file and have approved tariff pages revised in accordance with the provisions of this Order, appropriate security for the refund, a proposed customer notice, and proof that the customers have received notice of the rate increase. It is further

ORDERED that the tariff sheets will be stamped approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the appropriate security is provided. It is further

ORDERED that during the time the interim rates are in effect, Florida Cities Water Company, Barefoot Bay Division shall file a report by the twentieth day of each month indicating the monthly and total revenue collected subject to refund, pursuant to Rule 25-30.360(6), Florida Administrative Code.

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By ORDER of the Florida Public Service Commission, this 23rd  
day of January, 1996.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Ferguson  
Chief, Bureau of Records

( S E A L )

MSN

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.

Any party adversely affected by this order, which is intermediate in nature, may request 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 wastewater utility. Citizens of the State of Florida v. Mayo, 316 So. 2d 262 (Fla. 1975), states that an order on interim rates is not final nor reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION			SCHEDULE NO. 1-A		
SCHEDULE OF WATER RATE BASE			DOCKET NO. 951258-WS		
INTERIM TEST YEAR ENDED 06/30/95					
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 6/30/95	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR 6/30/95
1 UTILITY PLANT IN SERVICE	\$ 4,475,071	\$ 46,235	\$ 4,521,306	(46,235)	4,475,071
2 LAND	1,056	0	1,056	0	1,056
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	18,308	(18,308)	0	0	0
5 ACCUMULATED DEPRECIATION	(1,295,605)	(151,767)	(1,447,372)	151,767	(1,295,605)
6 CIAC	(2,973,936)	(12,375)	(2,986,311)	12,375	(2,973,936)
7 AMORTIZATION OF CIAC	952,794	113,543	1,066,337	(113,543)	952,794
8 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0
9 ADVANCES FOR CONSTRUCTION	(79,465)	2,990	(76,475)	(2,990)	(79,465)
10 OTHER: ALLOC. OF GENERAL OFFICE	0	21,766	21,766	(21,766)	0
11 WORKING CAPITAL ALLOWANCE	64,715	(16,500)	48,215	30,561	78,776
<b>RATE BASE</b>	<b>\$ 1,162,938</b>	<b>\$ (14,417)</b>	<b>\$ 1,148,521</b>	<b>\$ 10,169</b>	<b>\$ 1,158,691</b>

FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION			SCHEDULE NO. 1-B		
SCHEDULE OF WASTEWATER RATE BASE			DOCKET NO. 951258-WS		
INTERIM TEST YEAR ENDED 06/30/95					
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 6/30/96	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR 6/30/95
1 UTILITY PLANT IN SERVICE	\$ 4,720,099	\$ 4,935,862	\$ 9,655,961	(\$ 4,935,862)	4,720,099
2 LAND	363,923	1,040,446	1,404,369	(1,040,446)	363,923
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	1,421,517	(1,421,517)	0	0	0
5 ACCUMULATED DEPRECIATION	(1,399,695)	(393,232)	(1,792,927)	393,232	(1,399,695)
6 CIAC	(2,595,460)	(43,000)	(2,638,460)	43,000	(2,595,460)
7 AMORTIZATION OF CIAC	857,338	102,847	960,185	(102,847)	857,338
8 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0
9 ADVANCES FOR CONSTRUCTION	(138,200)	5,200	(133,000)	(5,200)	(138,200)
10 OTHER: ALLOC. OF GENERAL OFFICE	0	19,787	19,787	(19,787)	0
11 WORKING CAPITAL ALLOWANCE	58,962	(15,034)	43,928	28,479	72,407
<b>RATE BASE</b>	<b>\$ 3,268,484</b>	<b>\$ 4,231,359</b>	<b>\$ 7,519,843</b>	<b>(\$ 5,633,431)</b>	<b>1,886,412</b>

**FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION**  
**ADJUSTMENTS TO RATE BASE**  
**INTERIM TEST YEAR ENDED 06/30/95**

**SCHEDULE NO. 1-C**  
**DOCKET NO. 951258-WS**  
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EXPLANATION	WATER	WASTEWATER
(1) <b>UTILITY PLANT IN SERVICE</b> To adjust plant in service to the test year end 6/30/95	\$ <u>(46,235)</u>	\$ <u>(4,935,862)</u>
(2) <b>LAND</b> To adjust land to the test year end 6/30/95		\$ <u>(1,040,446)</u>
(3) <b>ACCUMULATED DEPRECIATION</b> To adjust accumulated depreciation to the test year end 6/30/95	\$ <u>151,767</u>	\$ <u>393,232</u>
(4) <b>CIAC</b> To adjust CIAC to the test year end 6/30/95	\$ <u>12,375</u>	\$ <u>43,000</u>
(5) <b>ACCUMULATED AMORTIZATION</b> To adjust CIAC amortization to the test year end 6/30/95	\$ <u>(113,543)</u>	\$ <u>(102,847)</u>
(6) <b>ADVANCES FOR CONSTRUCTION</b> To adjust advances for construction to the test year end 6/30/95	\$ <u>(2,980)</u>	\$ <u>(5,200)</u>
(7) <b>ALLOCATION OF GENERAL OFFICE</b> To remove general allocation to reflect the test year end 6/30/95	\$ <u>(21,766)</u>	\$ <u>(19,787)</u>
(8) <b>WORKING CAPITAL</b> Adjustment to reflect the formula method	\$ <u>30,561</u>	\$ <u>28,479</u>

**FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
CAPITAL STRUCTURE - WATER  
INTERIM TEST YEAR ENDED 06/30/95**

**SCHEDULE NO. 2 - A  
DOCKET NO. 951258 - WS**

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DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY</b>							
1 LONG TERM DEBT	\$ 36,616,667	\$ 0	\$(32,626,837)	3,989,830	46.03%	8.33%	3.83%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	9.00%	0.00%
3 PREFERRED STOCK	9,000,000	0	(8,019,341)	980,659	11.31%	9.00%	1.02%
4 COMMON EQUITY	24,360,915	0	(21,706,498)	2,654,417	30.62%	11.88%	3.64%
5 CUSTOMER DEPOSITS	759,458	0	(676,706)	82,752	0.95%	6.00%	0.06%
6 DEFERRED ITC'S - ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S - WTD COST	1,637,481	0	(1,459,058)	178,423	2.06%	9.61%	0.20%
8 DEFERRED INCOME TAXES	7,179,404	0	(6,397,121)	782,283	9.02%	0.00%	0.00%
9 TOTAL CAPITAL	\$ 79,553,925	\$ 0	\$(70,885,561)	8,668,364	100.00%		8.75%
<b>PER COMMISSION</b>							
10 LONG TERM DEBT	\$ 36,616,667	\$(3,206,667)	\$(32,022,999)	1,387,001	45.64%	9.46%	4.32%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	9,000,000	0	(8,626,369)	373,631	12.29%	9.00%	1.11%
13 COMMON EQUITY	24,360,915	(3,057,804)	(20,418,722)	884,389	29.10%	10.34%	3.01%
14 CUSTOMER DEPOSITS	759,458	(21,636)	(707,192)	30,630	1.01%	6.00%	0.06%
15 DEFERRED ITC'S - ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S - WTD COST	1,637,481	81,600	(1,647,714)	71,367	2.35%	9.69%	0.23%
16 DEFERRED INCOME TAXES	7,179,404	(143,664)	(6,743,855)	292,085	9.61%	0.00%	0.00%
17 TOTAL CAPITAL	\$ 79,553,925	\$(6,348,171)	\$(70,166,651)	3,039,103	100.00%		8.72%
<b>RANGE OF REASONABLENESS</b>					<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY					10.34%	12.34%	
OVERALL RATE OF RETURN					8.72%	9.30%	



**FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
CAPITAL STRUCTURE - WASTEWATER  
INTERIM TEST YEAR ENDED 06/30/95**

**SCHEDULE NO. 2 - B  
DOCKET NO. 951258-WS**

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY</b>							
1 LONG TERM DEBT	\$ 36,616,667	\$ 0	\$(32,626,837)	3,989,830	46.03%	8.33%	3.83%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	9.00%	0.00%
3 PREFERRED STOCK	9,000,000	0	\$(8,019,341)	980,659	11.31%	9.00%	1.02%
4 COMMON EQUITY	24,360,915	0	\$(21,706,498)	2,654,417	30.62%	11.88%	3.64%
5 CUSTOMER DEPOSITS	759,458	0	\$(676,706)	82,752	0.95%	6.00%	0.06%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	1,637,481	0	\$(1,459,058)	178,423	2.06%	9.61%	0.20%
8 DEFERRED INCOME TAXES	7,179,404	0	\$(6,397,121)	782,283	9.02%	0.00%	0.00%
9 TOTAL CAPITAL	\$ <u>79,553,925</u>	\$ 0	\$(70,885,561)	<u>8,668,364</u>	<u>100.00%</u>		<u>8.75%</u>
<b>PER COMMISSION</b>							
10 LONG TERM DEBT	\$ 36,616,667	\$(3,206,667)	\$(32,022,999)	1,387,001	45.64%	9.46%	4.32%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	9,000,000	0	\$(8,626,369)	373,631	12.29%	9.00%	1.11%
13 COMMON EQUITY	24,360,915	\$(3,057,804)	\$(20,418,722)	884,389	29.10%	10.86%	3.17%
14 CUSTOMER DEPOSITS	759,458	\$(21,636)	\$(707,192)	30,630	1.01%	6.00%	0.06%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WTD COST	1,637,481	81,600	\$(1,647,714)	71,367	2.35%	9.87%	0.23%
16 DEFERRED INCOME TAXES	7,179,404	\$(143,664)	\$(6,743,655)	292,085	9.61%	0.00%	0.00%
17 TOTAL CAPITAL	\$ <u>79,553,925</u>	\$ <u>(6,348,171)</u>	\$(70,166,651)	<u>3,039,103</u>	<u>100.00%</u>		<u>8.88%</u>
<b>RANGE OF REASONABLENESS</b>					<b>LOW</b>	<b>HIGH</b>	
LAST AUTHORIZED RETURN ON EQUITY					<u>12.11%</u>	<u>14.11%</u>	
OVERALL RATE OF RETURN					<u>9.24%</u>	<u>9.82%</u>	

**FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION**  
**STATEMENT OF WATER OPERATIONS**  
**INTERIM TEST YEAR ENDED 06/30/95**

**SCHEDULE NO. 3-A**  
**DOCKET NO. 951258-WS**

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 6/30/96	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR 6/30/95	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 720,256	\$ 196,467	\$ 916,723	(\$ 164,036)	\$ 752,685	\$ 119,569	\$ 672,254
OPERATING EXPENSES:						15.69%	
2 OPERATION AND MAINTENANCE	\$ 630,205	\$ 32,926	\$ 663,132	(\$ 32,926)	\$ 630,206	\$	\$ 630,206
3 DEPRECIATION	55,091	3,851	58,942	(3,851)	55,091		55,091
4 AMORTIZATION	1,322	0	1,322	0	1,322		1,322
5 TAXES OTHER THAN INCOME	70,312	10,731	81,043	(9,272)	71,771	5,361	77,152
6 INCOME TAXES	11,567	203	11,769	(47,322)	(35,533)	42,969	7,436
7 TOTAL OPERATING EXPENSES	\$ 768,517	\$ 47,711	\$ 816,228	(\$ 93,371)	\$ 722,857	\$ 48,350	\$ 771,207
8 OPERATING INCOME	\$ (48,261)	\$ 148,756	\$ 100,496	(\$ 70,867)	\$ 29,828	\$ 71,220	\$ 101,048
9 RATE BASE	\$ 1,162,938		\$ 1,148,521		\$ 1,158,691		\$ 1,158,691
RATE OF RETURN	-4.15%		8.75%		2.57%		8.72%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION			SCHEDULE NO. 3-B				
STATEMENT OF WASTEWATER OPERATIONS			DOCKET NO. 951258-WS				
INTERIM TEST YEAR ENDED 06/30/95							
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 6/30/96	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR 6/30/95	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 823,724 \$	1,286,757 \$	2,110,481 \$	(1,286,184)\$	822,297 \$	153,925 \$	976,222
OPERATING EXPENSES						18.72%	
2 OPERATION AND MAINTENANCE	\$ 581,627 \$	206,405 \$	788,032 \$	(206,775)\$	579,257 \$	\$	579,257
3 DEPRECIATION	121,189	174,631	296,021	(174,632)	121,189		121,189
4 AMORTIZATION	1,300	0	1,300	0	1,300		1,300
5 TAXES OTHER THAN INCOME	79,324	94,283	173,608	(94,347)	79,261	6,927	86,187
6 INCOME TAXES	(1,057)	194,591	193,535	(227,571)	(34,036)	55,315	21,280
7 TOTAL OPERATING EXPENSES	\$ 782,384 \$	670,110 \$	1,452,495 \$	(705,525)\$	746,971 \$	62,242 \$	809,213
8 OPERATING INCOME	\$ 41,340 \$	616,647 \$	657,986 \$	(562,659)\$	75,326 \$	91,683 \$	167,008
9 RATE BASE	\$ 3,288,484		\$ 7,519,643		\$ 1,880,412		\$ 1,880,412
RATE OF RETURN	1.26%		8.75%		4.01%		8.88%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION ADJUSTMENTS TO OPERATING STATEMENTS INTERIM TEST YEAR ENDED 06/30/95		SCHEDULE NO. 3-C DOCKET NO. 951258-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
<b>(1) OPERATING REVENUES</b>			
a) Reverse utility's proposed revenue increase	\$ (153,136)	\$ (1,273,024)	
b) To adjust revenues to the test year end 6/30/95	(10,902)	(15,160)	
	<u>\$ (164,038)</u>	<u>\$ (1,288,184)</u>	
<b>(2) OPERATION &amp; MAINTENANCE EXPENSES</b>			
a) To adjust O&M expenses to the test year end 6/30/95	\$ (32,926)	\$ (206,405)	
b) To reduce rate case expense to amount allowed in last case	0	(2,370)	
	<u>\$ (32,926)</u>	<u>\$ (208,775)</u>	
<b>(3) DEPRECIATION EXPENSE</b>			
To adjust depreciation expense to the test year end 6/30/95	\$ (3,851)	\$ (174,832)	
<b>(4) TAXES OTHER THAN INCOME TAXES</b>			
a) To adjust regulatory assessment fees related to revenue adjustment	\$ (6,891)	\$ (57,286)	
b) To adjust taxes other than income to the test year ended 6/30/95	(2,381)	(37,061)	
	<u>\$ (9,272)</u>	<u>\$ (94,347)</u>	
<b>(5) INCOME TAXES</b>			
To reflect income taxes associated with adjusted 6/30/95 test year income	\$ (47,322)	\$ (227,571)	
<b>(6) OPERATING REVENUES</b>			
Adjustment to reflect recommended revenue requirement	\$ 119,569	\$ 153,925	
<b>(7) TAXES OTHER THAN INCOME TAXES</b>			
Regulatory assessment taxes on additional revenues	\$ 5,381	\$ 6,927	
<b>(8) INCOME TAXES</b>			
Income taxes related to recommended income amount	\$ 42,969	\$ 55,315	

ORDER NO. PSC-96-0119-FOF-WS  
 DOCKET NO. 951258-WS  
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UTILITY: FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
 COUNTY: BREVARD  
 DOCKET NO. 951258-WS  
 TEST YEAR ENDED: June 30, 1995

Schedule 4A

**RATE SCHEDULE**

**WATER**

Monthly Rates

	<u>Current</u>	<u>Utility Requested Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Interim</u>
<b><u>Residential, Multi-Family, and General Service</u></b>				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$7.58	\$9.10	\$10.48	\$8.79
3/4"	\$11.37	\$13.65	\$15.72	\$13.19
1"	\$18.95	\$22.75	\$26.20	\$21.98
1-1/2"	\$37.90	\$45.50	\$52.40	\$43.95
2"	\$60.63	\$72.79	\$83.84	\$70.31
3"	\$121.27	\$145.58	\$167.68	\$140.64
4"	\$189.49	\$227.48	\$262.00	\$219.75
6"	\$378.97	\$454.95	\$524.00	\$439.49
8"	--	--	\$1,048.000	--
Gallonage Charge, per 1,000 Gallons	\$2.12	\$2.55	\$2.59	\$2.46

Typical Residential Bills

<b><u>5/8" x 3/4" meter</u></b>				
3,000 Gallons	\$13.94	\$16.75	\$18.25	\$16.17
5,000 Gallons	\$18.18	\$21.85	\$23.43	\$21.08
10,000 Gallons	\$28.78	\$34.60	\$36.38	\$33.38

UTILITY: FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
 COUNTY: BREVARD  
 DOCKET NO. 951258-WS  
 TEST YEAR ENDED: June 30, 1995

Schedule 4B

**RATE SCHEDULE**

**WASTEWATER**

Monthly Rates

	<u>Current</u>	<u>Utility Requested Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Interim</u>
<b><u>Residential and Multi-Family</u></b>				
Base Facility Charge: 5/8" x 3/4"	\$7.68	\$19.35	\$30.78	\$9.12
Gallage Charge, per 1,000 Gallons (Sewer Cap - 6,000 Gallons)	\$2.82	\$7.11	\$3.10	\$3.35
<b><u>General Service</u></b>				
Base Facility Charge: Meter Size:				
5/8" x 3/4"	\$7.68	\$19.35	\$30.78	\$9.12
3/4"	\$11.54	\$29.08	\$46.17	\$13.71
1"	\$19.23	\$48.46	\$76.95	\$22.85
1-1/2"	\$38.46	\$96.92	\$153.90	\$45.69
2"	\$61.54	\$155.09	\$246.24	\$73.12
3"	\$123.07	\$310.15	\$482.48	\$146.22
4"	\$192.31	\$484.64	\$769.50	\$228.48
6"	\$384.62	\$969.28	\$1,539.00	\$456.97
8"	--	--	\$3,078.00	--
Gallage Charge, per 1,000 Gallons	\$3.39	\$8.54	\$3.73	\$4.03

**Typical Residential Bills**

**5/8" x 3/4" meter**

3,000 Gallons	\$16.14	\$40.68	\$40.08	\$19.18
5,000 Gallons	\$21.78	\$54.90	\$46.28	\$25.88
10,000 Gallons (Sewer Cap - 6,000 Gallons)	\$24.60	\$62.01	\$49.38	\$29.23