

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 960133-WU
assisted rate case in Lee County) ORDER NO. PSC-96-1466-FOF-WU
by MHC-DeAnza Financing Limited) ISSUED: DECEMBER 3, 1996
Partnership d/b/a Buccaneer)
Water Service.)
_____)

The following Commissioners participated in the disposition of this matter:

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

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 and not requiring MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service to show cause, 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

Buccaneer Water Service (Buccaneer or utility) is a Class C utility which provides water service to Buccaneer Mobile Home Park, in Lee County, Florida. The utility currently serves 967 residential and 12 general service customers. The utility recorded 1995 operating revenues of \$108,736 and operating expenses of \$183,100, which resulted in an operating loss of \$74,364.

Buccaneer purchases its water from Lee County Utilities, and therefore does not have a water treatment plant. The facilities of the utility consist of one water transmission and distribution system.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

The utility was established in 1974 by Buccaneer Mobile Estates, Inc. On August 28, 1980, the utility and the related mobile home park were sold to DeAnza Properties-XI, Ltd. d/b/a Buccaneer Water Service (DeAnza). After purchasing the utility DeAnza instituted a policy of charging metered rates for water used by the tenants; however, in order to honor the original life-long lease agreements signed prior to its takeover, only new tenants were subject to the metered water bills. Tenants holding life-long leases were referred to as "lifetime lessees" (lifetimers) while new tenants were referred to as "non-lifetime lessees" (non-lifetimers). On March 17, 1982, DeAnza, filed an original application for authority to provide water service to Buccaneer Mobile Estates in Lee County. By Order No. 11263, issued October 25, 1982, we granted Water Certificate No. 366-W to the utility and set initial water rates. Wastewater service continues to be provided without charge for both lifetimers and non-lifetimers.

The utility filed for a staff-assisted rate case in Docket No. 850650-WU. At that time the utility provided service to 314 non-lifetimers who were charged for water and to 605 lifetimers who were not charged. In order to set fair rates the Commission imputed revenues for the 605 connections receiving service without charge. Final rates were set by Order No. 16354, issued on July 15, 1986.

Order No. PSC-95-0623-FOF-WU, issued May 22, 1995, granted the transfer of Certificate No. 366-W from DeAnza to MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service (MHC).

On February 6, 1996, the utility applied for this staff assisted rate case and paid the appropriate filing fee. 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. The test year for this case is the historical year ending December 31, 1995.

As stated above, DeAnza instituted a policy of charging new tenants for water service. However, tenants holding lifetime leases continued receiving water service for no charge until October 1993, at which time the utility invoked a provision of the lease agreements and began billing these customers. According to the utility, this change was necessary because it could no longer absorb the increases in purchased water rates from Lee County. The rates charged to lifetimers were less than the approved tariffed rates, as the utility based them on the increases in Lee County rates that had occurred since 1988. Thus, the utility has been

charging non-lifetimers the tariffed rates and lifetimers a lower rate since October 1993. However, the utility did not record the revenues received from lifetimers until 1995, when the staff audit for this case discovered the discrepancy. Moreover, the staff audit also discovered that the utility has not been billing affiliated general service connections.

Our staff held a customer meeting on July 17, 1996, in the utility's service area to discuss quality of service and other issues related to the case. Several customers expressed concerns about the utility's failure to record correct revenue amounts on the utility's books. Customers also erroneously believed that staff failed to include revenues from lifetimers and general service connections in setting the preliminary rates presented at the customer meeting. Customers provided staff with invoices from the Lee County Utilities for water usage in the entire service area. We compared the invoices with the figures used in setting final rates to make any adjustments that are appropriate.

The customers are concerned over requiring the utility to bill lifetimers the approved tariffed rates, which exceed the lease agreement contractual rates and, according to the customers, forcing a breach of contract. Our intent is not to force a breach of contract, but to rectify discriminatory application of rates and to properly recognize jurisdictional revenues for earnings reviews and regulatory assessment fees.

We do not find that requiring all customers to be billed the tariff rate prevents the related development entity from honoring its contractual agreements. In fact, in an October 2, 1996 letter, the utility's attorney stated that the utility and the related development entity never proposed to breach the contract. The utility proposes to honor the lifetimer contracts and also to properly recognize regulatory revenues. The letter further states that this will be accomplished by continuing to bill lifetimers the lower rate in accordance with their contracts, while also booking the total amount of revenue due based upon application of the rates approved by the Commission to all customers in a non-discriminatory manner. The utility proposes to book the difference between the amounts billed to lifetimers and the tariff rates as a receivable from the developer. The utility initially proposed this method because of the expense required to reprogram the billing system to reflect the credit due to the lifetimers on the bill itself. However, the utility subsequently discovered that the reprogramming costs will be minimal and can be accomplished by the first quarter of 1997.

STAFF ASSISTANCE QUALIFICATION

In accordance with Section 367.0814, Florida Statutes, and Rule 25-30.455, Florida Administrative Code, utilities whose gross annual revenues total \$150,000 or less for water or wastewater services, or \$300,000 or less on a combined basis, may petition the Commission for staff assistance in rate applications. On February 6, 1996, Buccaneer submitted an application for a staff assisted rate case in which it reported 1994 annual revenues of \$88,279. The utility's 1995 annual report listed \$108,736 in revenues. We granted preliminary approval of the utility's application, based upon this information.

During the subsequent audit of the utility we discovered that the utility was neither billing nor recording affiliated general service customers. Additionally, as mentioned in the case background, the utility was billing a group of residential customers known as "lifetimers" at lower than tariffed rates. When we imputed revenues for the above customers at the tariffed rates, the utility's 1995 annual revenues totaled \$174,223. Although the utility exceeds the \$150,000 revenue limit for qualification as a result of the revenue imputation, we grant the utility's petition for staff assistance for the following reasons.

From 1982 to 1993, the utility provided water to lifetimers free of charge due to its desire to honor previously signed life-long lease agreements. During this period non-lifetimers were metered and billed the approved metered rates. Lifetimers were not metered until 1993. We set rates in two docketed proceedings during that period and in both cases we acknowledged the rate treatment, but did not direct the utility to bill and book revenues for all connections at the approved tariffed rates. The utility, therefore, had no basis on which to bill or book revenues for regulatory purposes.

As stated in the case background, in 1993 the utility invoked a provision of the life-long lease agreements and began billing lifetimers at a rate less than the approved tariffed rates for non-lifetimers. The utility erroneously considered these revenues to be non-jurisdictional and did not record them on its books until 1995, after we discovered the discrepancy in the staff assisted rate case audit. Moreover, the utility recorded the revenues at the billed rather than the tariffed rates, resulting in reported annual revenues of \$108,736. We do not believe the utility's intent was to misstate revenues. The utility could reasonably interpret our previous inaction to mean that it could continue to abide by the provisions of the lifelong lease agreements with regard to rates.

Section 367.0814(1) refers to "gross annual revenues," which implies revenues actually billed, not those to be imputed. We also find it impractical from a regulatory standpoint and detrimental to the ratepayers to deny the utility staff assistance. After completion of the audit and preliminary accounting report, when it was apparent that imputation will cause the utility to exceed the \$150,000 threshold, a significant amount of our resources had already been expended in processing the case. In fact, the majority of work in the case had already been done. If we denied eligibility for staff assistance, which will necessitate the utility filing its own case, the amount of our resources needed to process that filing will likely exceed that already expended processing the instant case. Moreover, the increased costs associated with that filing will very likely result in rates higher than proposed in this staff assisted rate case. We find that this will result in an unnecessary waste of taxpayer money and will be financially detrimental to the utility's ratepayers. In consideration of the above, we find that the utility meets the revenue requirement for staff assistance and the utility's request for a staff assisted rate case is approved.

QUALITY OF SERVICE

On July 17, 1996, approximately 400 customers attended a customer meeting that was held in the Utility's service area to determine the quality of service provided by Buccaneer. No significant comments were made concerning quality of service at the customer meeting. At the September 3, 1996, agenda conference, concerns were stated by customers over a recent water line break.

Unaccounted for water during the test year is determined to be at six percent of the total volume purchased from Lee County. Six percent of unaccounted for water is within acceptable parameters. In response to our data request, the utility estimated that approximately 5,000 gallons were lost over the 36 hour period before the break was repaired. We do not consider this amount to be significant in light of the total amount purchased during the test year.

In reference to the extended timeframe for completion of the repair, the utility indicated that it was of a nature that was determined to be cost effective for a subcontractor to perform the work. Since water loss was not considered to be significant, the utility waited to perform the work during normal working hours on the following Monday. We find that the utility acted appropriately in this situation.

In addition to the above, the utility is in compliance with all applicable health standards. Therefore, we find that the quality of service provided by the utility is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the water 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.

We previously established rate base in Docket No. 850650-WU, which was a staff-assisted rate case. According to Order No. 16354 issued on July 15, 1986, rate base was \$69,062 as of September 30, 1985. Order No. PSC-96-0509-FOF-WS, issued April 5, 1993, established rate base component balances at August 27, 1992. We have selected a historical test year ending December 31, 1995 for this rate case. All rate base components have been updated through December 31, 1995, to include additions and reclassification. A discussion of each component of rate base follows:

Used and Useful

The utility currently services approximately 967 residential and 12 general service connections. There are less than five available connections left to buildout of the service area. Based upon the used and useful formula set forth in Attachment "B", we also find that the water distribution system is 100% used and useful.

Utility Plant-in-Service

The utility recorded a plant-in-service balance of \$280,276. We increased utility plant-in-service by \$3,248 to reflect the correct balance as established by the staff auditor. We also made averaging adjustments reducing water utility plant-in-service by \$1,624, resulting in a total adjusted increase of \$1,624. We find that the appropriate utility plant-in-service balance is \$281,900.

Accumulated Depreciation

The utility recorded accumulated depreciation of \$122,993 on its books for the test year. We calculated accumulated depreciation starting with Order No. PSC-93-0509-FOF-WS, using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We made an adjustment to increase the utility's recorded balance by

\$14,062 to reflect accumulated depreciation. We also made averaging adjustments of \$4,696 for the water system. We find that the appropriate average accumulated depreciation is \$132,359.

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

The utility had recorded CIAC of \$172,269. We increased CIAC by \$990 to bring CIAC to the correct amount approved by Order No. PSC-95-0623-FOF-WS. CIAC has been decreased by \$495 to reflect averaging adjustments. Therefore, we find the total average CIAC balance to be \$172,764.

Amortization of CIAC

Amortization of CIAC has been calculated consistent with our calculation of accumulated depreciation. The utility recorded amortization of CIAC of \$91,514. We increased CIAC amortization by \$2,859. We then reduced amortization of CIAC by \$8,589 to reflect averaging adjustments. The resulting balance is \$97,244 for the system.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we find that the one-eighth of operation and maintenance expense formula approach shall be used for calculating working capital allowance. Applying that formula, we find that a working capital allowance of \$22,345 (based on O&M of \$178,756) is appropriate.

Test Year Rate Base

Based on the foregoing, we find that the test year rate base amount is \$96,366.

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.

The utility's business operation is a partnership. The partners are MHC-QRS DeAnza Inc. and MHC operating limited partnership. MHC operating limited partnership owns 99% of MHC-DeAnza financing limited partnership and MHC-QRS, Inc. owns 1% of MHC-DeAnza financing limited partnership. Utility operations, when

needed are financed by Manufactured Home Communities, Inc. Therefore, we used the capital for MHC to determine the utility's cost of capital.

The utility's capital structure consists of a common equity balance of \$263,065, and a long-term debt balance of \$211,966 with an interest rate of 7.45%. Using the leverage formula approved in Order No. PSC-96-0729-FOF-WS, effective on June 22, 1996, the rate of return on common equity is 11.10% with a range of 10.18% to 11.88%. Therefore, the resulting weighted costs of debt and equity are 3.32% and 6.15%, respectively.

In instances when our calculated rate base balances are less than the balances in the utility's capital structure, it has been our practice to reduce each component in the capital structure by its weighted share of the excess capital. As a result, we have reduced the long-term debt balance by \$168,966 and reduced the common equity balance by \$209,699 to reconcile the utility's capital structure components to our calculated rate base balances.

The weighted costs of 3.32% for debt and 6.15% for equity result in the appropriate overall rate of return of 9.47%. Applying the weighted average method to the total capital structure yields an overall rate of return of 9.47% with a range of 8.92% to 10.03%.

NET OPERATING INCOME

Our calculation of net operating income for the water system is depicted on Schedule No. 3. Our adjustments are itemized on Schedule No. 3-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:

Test Year Operating Revenue

As discussed in the case background, when the utility was established in 1974, it provided free water and wastewater service to residents as a condition of the lease agreement. After purchasing the mobile home park and utility in 1980 and receiving Commission certification in 1982, DeAnza began charging new tenants for water. Wastewater service continues to be provided without charge.

Tenants known as lifetimers continued to receive water without charge until October 1993, when the utility began billing these customers at rates that were less than the tariffed rates charged

to non-lifetimers. During the test year, 612 non-lifetimers were charged the our approved base facility charge of \$3.77, plus \$3.96 per thousand gallons while 355 lifetimers were charged a \$4 base facility charge and \$.12 per thousand gallons. The utility based its lifetimer rates on the \$4.00 per unit flat rate charged by Lee County in addition to the \$.12 increase in the gallonage charge implemented by Lee County in February 1993.

After the utility began billing lifetimers it failed to record the associated revenues until 1995, after staff discovered the discrepancy during the audit for this case. When the utility began recording lifetimer revenues in 1995, the test year, it did so at the billed rather than tariffed rates, thus understating revenue for regulatory purposes. Total consumption during the test year was approximately 12,237,000 gallons for the lifetimers and 18,366,000 gallons for the non-lifetimers. We have increased revenue to account for lifetimer billings at the appropriate tariffed rates.

In addition to the understated lifetimer revenue, there were also unbilled general service connections during the test year. These general service connections are affiliated with the utility and include six irrigation connections (all 5/8 inches x 3/4 inches meters); two model homes that have since been sold (5/8 inches x 3/4 inches meters); the manager's residence and utility office (5/8 inches x 3/4 inches meters); a hospitality house, pool, and sewer plant (1 inch meters); and a club house (3 inch meter). We have also made an appropriate adjustment to account for the general service revenue.

The utility recorded test year water system revenue of \$108,736 during the test year. We recalculated test year revenue based on the appropriate number of test year bills and consumption. Based on our analysis, the appropriate test year operating revenue is \$174,223. We made an adjustment of \$65,487 to reflect the appropriate test year revenue.

Outstanding Regulatory Assessment Fee Expense

Our audit revealed that the customer group known as lifetimers were billed at a non-tariffed rate. Our audit also discovered that twelve general service connections affiliated with the utility were not being billed. Hence, the utility failed to record the correct revenues for regulatory purposes in the 1995 test year and on its 1995 annual report. After completing a billing analysis to determine the appropriate test year revenue, we increased revenue by \$65,487 to reflect the appropriate amount for rate setting and regulatory assessment fee purposes.

Pursuant to Section 367.145, Florida Statutes, and Rule 25-30.120, Florida Administrative Code, each water and wastewater utility must pay a yearly regulatory assessment fee based upon a percentage of the utility's gross revenues. Because we have adjusted the utility's revenue due to the discrepancy in revenues, we find that the utility shall pay an additional \$2,946 in regulatory assessment fees to correspond to that adjustment within 30 days of the effective date of this Order.

It appears that the utility may have underpaid regulatory assessment fees in years prior to the test year. We will consider whether another docket will be opened to address regulatory assessment fees from previous years.

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. A summary of the adjustments are discussed below:

1) Salaries & Wages - The utility provided budgeted figures for its clerical person based on a current salary level of \$14,830 (\$7.13 per hour x 40 x 52). The utility recorded a total of \$9,565 for salaries and expense for the bookkeeper during the test period. We recalculated the salaries and expense for the bookkeeper at 10 hours a week of her time conducting utility business at \$7.13 per hour (\$7.13 per hour x 10 x 52). This expense was decreased by \$5,857 to reflect the appropriate salaries expense of \$3,708 based on the duties performed by the bookkeeper. We find that an annual salary of \$3,708 for the bookkeeper is appropriate.

The utility recorded \$19,083 in maintenance salaries. As a result of a customer concern expressed at the September 3, 1996, agenda conference, we requested additional information from the utility to justify the maintenance salary. Based upon the analysis the utility provided, an adjustment of \$3,851 was made to reduce the expense. We find that the expense for maintenance personnel including taxes, benefits and insurance of \$15,232 is appropriate.

2) Contractual Services - The utility recorded \$7,480 for the system during the test period. This total includes water testing expense of \$60, management fees of \$5,437, professional fees of \$1,139, and legal fees of \$844. We made several adjustments to these balances. But, we did not adjust the amount recorded for water testing as that amount is reasonable.

Manufactured Home Communities, Inc., provides management services for the utility. The services provided by this company include organization of accounting records in accordance with National Association of Regulatory Utility Commissioners, verification of budget adherence, approval of capital expenditures, review of all legal documents and correspondence, entering daily activity for the utility journal entries, invoices and checks. Manufactured Home Communities, Inc., also oversees the compilation of the annual report, rate case audits, daily operations and the overall financial operation of the utility. Manufactured Home Communities, Inc., charges the utility \$9,495 annually for this service, \$7,655 for salaries and \$1,840 for overhead. We find this annual amount reasonable. The utility recorded \$5,437 for management fees during the test year. We increased this expense by \$4,058 to reflect the appropriate test year balance of \$9,495.

The utility recorded \$1,139 for professional fees for the test year, including \$369 of regulatory commission expense. We reduced the professional fees (accounting expenses) by \$369 for the test year and reclassified it to regulatory commission expense. We find that legal fees of \$844 for the test year are reasonable.

The utility utilizes the service of MRI Software for stuffing envelopes, postage and preparing the utility bills. The bills provide monthly billings for both lot rental and utility services. The utility has requested \$5,306 annually for billing cost. We made an adjustment to record test year billing cost of \$2,653 ($5,306/2$) relating to utility expense.

Total adjustments to this account amounted to \$6,342. We find that a contractual service expense of \$13,822 for the test year is reasonable.

3) Regulatory Commission Expense - This expense has been adjusted by \$2,494 ($\$9,977/4$) to record the utility's rate case expense amortized over four years. This expense includes \$1,000 for rate case filing fees, \$369 accounting fees that were reclassified from professional fees and \$8,608 for legal fees for a total of \$9,977.

4) Miscellaneous Expense - The utility recorded \$1,161 for the test year miscellaneous expense. This expense has been increased by \$14,000 to reflect an appropriate annual water line repair cost based on a historical average. These costs are not unusual, nor are they one time expenses. Therefore, we allowed water line repair expenses for the test year of \$14,000. We find that \$15,161 for test year miscellaneous expense is reasonable.

We made total operation and maintenance adjustments of \$13,128. We find that test year operation and maintenance expenses of \$184,389 are appropriate.

Depreciation Expense

The utility recorded depreciation expense of \$12,063 for the test year. We applied the prescribed depreciation rates described in Rule 25-30.140, Florida Administrative Code, which result in a reduction of \$2,672 for depreciation expense. We find \$9,391 to be the appropriate depreciation expense for the test year.

Amortization of CIAC

Amortization of CIAC reduces depreciation expense. Amortization of CIAC has been calculated using the rate prescribed by Rule 25-30.140, Florida Administrative Code. The utility recorded \$5,118 for amortization expense for the test year. This expense was increased by \$600 to reflect our calculated test year amortization expense.

Taxes Other than Income

The utility recorded \$4,894 in this account during the test year. We adjusted taxes on salaries by \$384. We also made an adjustment of \$2,946 to reflect regulatory assessment fees for the test year resulting in a total increase of \$3,330.

Increases in Operating Expenses for Ratesetting Purposes

Operating Revenues

Revenue has been increased by \$27,761 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn a reasonable return on its investment.

Purchased Water Expense

The utility recorded \$133,972 for purchased water for the test year. During the test year, consumption demands were dramatically reduced due to the modifications in the treatment process used at the wastewater treatment facility, one of the utility's general service water connections. The facility consumed approximately 2,764,000 gallons, for an average of 230,000 per month. The wastewater plant now uses treated effluent for the chlorination process rather than potable water; therefore, consumption has been reduced from the previous 230,000 gallons per month to an estimated 15,000 gallons per month or 180,000 gallons per year. We made a

2,584,000 gallon adjustment to reflect the reduction (2,764,000 minus 180,000). As a result, we adjusted the purchased water amount by \$5,633 (2,584 gallons multiplied by \$2.18 Lee County rates for gallonage to the utility) to reflect purchased water amount of \$128,339 for the test year.

Taxes Other Than Income Taxes

This expense has been increased by \$1,204 to reflect regulatory assessment fees at 4.5% on the revenue increase granted herein.

Based on the foregoing adjustments, we find the utility's test year operating expenses to be \$191,857.

REVENUE REQUIREMENT

We find it appropriate to authorize the utility an annual increase in revenues of \$26,761, or 15.36%, as shown in Schedule No. 3. This will provide the utility with the opportunity to fully recover its operating and maintenance expenses and earn a 9.47% return on its water system 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 a 9.47% return on its investment.

Monthly Service Rates

Our approved rates reflect an increase in the base facility charge and a decrease in the gallonage charge. We decreased the gallonage charge because the utility's existing rate structure does not provide for appropriate recovery of its fixed versus variable expenses. To illustrate, whereas the Lee County Utilities is charging the utility a fixed rate of \$4.75 per customer on a monthly basis, the utility charges a base facility charge of only \$3.77 per customer. Lee County also charges the utility \$2.18 per thousand gallons versus the utility's charge of \$3.96 per thousand. If the rate structure is not adjusted to allow for appropriate recovery of fixed and variable expenses, year-round customers will end up subsidizing seasonal customers.

The lifetimer customers contracted with the developer to include the water utility charges in the lot rental. All customers of Buccaneer, whether lifetimers or non-lifetimers, or affiliated

general service customers, shall pay the approved rate on a going-forward basis. The rates for this utility have been established pursuant to Section 367.081(2), Florida Statutes, which requires that the Commission "fix rates which are just, reasonable, compensatory and not unfairly discriminatory." The current rates are discriminatory in nature as the non-lifetimer customers are paying more than the lifetimer customers, in violation of Sections 367.081(2)(a), 367.091(2) and (3), 367.101(1), and 367.121(1)(a), Florida Statutes.

The issue of whether the contract takes precedence over the Commission's statutes has been considered by the Courts. In Cohee v. Crestridge Utilities Corp., 324 So.2d 155 (Fla. 2nd DCA 1975), the Court stated that:

[D]espite the fact that Crestridge had a pre-existing contract concerning its rates, now that Crestridge is under the jurisdiction of the Public Service Commission, these rates may be ordered changed by that body. The Public Service Commission has authority to raise as well as lower rates established by a pre-existing contract when deemed necessary in the public interest. State v. Burr, 1920, 79 Fla. 290, 84 So. 61.

The Court also stated, after setting out the full text of Section 367.081(2), Florida Statutes, that ". . . it would appear that the Commission would not even be authorized to take into consideration the pre-existing contract in its determination of reasonable rates."

We have determined in similar situations that a pre-existing contract is not determinative in setting rates for a utility under our jurisdiction. We have the authority to charge rates which we find to be in the public interest, even if they are contrary to a contractual agreement. See Order No. PSC-94-0171-FOF-WS, issued February 10, 1994 in Docket No. 930133-WS (In re: application for water and wastewater Certificates in Lake County by Lake Yale Corporation d/b/a Lake Yale Utility Company). See also Order No. 21680, issued August 4, 1989 (In re: application of Continental Country Club, Inc., for an increase in water and wastewater rates in Sumter County) In a case involving Shady Oaks Mobile-Modular Estates, the Second District Court of Appeal, citing past precedent, held that our authority to set rates preempted contractual agreements which had set rates based upon a yearly fee. Public Service Commission v. Lindahl, 613 So.2d 63 (Fla. 2nd DCA 1993).

In consideration of this precedent, and our jurisdiction in this matter, we find that the utility shall charge lifetimers the same rate as the non-lifetimers. We note that the lifetimers have been paying a reduced rate, based upon Lee County increases, since 1993. Our action shall place all customers of Buccaneer Water Service on an equal footing.

By letter dated October 2, 1996, the utility proposed to charge the tariffed rates while at the same time, abide by the original developer's agreement with the lifetimers. Until programming changes can be made to the billing system to accommodate developer credits to lifetimer bills, the utility will bill the lifetimers the original developer's agreement rate, and receive the difference between this rate and the tariffed rate from the developer. The net effect will be that the utility will reflect receiving the tariffed rate in its books. We find this proposal adequate until the billing changes can be implemented. The utility states that the program changes will not be complete until the first quarter of 1997. Pending that change and to prevent confusion as to the status of MHC, MHC shall be placed on notice that it shall not act as a utility or perform functions of a utility, such as increasing rates or charges, collecting deposits for service and discontinuation of service.

Rates have been calculated based on test year customers and consumption levels. Schedules of the utility's existing rates and rate structure and our approved rates and rate structure are as follows:

MONTHLY WATER RATES

Residential and General Service

Base Facility Charge

<u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$ 3.77	\$ 8.05
3/4"	5.66	12.07
1"	9.43	20.12
1 1/2"	18.88	40.24
2"	30.18	64.38
3"	60.37	128.76
4"	94.33	201.18
6"	188.68	402.37

Gallonge Charge

Per 1,000 Gallons	\$ 3.96	\$ 3.46
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Our approved rates are designed to produce revenue of \$200,984, using the base facility charge rate structure. These rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

RATE REDUCTION AFTER RATE CASE EXPENSE AMORTIZATION

Section 367.0816, Florida Statutes, requires that rates be reduced immediately following the expiration of the statutory four year amortization period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for the corresponding regulatory assessment fee. The revenue reduction will amount to \$2,612 annually for the water system. Using the utility's current revenues, expenses, capital structure and customer base, the effect of the revenue reduction results in rate decreases as shown on Schedule No. 4. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. 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 water 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 \$18,488, 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 Cosentino 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 Water no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

SHOW CAUSE

As stated in the case background, the utility is currently charging two sets of rates, differentiated by the "liferimer" or "non-liferimer" status of the customer. In addition, the utility has not rendered bills to affiliated general service connections. We have found in an earlier portion of this Order that the utility must collect the same authorized rates from all customers.

We have consistently recognized in past orders that the utility had two classes of customers. However, the orders do not indicate that we required the utility to cease the practice. In the order that granted the utility's original certificate, Order No. 11263, we noted that approximately 710 customers still received their water service with their rent, but that new customers were required to pay the metered rates. The order contained a brief discussion of whether we could remedy a breach of contract between the utility and the customers. The ordering paragraphs contain general language as to the new rates, but do not require the utility to charge all customers those rates. Moreover, the liferimers at that time were unmetered. Because we set only metered rates, and did not order meters to be installed, the utility had no basis for billing or booking revenues associated with the liferimers.

In Docket No. 850650-WU, by Order No. 16354, issued July 15, 1986, we recognized that the utility had 314 metered and 605 unmetered customers, and that "[e]ventually, the utility plans to charge and meter all customers." For the purposes of the staff assisted rate case, we imputed revenues for ratesetting purposes to take the impact of the unmetered customers into account. Again, the ordering paragraphs do not specify that the utility must begin metering or charging the lifetimer customers.

The utility filed for a pass-through increase in 1994, but did not charge its metered customers the increased rate. By Order No. PSC-95-0623-FOF-WS, we approved a transfer of the utility to the current owner. That order did not address the lifetimer/non-lifetimer situation, although the statement that the utility had 660 customers indicates that we were only addressing the metered, non-lifetimer customers. In that order, we noted that the utility had not implemented the pass-through increase in its rates, and ordered the utility to do so. However, the utility was not ordered to show cause for its failure to implement the pass through increase. It does not appear that Order No. PSC-95-0623-FOF-WS addressed the lifetimer customers at all.

As noted in the case background, the utility did begin charging the lifetimer customers sometime in 1993, and based the charge on increases that had been incurred from Lee County. It may be argued that the cost of water service has been included in the lot rental. Nevertheless, at this point, we find that the utility has been charging different rates for similar services. This circumstance might lead to a show cause action, which can be initiated for any willful violation of statute, rule, or order. However, we find that a show cause action shall not be initiated. Our past orders clearly acknowledged the billing and metering situation at Buccaneer Estates, but did not explicitly order the utility to alter the situation. Therefore, the utility is not in violation of our orders. Moreover, imputing the revenues and ordering the utility to charge the same rates on a going-forward basis remedies the situation. Therefore, the utility shall not be required to show cause.

If no timely protest is received from a substantially affected person within 21 days from the issuance of the Order, this docket shall be closed administratively, upon receipt of the \$2,946 regulatory assessment fees, or the end of the protest period, whichever occurs last.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service for an increase in its water rates in Lee 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 MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service shall not be required to show cause as set forth herein. It is further

ORDERED that MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service is placed on notice that it shall commence charging and booking all customers the tariffed rates for water service. It is further

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest and not requiring MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service to show cause, are issued as proposed agency action and shall become final, unless an appropriate petition by a substantially affected person other than MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service, 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 MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service 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

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ORDERED that the rates and charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages in accordance with Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that the utility shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the utility shall pay an additional \$2,946 in outstanding regulatory assessment fees for imputed revenues during the test year ending December 31, 1995. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service 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

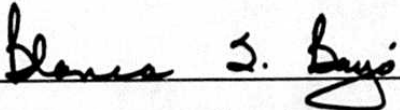
ORDERED that, in the event of a protest by any substantially affected person other than the utility, MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service 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, MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service shall submit and have approved a bond or letter of credit in the amount of \$18,488 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that in the event no timely protest is received from a substantially affected person within 21 days from the issuance of the Order, this docket shall be closed administratively, upon receipt of the \$2,946 regulatory assessment fees, or the end of the protest period, whichever occurs last.

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By ORDER of the Florida Public Service Commission, this 3rd
day of December, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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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 and not requiring MHC-DeAnza Financing Limited Partnership d/b/a Buccaneer Water Service to show cause, 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 December 24, 1996. In the

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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 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.

SCHEDULE NO. 1
 DOCKET NO. 960133-WU

BUCCANEER WATER SERVICE
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF WATER RATE BASE

	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>COMM. APPROVED BALANCE</u>
UTILITY PLANT IN SERVICE	\$ 280,276	\$ 1,624 A	\$ 281,900
LAND/NON-DEPRECIABLE ASSETS	0	0	0
NON USED & USEFUL PLANT	0	0	0
ACCUMULATED DEPRECIATION	(122,993)	(9,366) B	(132,359)
CIAC	(172,269)	(495) C	(172,764)
AMORTIZATION OF CIAC	91,514	5,730 D	97,244
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>22,345 E</u>	<u>22,345</u>
WATER RATE BASE	\$ 76,528	\$ 19,838	\$ 96,366

BUCCANEER WATER SERVICE
TEST YEAR ENDING DECEMBER 31, 1995
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1A
DOCKET NO. 960133-WU

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To bring utility balance to Commission Ordered balance.	\$ 3,248
2. To reflect averaging adjustment.	<u>(1,624)</u>
	<u>\$ 1,624</u>
B. <u>ACCUMULATED DEPRECIATION</u>	
1. To bring accumulated depreciation to correct amount	\$ (14,062)
2. To reflect averaging adjustment	<u>4,696</u>
	<u>\$ (9,366)</u>
C. <u>CIAC</u>	
1. To bring CIAC to correct amount.	\$ (990)
2. To reflect averaging adjustment.	<u>495</u>
	<u>\$ (495)</u>
D. <u>AMORTIZATION OF CIAC</u>	
1. To bring CIAC amortization to correct amount.	\$ (2,859)
2. To reflect averaging adjustment.	<u>8,589</u>
	<u>\$ 5,730</u>
E. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of test year O & M expenses.	<u>\$ 22,345</u>

BUCCANEER WATER SERVICE
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 960133-WU

	<u>PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>COMM. APPROVED BALANCE</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 211,966	\$ (168,966)	\$ 43,000	44.62%	7.45%	3.32%
COMMON EQUITY	263,065	(209,699)	53,366	55.38%	11.10%	6.15%
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
TOTAL	\$ 475,031	\$ (378,666)	\$ 96,366	100.00%		9.47%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	10.10%	12.10%
OVERALL RATE OF RETURN	8.92%	10.03%

BUCCANEER WATER SERVICE
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 960133-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>COMM. APPROVED BALANCE</u>
OPERATING REVENUES	<u>108,736</u>	\$ <u>65,487</u> A	\$ <u>174,223</u>	\$ <u>26,761</u> F	\$ <u>200,984</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	171,261	13,128 B	184,389	(5,633) G	178,756
DEPRECIATION	12,063	(2,672) C	9,391	0	9,391
AMORTIZATION	(5,118)	(600) D	(5,718)	0	(5,718)
TAXES OTHER THAN INCOME	4,894	3,330 E	8,224	1,204 H	9,428
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>183,100</u>	\$ <u>13,186</u>	\$ <u>196,286</u>	\$ <u>(4,429)</u>	\$ <u>191,857</u>
OPERATING INCOME/(LOSS)	<u>(74,364)</u>		\$ <u>(22,063)</u>		\$ <u>9,127</u>
WATER RATE BASE	\$ <u>76,528</u>		\$ <u>96,366</u>		\$ <u>96,366</u>
RATE OF RETURN	<u>-97.17%</u>		<u>-22.90%</u>		<u>9.47%</u>

BUCCANEER WATER SERVICE
TEST YEAR ENDING DECEMBER 31, 1995
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3A
DOCKET NO. 960133-WU

	<u>WATER</u>
A. OPERATING REVENUES	
1. To adjust test year revenue to test year customers and consumption through billing analysis.	\$ <u>65,487</u>
B. OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages - Employees	
a. To reduce annual salary for the bookkeeper.	\$ (5,857)
b. To reduce annual salary for the maintenance person.	(3,851)
	<u>\$ (9,708)</u>
2. Contractual Service	
a. To adjust management fees for the test year.	\$ 4,058
b. To reclassify accounting fees to regulatory commission expense.	(369)
c. To record contractual service for billing cost for the test year.	2,653
	<u>\$ 6,342</u>
3. Regulatory Commission Expense	
a. To include rate case expense amortized over 4 years.	\$ 2,494
	<u>\$ 2,494</u>
4. Miscellaneous Expense	
a. To increase water line repairs for historical cost.	\$ 14,000
	<u>14,000</u>
TOTAL O & M ADJUSTMENTS	<u>\$ 13,128</u>
C. DEPRECIATION EXPENSE	
1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	\$ <u>(2,672)</u>
D. AMORTIZATION EXPENSE	
1. To adjust utility balance to Commission calculated balance.	\$ <u>(600)</u>
E. TAXES OTHER THAN INCOME	
1. To reflect payroll taxes on recommended salaries.	\$ 384
2. To reflect regulatory assessment fees @ 4.5% on test year revenue.	2,946
	<u>\$ 3,330</u>
F. OPERATING REVENUES	
1. To reflect Commission Ordered increase in revenue.	\$ <u>26,761</u>
G. OPERATION AND MAINTENANCE	
1. To adjust test year purchase water expense to reflect reduction in wastewater treatment plant water consumption.	\$ <u>(5,633)</u>
H. TAXES OTHER THAN INCOME	
1. To reflect additional regulatory assessment fee associated with Commission Ordered revenue requirement.	\$ <u>1,204</u>

BUCCANEER WATER SERVICE
 TEST YEAR ENDING DECEMBER 31, 1995
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3B
 DOCKET NO. 960133-WU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>COMM. APPROVED BALANCE</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$ 28,648	\$ (9,708) [1]	\$ 18,940
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	133,972	(5,633) [G]	128,339
(615) PURCHASED POWER	0	0	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES	7,480	6,342 [2]	13,822
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	2,494 [3]	2,494
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	1,161	14,000	15,161
	<u>\$ 171,261</u>	<u>\$ 7,495</u>	<u>\$ 178,756</u>

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COMMISSION APPROVED RATE REDUCTION SCHEDULE

BUCCANEER WATER SERVICE
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 4
 DOCKET NO. 960133-WU

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

MONTHLY WATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY APPROVED RATES</u>	<u>MONTHLY APPROVED REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 8.05	0.10
3/4"	12.07	0.16
1"	20.12	0.26
1-1/2"	40.24	0.52
2"	64.38	0.84
3"	128.76	1.67
4"	201.18	2.61
6"	402.37	5.23
GALLONAGE CHARGE PER 1,000 GALLONS	\$ 3.46	0.04