

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff-) DOCKET NO. 951591-SU
Assisted Rate Case in Brevard) ORDER NO. PSC-96-1083-FOF-SU
County by COLONY PARK UTILITIES,) ISSUED: August 22, 1996
INC.)
_____)

The following Commissioners participated in the disposition of this matter:

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

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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Colony Park Utilities, Inc. (Colony Park) is a Class C wastewater only utility in Brevard County. Colony Park provides service to approximately 301 customers in Colony Park Mobile Home Park Community. Colony Park Mobile Home Village is a rental community within Colony Park Mobile Home Park which is owned by the same owner as the utility. The rental park has two master meters with individual tenants not metered. The wastewater service is included in each tenant's monthly rental charge.

Colony Park was issued Certificate 137-S by Order No. 7296, issued June 28, 1976. Since then, we have processed two rate cases for this utility, one in 1978 (Order 8295, issued May 3, 1978) and one in 1985 (Order 14238, issued March 26, 1985). The utility has not had an increase in rates since the 1985 staff assisted rate

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case (SARC). Show cause orders were issued for the utility's failure to timely file its 1986 and 1987 annual reports.

The City of Cocoa provides water service to the customers of this wastewater utility. In addition, the City of Cocoa provides billing services for Colony Park.

On December 26, 1995, the utility applied for this staff assisted rate case and paid the appropriate filing fee. The official filing date of this SARC is February 24, 1996. We have reviewed the utility's books and records and conducted an engineering field investigation. A review of the utility's operating expenses, maps, files, and rate application was also performed to obtain information about the physical plant and operating costs. Two customers chose to give quality of service testimony at the customer meeting held on June 4, 1996.

The test year for this case is the historical test year ending December 31, 1995. The utility has test year revenues of \$35,628 and operating expenses of \$45,777. These amounts result in a test period operating loss of \$10,149 for the wastewater system.

QUALITY OF SERVICE

A customer meeting was held on June 4, 1996, in Merritt Island, Florida. Two customers were in attendance. Both customers were concerned over the amount of the increase and why the utility did not apply for smaller increases since 1985. One of the customers also testified that it is sometimes difficult to contact the utility. Upon consideration, we require the utility to place its phone number, hours of availability and emergency phone number shall be in the customer notice which the utility sends out to utility customers after the Commission's decision.

A review of DEP's records has revealed that the wastewater treatment facilities are not completely in compliance with the appropriate environmental regulations. Colony Park is currently under a Department of Environmental Protection (DEP) consent Order #92-0675, to eliminate surface water discharge. Excess effluent indicates that the capacity of the percolation ponds is not sufficient to process the higher flows during peak seasonal use. To remedy this problem, the utility has purchased two acres of land (an orange grove) to use as a drainage field. Colony Park has obtained a dredge and fill permit from DEP and has submitted an application for effluent disposal to them.

Our review of the wastewater treatment plant's monthly operating reports indicates that a significant amount of water, not purchased from the City of Cocoa, is being treated as influent. The collection lines are approximately twenty-six years old and with the excessive amount of infiltration it is apparent that the lines may be failing. Accordingly, we require the utility to investigate the infiltration problem and develop and submit a plan to this Commission to minimize the infiltration within 180 days of the effective date of this Order.

In consideration of the above, we find the utility's quality of service to be satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the wastewater system is depicted on Schedule No. 1. Our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The utility's wastewater treatment plant consists of a single wastewater treatment plant and a wastewater collection system that are the minimum size necessary to provide service to the present customers; the development is largely built-out. Therefore, we find the wastewater treatment facility and the wastewater collection system to be 100% used and useful.

Utility Plant-in-Service

We established rate base for this utility in Order No. 15274, issued October 21, 1985. The utility's books reflected a utility plant in service (UPIS) balance of \$87,084 at the end of the test year. We calculated UPIS by starting with the amount in Order No. 15274, and adding plant installed through the 1995 test year. Therefore, we have made an adjustment of \$56,398 and an averaging adjustment of (\$4,522). In addition, an adjustment of \$22,410 was made to include the pro forma plant necessary to complete the drainage field to comply with the DEP Consent Order. Therefore, we find the appropriate average amount of test year plant in service to be \$161,370.

Land

Order No. 14238, issued March 26, 1985, established land value of \$3,000. The utility purchased two acres of land (an orange grove) to use as a drainage field to comply with the DEP consent Order. The utility provided proof of the purchase in the amount of \$27,479. Therefore, we have made an adjustment of \$27,479, resulting in a land value of \$30,479.

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

The utility did not record any CIAC on its books at the end of the test year. Order No. 14238, established CIAC of \$23,000. An additional \$500 of CIAC was collected in 1990. Therefore, we impute CIAC of (\$23,500).

Accumulated Amortization of CIAC

The utility recorded no accumulated amortization of CIAC at the end of the test year. Order No. 14238, established accumulated amortization of CIAC of \$2,030. To reflect the appropriate amount of accumulated amortization based on our adjustments to CIAC, we have adjusted accumulated amortization by \$14,584 and have made an averaging adjustment of (\$506). We find the average accumulated amortization to be \$14,078.

Accumulated Depreciation

The utility recorded accumulated depreciation of (\$64,398) on its books for the test year. We used a composite depreciation rate for utility plant of \$60,006 from Order No. 14238, issued March 26, 1985, through the test year, since there was no breakdown of utility plant by account. All additions since that time were broken down by account and the appropriate depreciation rates set forth in Rule 25-30.140, Florida Administrative Code, were used.

We find the appropriate balance for accumulated depreciation as of December 31, 1996, is (\$69,582). An averaging adjustment of \$3,086 reduces the balance to (\$66,496).

Working Capital Allowance

Following current Commission practice and consistent with Rule 25-30.443, Florida Administrative Code, we utilize the formula method to calculate working capital. The formula method calculation results in a figure that is one-eighth of operation and maintenance expense. In a later section of this Order, we find the appropriate operation and maintenance expense is \$38,764. Therefore, we have included one-eighth of that amount, \$4,846, in the rate base as the utility's working capital allowance.

Test Year Rate Base

Based on the foregoing, we find the test year rate base amount is \$120,777.

CAPITAL STRUCTURE

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2 attached to this Order. 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.

For the test year, Colony Park's capital structure consists of \$9,000 of common stock and \$41,766 of retained earnings. The utility has loan accounts with its sole shareholder and related company that totaled \$72,134 as of December 31, 1995. There are no formal loan agreements and no interest is being accrued on these loans. Therefore, we include this loan amount as additional paid in capital, which makes the utility's capital structure 100% common equity.

Based on the leverage formula approved by Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, the utility's allowable return on equity shall be 10.18%. We also find the overall rate of return shall be 10.18%.

NET OPERATING INCOME

Our calculation of net operating income for the wastewater system is depicted on Schedule No. 3. Our adjustments are itemized on Schedule No. 3-A and 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 Revenue

The utility recorded wastewater system test year revenue of \$39,583. Our audit revealed that the utility imputed revenue of \$24,000 for the test year at the rental park, and used actual consumption numbers for customers other than the rental park. We recalculated revenue using actual usage reports provided by the City of Cocoa for the rental park and other residents. The revenue check revealed that test year revenues shall be \$35,628. We have made an adjustment of (\$3,955) to bring test year revenue to the proper amount.

Test Year Operating Loss

The test year operating revenues for this utility are \$35,628, while the corresponding test year operating expenses are \$45,777. This results in a test year operating loss of (\$10,149). The test year operating losses are shown on Schedule No. 3 and 3A.

Operation and Maintenance (O & M) Expenses

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year canceled checks for verification of the appropriate account, amount, and for reasonableness. 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:

- 1) Sludge Removal Expense - The utility recorded \$650 for this expense. The utility's monthly operating reports indicated that the plant's influent wastewater is greater than the plant's maximum rated capacity. Because of this situation, the sludge should be removed more frequently. We are increasing this expense allowance from 2 sludge removals per year (\$325 each) to 6 sludge removals per year. We made an adjustment of \$1,300 to allow for bi-monthly sludge removal.

- 2) (715) - Purchased Power - The utility recorded \$7,725 in this account. We made adjustments to: a) remove a \$40 late payment fee paid to Florida Power & Light; b) remove a \$1,406 posting error of check #877; and c) add \$17 in interest on a security deposit credited by Florida Power and Light. The total purchased power adjustments amount to (\$1,429).
- 3) (720) - Materials and Supplies - The utility recorded \$1,488 for this expense. We made adjustments to: a) remove \$150 of non-verifiable expenses; b) reclassify \$618 of expensed utility plant to utility plant in service; c) reclassify a \$140 materials and supplies expense from account #730; and d) reclassify a \$200 contractual services expense to account # 730. Total adjustments for this account are (\$828).
- 4) (730) - Contractual Services - The utility recorded \$40,788 in this account. We made adjustments to: a) adjust for errors in posting checks (\$2,875); b) include \$50 for check #812 made to Bobby & Son Contractors; c) include a \$1,143 City of Cocoa billing fee; d) reclassify a \$140 materials and supplies expense to account # 720; e) reclassify \$1,295 of rent expense to account # 740; f) remove a \$330 posting error; g) reclassify \$12,525 of expensed utility plant to utility plant in service; h) reclassify a \$200 contractual services expense from account # 720; and i) reclassify \$275 of rate case expense to account # 765. Total adjustments of (\$16,047) were made to this account.

We find contractual services of \$24,741 appropriate, which include \$10,800 for the management contract, \$5,100 for the licensed operator contract, \$1,088 for DEP required wastewater testing, \$1,568 for accounting and legal services, \$1,325 for lawn maintenance, and \$4,860 for repairs and maintenance.

- 5) (740) - Rents - The utility recorded \$1,295 of rent expense in the contractual services account. We reclassified this expense to the rent expense account. We find this amount of rent expense is fair and reasonable based on the size of this utility.

- 6) (755) - Insurance Expense - The utility did not record any insurance expense in this account. An adjustment was made to include an allocation for insurance expense of \$1,500.
- 7) (765) - Regulatory Commission Expenses - The utility did not record any regulatory commission expense in this account. We made adjustments to: a) include \$250 for the rate case filing fee amortized over 4 years (\$1,000/4); and b) include \$150 (\$600/4) for rate case expense amortized over 4 years (\$275 reclassified from account No. 730 plus \$325 attorney fees).
- 8) (770) - Bad Debt Expense - The utility included no bad debt expense for the test year. We made an adjustment of \$181 to include the bad debt expense amount provided by the City of Cocoa, the utility's billing contractor.

Depreciation Expense

The utility recorded depreciation expense of \$4,962 for the test year. We applied the prescribed depreciation rates and used and useful percentages to the appropriate test year plant-in-service account balances which result in a depreciation expense of \$4,981 for the test year. An adjustment of \$19 was made to bring depreciation expense to \$4,981.

The utility recorded no amortization expense for the test year. We determined test year CIAC amortization expense to be (\$932). An adjustment of (\$932) was made to bring amortization expense to the proper test year amount.

Taxes Other than Income

The utility recorded \$4,423 in this account during the test year. We made adjustments to: 1) remove \$3,063 in regulatory assessment fees paid in 1995 which were for prior years; and 2) include 1995 regulatory assessment fees of \$1,604 based on test year revenue. Total adjustments for this account are (\$1,459).

Increases in Operating Expenses for Ratesetting Purposes

Operating Revenues

Revenue has been adjusted by \$23,502 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn a reasonable return on its investment.

Taxes Other Than Income Taxes

This expense has been increased by an additional \$1,058 to reflect the regulatory assessment fee of 4.5% on the increase in revenue being granted herein.

Based on the foregoing adjustments, we find the utility's test year operating expenses to be \$46,835.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$59,130. This represents an annual increase in revenue of \$23,502 or 65.96 percent. These revenue requirements will allow the utility to recover its expenses and allow it an opportunity to earn a 10.18% return on its investment.

RATES AND CHARGES AND RATE STRUCTURE

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn an 10.18 percent return on its investment.

Monthly Service Rates

Currently, the utility employs a base facility and gallonage charge rate structure, which is the preferred rate structure, because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable 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). Therefore, we find it is appropriate to retain this rate structure.

The utility provided wastewater service to approximately 150 rental units and 151 other residential customers. We calculated rates based on test year customers and the consumption levels provided by the billing analysis. Order No. 15274, issued October 21, 1985, established a special tariff for the Colony Park Rental Village consisting of a base facility charge of \$440.50 and a gallonage charge of \$1.22 per 1,000 gallons with no maximum. We maintained the special tariff for the rental park using the test year number of rental customers to determine the base facility charge and using the same gallonage charge as non-rental park customers but with 1,500,000 gallons per month (150 residents x 10,000 gallons) maximum gallonage. Schedules of the utility's existing rates and rate structure and the new rates and rate structure are set forth below for comparison.

MONTHLY WASTEWATER RATES
Residential Service

<u>Base Facility Charge</u>	<u>Monthly Existing Rates</u>	<u>Monthly Approved Rates</u>
<u>Meter Sizes:</u>		
5/8" x 3/4"	\$ 3.64	\$ 6.18
1"	3.64	15.46
1 1/2"	3.64	30.92
2"	3.64	49.47
3"	3.64	98.93
4"	3.64	154.58
6"	3.64	309.16
	\$ 1.10	\$ 1.81

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MONTHLY WASTEWATER RATES
General Service

<u>Base Facility Charge</u> <u>Meter Sizes:</u>	<u>Monthly</u> <u>Existing Rates</u>	<u>Monthly</u> <u>Approved Rates</u>
5/8" x 3/4"	\$ 3.64	\$ 6.18
1"	8.15	15.46
1 1/2"	15.66	30.92
2"	24.68	49.47
3"	N/A	98.93
4"	N/A	154.58
6"	N/A	309.16
<u>Gallonge Charge</u> Per 1,000 Gallons (10,000 gallon maximum)	\$ 1.47	\$ 2.17

MONTHLY WASTEWATER RATES
SPECIAL TARIFF APPLICABLE ONLY TO COLONY PARK MOBILE HOME PARK

	<u>Monthly</u> <u>Existing Rates</u>	<u>Monthly</u> <u>Approved Rates</u>
<u>Base Facility Charge</u>	\$ 440.50	\$ 927.00
<u>Gallonge Charge</u> Per 1,000 Gallons (1,500,000 gallon maximum)	\$ 1.22	\$ 1.81

Using the average 151 test year residential wastewater customers other than the rental park, with an average wastewater usage of 4,690 gallons per month per customer, an average residential monthly wastewater bill comparison is as follows:

	<u>Existing Monthly Bill</u>	<u>Approved Monthly Bill</u>	<u>Percent Increase</u>
Base Facility Charge	\$ 3.64	\$ 6.18	
Gallongage Charge	<u>\$ 5.16</u>	<u>\$ 8.49</u>	
Total	\$ 8.80	\$ 14.67	66.70%

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. 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. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Service Availability Charges

The utility's existing tariff includes the following service availability policy.

No specific charge is authorized. Future additions to the plant and collection system should be paid for by the developer requiring the additional capacity and connections.

The utility's territory is fully built-out. Therefore, we will maintain the existing service availability policy at this time.

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 \$419.

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

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of four 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 is a \$1,000 filing fee, and \$600 for a consultant. The four-year recovery period for this fee allows the utility to recover \$400 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 \$419.

At the end of four years, Colony Park's rates shall be reduced by \$419 annually. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is stated on Schedule No. 4.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the 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 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.

Temporary Rates in the Event of Protest

This Order proposes an increase in 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 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 \$16,240, or an escrow account, and a proposed customer notice, and revised tariff sheets.

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

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

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

In addition, after the increased rates are in effect, the utility shall 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

During the test year, the utility's books were 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:

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 its 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.

Several pro forma items must be completed in order to bring the drainage field in compliance with the DEP Consent Order. If no timely protest is received, upon expiration of the protest period, this docket should remain open for an additional six months from the effective date of this Order so that our staff may verify that the pro forma items have been completed. If the utility fails to timely complete these items, our staff will prepare a follow-up recommendation and show cause proceedings may be initiated.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Colony Park Utilities, Inc. for an increase in its wastewater rates in Brevard 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 by a substantially affected party other than Colony Park Utilities, Inc., in the form provided by Rule 25-222.029, Florida Administrative Code, is received by the Director of Records and Reporting at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Colony Park Utilities, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

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

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

ORDERED that Colony Park Utilities, Inc. shall publish its telephone number, hours of availability, and emergency telephone number on the customer notice required by this Order. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Colony Park Utilities, Inc. shall submit revised tariff sheets which shall be approved upon Staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that an appropriate customer notice has been submitted. It is further

ORDERED that, in the event of a protest by any substantially affected person other than the utility, Colony Park 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 Colony Park 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, in the event of such protest, prior to its implementation of the rates and charges approved herein, Colony Park Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$16,240 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that Colony Park 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 remain open for an additional six months so that our staff may verify that the pro forma items have been completed.

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By ORDER of the Florida Public Service Commission, this 22nd
day of August, 1996.



BLANCA S. BAYO, Director
Division of Records and Reporting

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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 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 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 12, 1996. 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.

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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 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.

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 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 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.

COLONY PARK UTILITIES, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 1
 DOCKET NO. 951591-SU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 87,084	\$ 74,286 A	\$ 161,370
LAND/NON-DEPRECIABLE ASSETS	30,479	0	30,479
CIAC	0	(23,500) B	(23,500)
ACCUMULATED DEPRECIATION	(64,398)	(2,098) C	(66,496)
AMORTIZATION OF CIAC	0	14,078 D	14,078
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,846 E</u>	<u>4,846</u>
WASTEWATER RATE BASE	\$ 53,165	\$ 67,612	\$ 120,777

COLONY PARK UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 1A
DOCKET NO. 951591-SU

	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To bring utility balance to commission approved plant.	\$ 56,398
2. To reflect pro forma plant.	22,410
3. To reflect averaging adjustment.	(4,522)
	<u>\$ 74,286</u>
B. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To include CIAC not recorded by utility.	<u>\$ (23,500)</u>
C. <u>ACCUMULATED DEPRECIATION</u>	
1. To bring utility balance to commission approved amount.	\$ (5,184)
2. To reflect averaging adjustment.	3,086
	<u>\$ (2,098)</u>
D. <u>AMORTIZATION OF CIAC</u>	
1. To include acc/amort. not recorded by utility.	\$ 14,584
2. To reflect averaging adjustment.	(506)
	<u>\$ 14,078</u>
E. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses	<u>\$ 4,846</u>

COLONY PARK UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 2
 DOCKET NO. 951591-SU

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
COMMON STOCK	\$ 9,000	\$ 0	\$ 8,663	7.17%	10.18%	0.73%
RETAINED EARNINGS	41,766	0	40,200	33.28%	10.18%	3.39%
PAID IN CAPITAL	0	74,714	71,913	59.54%	10.18%	6.06%
TOTAL	\$ 50,766	\$ 74,714	\$ 120,777	100.00%		10.18%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.18%	11.18%
OVERALL RATE OF RETURN	9.18%	11.18%

COLONY PARK UTILITIES, INC.
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 3
 DOCKET NO. 951591-SU

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 39,583	\$ (3,955) A	\$ 35,628	\$ 23,502 F	\$ 59,130
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 52,392	\$ (13,628) B	\$ 38,764	\$ 0	\$ 38,764
DEPRECIATION	4,962	19 C	4,981	0	4,981
AMORTIZATION	0	(932) D	(932)	0	(932)
TAXES OTHER THAN INCOME	4,423	(1,459) E	2,964	1,058 G	4,022
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 61,777	\$ (16,000)	\$ 45,777	\$ 1,058	\$ 46,835
OPERATING INCOME/(LOSS)	\$ (22,194)		\$ (10,149)		\$ 12,295
WASTEWATER RATE BASE	\$ 53,165		\$ 120,777		\$ 120,777
RATE OF RETURN	<u>-41.75%</u>		<u>-8.40%</u>		<u>10.18%</u>

COLONY PARK UTILITIES, INC.
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 3A
 DOCKET NO. 951591-SU
 PAGE 1 OF 2

<u>A. OPERATING REVENUES</u>	<u>WASTEWATER</u>
1. To adjust utility figure to commission's billing analysis.	\$ <u>(3,955)</u>
B. OPERATION AND MAINTENANCE EXPENSES	
1. (711) Sludge Removal Expense	
a. To increase sludge removal expense per Commission's decision.	\$ <u>1,300</u>
2. (715) Purchased Power	
a. To remove late payment fee paid to Florida Power & Light.	\$ (40)
b. To correct error in posting check # 877.	(1,406)
c. To include interest applied by Florida Power & Light.	17
	\$ <u>(1,429)</u>
3. (720) Materials and Supplies	
a. To remove \$150 of non-verifiable expenses.	\$ (150)
b. To reclassify to utility plant in service.	(618)
c. To reclassify expense from account # 730.	140
d. To reclassify contractual services expense to account # 730.	(200)
	\$ <u>(828)</u>
4. (730) Contractual Services	
a. To adjust for errors in posting checks.	\$ (2,875)
b. To include check # 812 to Bobby & Son.	50
c. To include City of Cocoa billing fee.	1,143
d. To reclassify materials & supplies expense to account # 720.	(140)
e. To reclassify rent expense to account # 740.	(1,295)
f. To remove posting error.	(330)
g. To reclassify to utility plant in service.	(12,525)
h. To reclassify contractual services expense from account # 720.	200
i. To reclassify rate case expense to account # 765.	(275)
	\$ <u>(16,047)</u>
5. (740) Rents	
a. To reclassify rent expense from account # 730.	\$ <u>1,295</u>
6. (755) Insurance Expense	
a. To include annual liability insurance expense.	\$ <u>1,500</u>
7. (765) Regulatory Commission Expense	
a. To include rate case filing fee amortized over 4 years.	\$ 250
b. To include rate case expense amortized over 4 years.	150
	\$ <u>400</u>
8. (770) Bad Debt Expense	
a. To include bad debt expense shown by City of Cocoa.	\$ <u>181</u>
O & M TOTAL	\$ <u>(13,628)</u>

COLONY PARK UTILITIES, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 3A
DOCKET NO. 951591-SU
PAGE 2 OF 2

C. <u>DEPRECIATION</u>	
1. To adjust to Commission approved balance.	\$ <u>19</u>
D. <u>AMORTIZATION</u>	
1. To include Commission approved amortization expense.	\$ <u>(932)</u>
E. <u>TAXES OTHER THAN INCOME</u>	
1. To remove regulatory assessment fees paid in 1995 but from prior years.	\$ (3,063)
2. To include 1995 regulatory assessment fees.	1,604
	\$ <u>(1,459)</u>
F. <u>OPERATING REVENUES</u>	
1. To reflect Commission approved revenue increase.	\$ <u>23,502</u>
G. <u>TAXES OTHER THAN INCOME</u>	
1. To reflect the additional regulatory assessment fee associated with Commission approved revenue requirement.	\$ <u>1,058</u>

COLONY PARK UTILITIES, INC.
ANALYSIS OF WASTEWATER OPERATION AND
MAINTENANCE EXPENSE
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 3B
DOCKET NO. 951591-SU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(701) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	650	1,300 [1]	1,950
(715) PURCHASED POWER	7,725	(1,429)[2]	6,296
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	1,427	0	1,427
(720) MATERIALS AND SUPPLIES	1,488	(828)[3]	660
(730) CONTRACTUAL SERVICES	40,788	(16,047)[4]	24,741
(740) RENTS	0	1,295 [5]	1,295
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	0	1,500 [6]	1,500
(765) REGULATORY COMMISSION EXPENSE	0	400 [7]	400
(770) BAD DEBT EXPENSE	0	181 [8]	181
(775) MISCELLANEOUS EXPENSES	314	0	314
	<u>\$ 52,392</u>	<u>\$ (13,628)</u>	<u>\$ 38,764</u>

ORDER NO. PSC-96-1083-FOF-SU
 DOCKET NO. 951591-SU
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COMMISSION APPROVED RATE REDUCTION SCHEDULE

COLONY PARK UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 4
 DOCKET NO. 951591-SU

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>RATE REDUCTION</u>
BASE FACILITY CHARGE: by meter size:		
5/8"X3/4"	\$ 6.18	\$ 0.04
1"	15.46	0.10
1-1/2"	30.92	0.21
2"	49.47	0.33
3"	98.93	0.67
4"	154.58	1.05
6"	309.16	2.09
RENTAL PARK BASE FACILITY CHARGE	\$ 927.49	\$ 6.27
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (10,000 GALLON CAP)	\$ 1.81	\$ 0.01
COMMERCIAL GALLONAGE CHARGE PER 1,000 GALLONS (NO GALLONAGE CAP)	\$ 2.17	\$ 0.01