

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 960625-WU
assisted rate case in Pasco) ORDER NO. PSC-97-0037-FOF-WU
County by Virginia City) ISSUED: January 8, 1997
Utilities, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED WATER RATES

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, subject to refund, 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.

BACKGROUND

Virginia City Utilities, Inc. (VCUI or utility) is a class C water utility located in Pasco County. VCUI resells water services to 299 residential and 12 general service customers in an area known as Virginia City. VCUI began operation in 1970. On July 26, 1973, The Virginia City, Inc. was granted a water certificate. By Order No. PSC-94-0084-FOF-WU, issued January 24, 1994, the Commission approved the transfer of the certificate to VCUI. The current utility owner has taken advantage of two price indexes and pass-throughs.

On July 17, 1996, VCUI applied for a staff assisted rate case pursuant to Section 367.0814, Florida Statutes. An audit report and an engineering investigation have been completed to determine the appropriate components necessary for setting rates. Due to the utility's lack of records beyond 1993, our engineer performed an

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Original Cost Study. A historical test year ended December 31, 1995 was selected for this staff assisted rate case. A customer meeting was held on October 23, 1996.

QUALITY OF SERVICE

VCUI, a consecutive public water system, purchases water service from the Pasco County Utility Department. Accordingly, there is no water treatment plant to evaluate. At the time of the engineering investigation, the water distribution system appeared to be operating properly. However, the distribution system is over 23 years old and some of the components are in need of replacement. Presently, the utility is in the process of initiating a gate valve replacement program. The average service life of a gate valve is twenty years. Accordingly, VCUI shall implement a valve change out program to replace all of the gate valves at the rate of five valves per year over a period of five years. In addition, the meters in this system are old and in need of replacement. One hundred meters shall be installed within six months from the effective date of this order. The remaining meters shall be replaced through a meter change out program to be amortized over seventeen years. The cost of replacing the valves and meters has been allowed herein.

A customer meeting was held on October 23, 1996 in New Port Richey, Florida. The two customers that attended the customer meeting expressed no concerns about the quality of service provided by VCUI. A review of the Department of Environmental Protection's records indicates that the water distribution system is in compliance with the appropriate environmental regulation. No complaints regarding VCUI have been received by our Division of Consumer Affairs.

In consideration of the above, we find that the quality of service provided by VCUI is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and 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

VCUI's service area is 97 percent built out. The only area available for expansion has been sold, but not developed. Presently, the utility's records indicate that the system is operating properly at capacity. Accordingly, we find that the water distribution system is 100 percent used and useful.

Test Year Rate Base

VCUI does not have utility records beyond 1993 when the utility received a transfer of certificate. Consequently, an original cost study was performed by the engineer. The appropriate components of rate base are plant, accumulated depreciation, contributions in aid of construction (CIAC), amortization of CIAC and working capital allowance. We have used the amounts set forth in the original cost study as a base for the rate base components. Further adjustments are necessary to reflect test year changes. A discussion of each adjusted component follows.

Plant in Service

The utility recorded a plant in service balance of \$36,311. Utility plant in service has been increased by \$23,169 to reflect the correct balance as established by the original cost study as well as plant additions and retirements since the transfer of the utility in 1993. The utility is implementing a meter change out program, but some of the meters have exceeded their useful life and accurate meter readings cannot be guaranteed. Consequently, in an earlier portion of this Order, we required VCUI to replace 100 of the meters. We have made adjustments of \$4,500 to reflect the installation of meters on a pro forma basis and \$3,500 to reflect the retirement of the old meters. We have also reduced plant by \$1,805 to reflect an average plant balance. Accordingly, we find that the appropriate utility plant in service amount is \$58,675.

CIAC

The utility recorded test year CIAC of \$1,747. We have increased the CIAC account by \$8,363 to reconcile the utility's recorded amounts with Order No. 9467. An increase of \$5,150 was made to reflect additions to CIAC since the order. We have also reduced CIAC by \$180 to reflect average CIAC. We find that the appropriate CIAC balance is \$15,080.

Accumulated Depreciation

The utility recorded \$28,493 in accumulated depreciation. We have calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We increased accumulated depreciation by \$6,847 to reflect additions and retirements to plant from 1970 through 1995 and pro forma meters. Also, to reflect an average balance, an increasing adjustment of \$693 was made. Accordingly, the appropriate accumulated depreciation balance is \$36,033.

Accumulated Amortization of CIAC

The utility recorded amortization of CIAC at \$117. Order No. 9467 established amortization of CIAC at \$612, therefore we added \$495 to the utility's balance. In order to reflect current accumulated amortization of CIAC, we increased this account by \$5,290 to reflect amortization amassed since Order No. 9467. In keeping with the practice of reflecting an average balance, a decreasing adjustment of \$264 was made. After making the adjustments, we find that the appropriate accumulated amortization of CIAC balance is \$5,638.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, the one-eighth of operation and maintenance expense formula approach is used to calculate the working capital allowance. After applying that formula, we find that the appropriate working capital allowance is \$10,646.

Rate Base Summary

Based on the foregoing, we find that the appropriate rate base balance is \$23,846.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

The utility's capital structure consists of long term debts from Barnett Bank for \$39,000 with an interest rate of 12.50 percent, from F. Potter for \$12,775 with an interest rate 6 percent, customer deposits of \$3,040 with an interest rate of 6

percent, and common equity of \$4,665. Using the leverage formula approved by Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, we find that the rate of return on common equity is 11.88 percent with a range of 10.88 percent to 12.88 percent.

Applying the weighted average method to the total capital structure yields an overall rate of return of 10.72 percent with a range of 10.64 percent to 10.80 percent. We have made pro forma rata adjustments to reconcile the capital structure downward to match the approved rate base.

NET OPERATING INCOME

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

Test Year Operating Revenues

The utility recorded revenues of \$78,449 during the test period. We completed a billing analysis and revenue check using the utility's most recent rates in effect. We have increased this amount by \$265 to reflect annualized revenues and revenues from miscellaneous service charges. Accordingly, VCUI's test year operating revenues are \$78,714.

Test Year Operating Loss

The test year operating revenue for VCUI is \$78,714. Corresponding test year operating expenses are \$92,104. This results in test year operating loss of \$13,390.

Test Year Operating Expenses

The utility recorded operating expenses of \$98,042. The components of these expenses include operation and maintenance (O&M) expenses, depreciation expense and taxes other than income.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect allowance for plant operations. Accordingly, the appropriate amount of operating expenses is \$92,104.

O&M Expenses

The utility charged \$85,570 in O&M expenses during the test year. A summary of the adjustments that were made to the utility's recorded expenses follows:

Salaries and Wages

The utility recorded wages of \$21,200 for two employees: a full-time office manager and a part-time office manager. An adjustment was made to reduce the hours of the full time office manager from 40 to 20 hours per week at \$10.15 per hour for a total reduction of \$9,444. We also made an adjustment to this account to reflect a maintenance person working 5 hours per week at \$10.42 per hour for a total increase of \$2,710. Accordingly, we find it appropriate to allow total salaries and wages of \$14,456.

Employee Pensions and Benefits

The utility recorded \$3,360 in employee pensions and benefits. We decreased the account by \$1,280 to reflect the ordered decrease in salary for the office manager. Accordingly, the total amount of employee pensions and benefits are \$2,080.

Purchased Water

The utility recorded test year purchased water of \$49,141. During the test year, the utility paid a bulk water rate of \$2.31 to Pasco County. On October 1, 1996, Pasco county reduced its bulk water rate to \$2.15; consequently, we decreased the purchased water account by \$3,404 to reflect annualized purchased water at the new rate. Accordingly, purchased water expense is \$45,737.

Materials and Supplies

The utility recorded a test year materials and supplies expense of \$1,513. We have increased this amount by \$308 to reflect the annual cost of postage and an allowance of \$250 for miscellaneous materials and supplies. Accordingly, the materials and supplies expense account totals \$1,821.

Contractual Services

The utility recorded contractual services of \$7,408. We have made several adjustments to reflect a \$350 allowance to set up a pension plan amortized over four years for a reduction of \$262; a \$30 per month testing allowance for a total adjustment of \$360; a gate valve change out program of \$12,184 amortized over five years

for an adjustment of \$2,438; and a meter change out program of \$15,493 amortized over the life of meters, 17 years for an adjustment of \$911. We have also made an adjustment to reflect annualized contractual services for an increase of \$592 and reclassification of \$1,848 to plant from contractual service. Accordingly, the contractual service expense account totals \$9,599.

Insurance Expense

The utility recorded an insurance expense balance of \$953. We decreased the utility's balance by \$146 to reflect annualized insurance expense. Accordingly, the insurance expense is \$807.

Regulatory Commission Expense

The utility did not record anything for regulatory commission expense. We made an adjustment of \$490 to reflect regulatory commission expense of \$1,959 amortized over four years.

Miscellaneous Expense

The utility recorded miscellaneous expenses of \$968. We have made adjustments to reclassify license fees of \$219 from taxes other than income, to reflect annualized phone and bank charges for an increase of \$165, and to include a monthly allowance of \$400 for miscellaneous repairs and expenses for an increase of \$4,800. Accordingly, miscellaneous expense totals \$6,152.

O&M Summary

We have made O&M adjustments of \$3,401. After making the appropriate adjustments, we find that the O&M expenses total \$85,169.

Depreciation Expense

The utility recorded \$3,501 for depreciation expense during the test year. We have calculated test year depreciation expense using Rule 25-30.140, Florida Administrative Code. We have decreased the utility's balance by \$1,150 to reflect the correct depreciation expense on test year plant. We also made a netting adjustment of \$579 to reflect amortization of CIAC. Accordingly, depreciation expense totals \$1,772.

Taxes Other Than Income Taxes

The utility recorded test year taxes other than income taxes of \$5,971. We decreased this amount by \$808 to reflect the

decrease in payroll taxes associated with the office manager. Therefore, the appropriate test year taxes other than income taxes amount is \$5,163.

Increase in Operating Revenues and Expenses Summary

The application of our approved adjustments to the utility's recorded operating expenses results in approved operating expenses of \$92,104.

REVENUE REQUIREMENT

Revenue has been increased by \$16,698 to reflect the increase in revenue required to allow the utility to recover its expenses and earn the authorized return on its investment. For the purpose of setting rates, the utility's annualized revenues are \$75,739. Taxes other than income has been increased by \$751 to reflect the regulatory assessment fee at 4.5 percent on the required revenue increase.

Based on our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$95,412. Accordingly, the utility has been allowed an annual increase in revenue of \$16,698 or 21.21 percent. This will allow the utility the opportunity to recover its expenses and earn a 10.72 percent return on its investment. The approved revenue requirement includes \$2,975 in revenues from miscellaneous service charges. Although miscellaneous service charges are not included in the calculation of rates, it is included in the utility's revenue requirement to allow the utility the opportunity to recover the cost of related operating expenses and regulatory assessment fees incurred. The revenue requirement and resulting annual increase are shown on Schedules No. 3.

RATES AND RATE STRUCTURE

The utility's current rates are based upon the base facility and gallonage charge rate structure, which is the Commission's preferred rate structure. This rate structure is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable cost for providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system whereas the gallonage charge covers the variable costs. 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). We find it appropriate that the utility retain its existing rate structure.

During the test year, the utility provided water service to approximately 299 residential and 13 general service customers. The utility's initial rates were approved by Order No. 9467, issued July 29, 1980, in Docket No. 790990-W. We have calculated rates based on test year revenues, expenses, annual number of bills and gallonage consumption. The metered rates have been calculated to generate the approved revenue requirement. The utility's current rates and the Commission-approved rates are set forth below.

RESIDENTIAL AND GENERAL SERVICE MONTHLY RATES

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Current Rates</u>	<u>Commission</u> <u>Approved</u> <u>Rates</u>
5/8" x 3/4"	\$ 3.99	\$ 7.07
3/4"	5.99	10.60
1"	9.98	17.67
1 1/2"	19.95	35.35
2"	31.92	56.55
Gallonage Charge (Per 1,000 gallons)	\$ 3.07	3.28

The average water usage for an individually metered residential customer is approximately 5,000 gallons per month. A schedule of an average bill for a 5/8 inch x 3/4 inch meter using existing rates and the approved rates is set forth below:

Average bill using approved rates	\$23.47
Average bill using existing rates	<u>\$19.34</u>
Increase in Bill	\$ 4.13
Percentage increase in bill (\$4.13/\$19.34)	21.35%

The approved rates are designed to produce revenue of \$92,437, excluding miscellaneous service charges. The 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. In no event shall the rates be effective for service rendered prior to the stamped approval date. The tariff sheets shall be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge may be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately after the four year period by the amount of rate case expense previously included in the rates. For VCUI, revenues shall be reduced by a total of \$513.00 annually to reflect the removal of rate case expense grossed-up for regulatory assessment fees which is being amortized over a four year period. The effect of the revenue reduction results in rate decreases as shown on Schedule No. 4. The decrease in the 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 and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate 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 timely protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein on a temporary basis subject to refund, provided that VCUI first furnishes and has approved a proposed customer notice and adequate security for a potential refund through a bond, letter of credit in the amount of \$11,531, or an escrow account.

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 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.

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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 result of the rate increase should be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. 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.

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket shall remain open for an additional six months from the effective date of the Order to allow the utility sufficient time to complete pro forma plant and so that staff may verify the pro forma plant additions approved herein. After the utility has complied with this Order in all respects and has submitted approved revised tariff sheets reflecting the approved rates, this docket shall be closed administratively.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Virginia City Utilities, Inc.'s application for increased water rates is hereby approved as set forth herein 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 incorporated herein by reference. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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ORDERED that Virginia City Utilities, Inc. shall implement a valve change out program to replace all of the gate valves at the rate of five valves each year over a period of five years. It is further

ORDERED that one hundred meters shall be installed within six months from the effective date of this order. The remaining meters shall be replaced through a meter change out program to be amortized over seventeen years. It is further

ORDERED that Virginia City Utilities, Inc. is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that Virginia City Utilities, Inc.'s rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

ORDERED that Virginia City Utilities, Inc. shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

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

ORDERED that prior to its implementation of the rates approved herein, Virginia City Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$11,531 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 of a protest by any substantially affected person other than the utility, Virginia City 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 Virginia City 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

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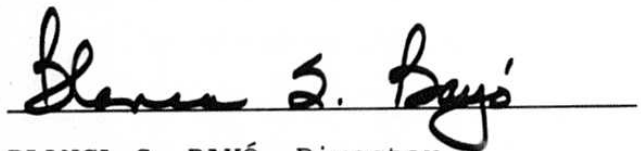
ORDERED that, prior to its implementation of the rates and charges approved herein, Virginia City Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that, upon expiration of the protest period, if no timely protest is received, this docket shall remain open for an additional six months from the effective date of the Order to allow Virginia City Utilities, Inc. sufficient time to complete pro forma plant additions and to allow Staff sufficient time to verify that the plant additions have been made. It is further

ORDERED that upon staff verification that the pro forma plant has been completed, and after Virginia City Utilities, Inc. has submitted and has had approved revised tariff sheets reflecting the new rates, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission, this 8th day of January, 1997.



BLANCA S. BAYÓ, 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 discussed herein regarding our granting of increased water rates 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 January 29, 1997. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or 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

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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.

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 1
 DOCKET NO. 960625-WU

SCHEDULE OF WATER RATE BASE

COMPONENT	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$ 36,311	\$ 22,364	\$ 58,675
2. LAND/NON-DEPRECIABLE ASSETS	0	0	0
3. ACCUMULATED DEPRECIATION	(28,493)	(7,540)	(36,033)
4. CIAC	(1,747)	(13,333)	(15,080)
5. ACCUMULATED AMORTIZATION OF CIAC	117	5,521	5,638
6. WORKING CAPITAL ALLOWANCE	0	10,646	10,646
WATER RATE BASE	\$ 6,188	\$ 17,658	\$ 23,846

VIRGINIA CITY UTILITIES, INC TEST YEAR ENDING DECEMBER 31, 1995		SCHEDULE NO. - 1A DOCKET NO. 960625-WU
ADJUSTMENTS TO RATE BASE		
EXPLANATION	WATER	
A. UTILITY PLANT IN SERVICE		
1. To reconcile utility balance to Order No. 9467		17,704
2. To reflect plant additions and retirements from 1993 through 1995		3,617
3. Reclassification from O & M		1,848
4. Proforma		4,500
5. Proforma retirement of meters		(3,500)
6. Averaging adjustment		(1,805)
		<u>\$ 22,364</u>
B. ACCUMULATED DEPRECIATION		
1. Adjustment to reconcile utility balance		(6,847)
2. To reflect averaging adjustment on Accum. Dep.		(693)
		<u>\$ (7,540)</u>
C. CIAC		
1. To reconcile utility's balance to Order No. 9467		(8,363)
2. To reflect additions to CIAC since 1980		(5,150)
3. To reflect average adjustment on CIAC		180
		<u>(13,333)</u>
D. Accum. Amortization of CIAC		
1. To reconcile utility's balance to Order No. 9467		495
2. To reflect additions to amortization of CIAC since 1980		5,290
3. To reflect average adjustment on amortization of CIAC		(264)
		<u>5,521</u>
E. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses		<u>\$ 10,646</u>

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION	% OF TOTAL	COST	WEIGHTED COST
Long Term Debt - F. Potter	\$ 12,775	\$ 0	\$ 5,122	21.48%	6.00%	1.29%
Long Term Debt - Barnett	39,000	(23,365)	15,635	65.57%	12.50%	8.20%
EQUITY	4,665	(2,795)	1,870	7.84%	11.88%	0.93%
Customer Deposits	<u>3,040</u>	<u>(1,821)</u>	<u>1,219</u>	<u>5.11%</u>	6.00%	<u>0.31%</u>
TOTAL	\$ 59,480	\$ (27,980)	\$ 23,846	100.00%		10.72%
<u>RANGE OF REASONABLENESS</u>		<u>LOW</u>	<u>HIGH</u>			
RETURN ON EQUITY		10.88%	12.88%			
OVERALL RATE OF RETURN		10.64%	10.80%			

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 3
 DOCKET NO. 960625-WU

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	\$ 78,449	\$ 265	78,714	\$ 16,698	\$ 96,412
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 88,570	(3,401)	85,169		85,169
DEPRECIATION (NET)	3,501	(1,729)	1,772		1,772
AMORTIZATION	0	0	0		0
TAXES OTHER THAN INCOME	5,971	(808)	5,163	751	5,914
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 98,042	\$ (5,938)	\$ 92,104	\$ 751	\$ 92,855
OPERATING INCOME/(LOSS)	\$ (19,593)		\$ (13,390)		\$ 2,556
WATER RATE BASE	\$ 6,188		\$ 23,846		\$ 23,846
RATE OF RETURN	-316.63%		-56.15%		10.72%

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER
A. Operating Revenues	
1. To reflect annualized revenues	\$ <u>265</u>
B. OPERATION AND MAINTENANCE EXPENSES	
1. Salaries & Wages	
a. To reduce hours and salary of office manager	\$ <u>(6,744)</u>
2. Employee Pensions & Benefits	
a. To reflect pension based on reduced salary.	<u>(1,280)</u>
3. Purchased Water	
a. To reflect Pasco County's reduction in bulk water rate	\$ <u>(3,404)</u>
4. Materials & Supplies	
a. To reflect annualized postage and banking	\$ <u>308</u>
5. Contractual Services	
a. To reflect expense of setting up pension plan amort. over 4 years	\$ (262)
b. To reflect monthly testing expense	360
c. To reflect annualized contractual services	592
d. Reclassification of plant from contractual services	(1,274)
e. Reclassification of plant from contractual services	(574)
f. To reflect gate valve change out program amort. over 5 years.	2,438
g. To reflect meter change out program.	<u>911</u>
	<u>2,191</u>
6. Insurance Expense	
a. To reflect annual insurance expense	\$ <u>(146)</u>
7. Regulatory Commission expense	
a. To reflect regulatory commission expense amort. over 4 years	\$ <u>490</u>

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 3B
 DOCKET NO. 960625-WU

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTIL.	COMMISSION ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$ 21,200	\$ (6,744)	\$ 14,456
(603) SALARIES AND WAGES - OFFICERS	1,200	0	1,200
(604) EMPLOYEE PENSIONS AND BENEFITS	3,360	(1,280)	2,080
(610) PURCHASED WATER	49,141	(3,404)	45,737
(615) PURCHASED POWER		0	
(616) FUEL FOR POWER PRODUCTION		0	
(618) CHEMICALS		0	
(620) MATERIALS AND SUPPLIES	1,513	308	1,821
(630) CONTRACTUAL SERVICES	7,408	2,191	9,599
(640) RENTS	600	0	600
(650) TRANSPORTATION EXPENSE	1,473	0	1,473
(655) INSURANCE EXPENSE	953	(146)	807
(665) REGULATORY COMMISSION EXPENSES	0	490	490
(670) BAD DEBT EXPENSE	754	0	754
(675) MISCELLANEOUS EXPENSES	968	5,184	6,152
UNCLASSIFIED DISBURSEMENTS			
	\$ 88,570	\$ (3,401)	\$ 85,169

RECOMMENDED RATE REDUCTION SCHEDULE

VIRGINIA CITY UTILITIES, INC
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 4
DOCKET NO. 960625-WU

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

RESIDENTIAL SERVICE	MONTHLY APPROVED RATES	MONTHLY RATE REDUCTION
5/8"	\$7.07	0.04
3/4"	\$10.60	0.06
1"	\$17.67	0.10
1 1/2"	\$35.35	0.19
2"	\$56.55	0.30
GALLONAGE (per 1,000 gals)	\$3.28	0.02