

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case in Pasco
County by Paradise Lakes
Utility, Ltd.

DOCKET NO. 970633-WS
ORDER NO. PSC-98-0130-FOF-WS
ISSUED: January 26, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.

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

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that our action discussed herein regarding granting increased rates 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

Paradise Lakes Utility, Ltd. (Paradise Lakes or utility) is a Class C water and wastewater utility serving approximately 345 water and wastewater customers in Pasco County. The service area and treatment facilities of Paradise Lakes are located at Dale Mabry Highway and Highway 41 North in southern Pasco County.

We granted Paradise Lakes its original water and wastewater certificates by Order No. 15668, issued February 13, 1986 in Docket No. 850211-WS. We authorized rate base, along with authorized water and wastewater rates and charges, by Order No. 16859, issued November 18, 1986 in Docket No. 850211-WS. The utility had a staff assisted rate case in Docket No. 871005-WS, and a 1989 price index

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FPSC-RECORDS/REPORTING

application in Docket No. 890599-WS. Paradise Lakes had another staff assisted rate case in 1995 in Docket No. 950169-WS. The current rate case was filed on May 28, 1997, and the utility has paid the appropriate filing fee.

We have selected an historical test year ended June 30, 1997. We have audited the utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. A field investigation of the utility's water plant, wastewater plant, water distribution system, wastewater collection system and utility service area was conducted. A review of the utility's operating expenses, maps, files, and rate application was also performed to obtain information about the systems and operating costs.

Water use in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District (SWFMD). The utility is located within a critical water use caution area.

QUALITY OF SERVICE

A customer meeting was held on October 29, 1997, in the Paradise Lakes Clubhouse which is located within the resort. There were 11 customers from the utility's 340 residents and five general service customers who attended the meeting. Most issues discussed during the course of the meeting concerned rate setting, and how staff arrived at the proposed increase. One customer expressed a concern that the water pressure was not sufficient in her area of the resort. Another customer approached staff after the meeting and asked when the old wastewater treatment plant would be removed.

The overall quality of service provided by the utility is determined by the evaluation of three separate components of utility operations: quality of the utility's product (water and wastewater service provided); operational conditions of the utility's plant or facility; and customer satisfaction of services rendered.

Quality of Utility's Product

The Department of Environmental Protection (DEP) performs regular inspection visits to the service area to determine proper operations. Based on DEP's inspection, the water treatment plant is within compliance. DEP also reviews all test results for proper

frequency and compliance parameters. Paradise Lakes has completed its necessary testing, and the analysis results indicate that the water served by the utility meets or exceeds the parameters for safe drinking water. The utility is in the SWFMD, which is the agency that monitors the amount of water extracted from the ground water table. The utility's yearly, average per day usage is within satisfactory limits of the permitted extraction rate.

Because the wastewater treatment plant has been eliminated, and Paradise Lakes purchases wastewater service from the county, all compliance responsibilities for wastewater treatment falls to the county.

Operational Conditions

Because there is no wastewater treatment plant, the master lift station was reviewed. The master lift station has just been upgraded to meet the standards of interconnection with the county. A wood privacy fence was included in the upgrade to blend the site into the landscaping. Upon consideration, we find that the operational conditions for wastewater are satisfactory. Operational conditions at the water treatment plant are also shielded from public view by a wood privacy fence. Upon inspection, the grounds appeared well maintained and all areas of the plant were easily accessible and without encumbrances. Extra parts were stored inside the maintenance building for easy access during an emergency. Upon consideration, we find that operational conditions for the water plant are satisfactory.

Customer Satisfaction

Those customers who spoke at the customer meeting were primarily concerned over the proposed new rates and underlying calculations. One customer mentioned having a problem with her water pressure. Our staff instructed both the customer and the utility to meet to resolve the problem. After the customer meeting, the utility installed a pressure gauge at the customer's residence and monitored the water pressure for 48 hours. The lowest pressure noted during the monitoring period was 40 pounds per square inch (psi), which is well above the required minimum of 20 PSI required by Rule 62-555.320(7), Florida Administrative Code. Upon further inspection, the utility noted that the customer had a water saver faucet and shower heads that were restricting the volume of water flow. Based on the foregoing, we consider this issue resolved.

After the meeting, another customer approached staff and asked when the old wastewater plant would be removed from the premises. Brian Spicher, President of Environmental Equipment Sales, Inc., the contractor for the upgrade and interconnect construction, was contacted to determine when the old plant would be removed. Under the agreement with the utility, Mr. Spicher has been given a year to remove the old plant. The project was completed during May of 1997. The old plant equipment remaining on the property will be removed before June of 1998.

The utility is in compliance with all regulatory agencies having jurisdiction over its operations. All chemical analysis is up-to-date and the analysis results are satisfactory, indicating the utility is providing its customers with safe drinking water. Wastewater service is now purchased in bulk from Pasco County which relieves Paradise Lakes of regulatory obligations for wastewater treatment. By all appearances, the utility puts forth the effort to maintain its utility plant and equipment to match the aesthetics of the resort. The one customer that went on record as having a water pressure problem is having a restricted flow due to devices designed to save water. Upon consideration of the foregoing we find that the quality of service provided by the utility is satisfactory.

RATE BASE

Our calculations of the appropriate rate bases for water and wastewater for the purpose of this proceeding are depicted on Schedules Nos. 1 and 1-A, respectively. Our adjustments are depicted on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The water treatment plant serves a development that is built-out, and we considered it to be 100 percent used and useful in the last rate case. The water plant is a closed system operation designed to accommodate the existing 340 residential and five general service customers. The capacity of the plant is rated at 550 gallons per minute which equals a per customer share of 1.6 gallons per minute per customer. The General Waterworks Design Criteria set forth by the American Waterworks Association requires a minimum of 1.1 gallons per minute per customer based on average

daily flow. The utility meets the minimum standards for sufficient quantity. Fire flow is independent of the water system and while it is a sufficient system, is not included in the used and useful formula. The two general service connections, a travel trailer park and motel, have been included in the calculation. The remaining general service customers, the club house, restaurant, and office, exist to provide services to the residential customers already included in the equivalent residential connection calculation and, therefore, are not included in the used and useful calculation. Upon consideration, we find that the water treatment plant is 100% used and useful.

During the last rate case, we found that the water distribution system was 100% used and useful. This was based on information received during the investigation verifying that the service territory is built-out. Upon consideration, we find that the water distribution system is 100% used and useful.

There is no existing wastewater plant. All in-house wastewater facilities are to be removed by Environmental Equipment Sales, Inc., and during May, 1997, the utility made final its interconnection with Pasco County. The calculation of a used and useful for the wastewater treatment plant is not applicable.

In the last rate case, we found that the wastewater collection system was also 100% used and useful. Again, this is based on information verifying that the system is built-out. Upon consideration, we find that the wastewater collection system is 100% used and useful.

Test Year Rate Base

The appropriate components of Paradise Lakes' rate base include depreciable plant in service, land, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and working capital. All rate base components were determined as of December 31, 1994 in the utility's last staff assisted rate case, by Order No. PSC-95-1538-FOF-WS, issued December 13, 1995. We have used the amounts set forth in that Order as a basis for rate base components updated in this proceeding. Further adjustments are necessary to reflect test year changes and our used and useful determinations. A discussion of each component of rate base follows:

Utility Plant in Service

The Paradise Lakes water treatment plant is a typical, simple closed system and currently has two wells. The original well, completed in 1985, is a six-inch, steel encased, 350 feet deep unit, with a rated capacity of 250 gallons per minute. A new, second well was completed in 1991. It too is a six-inch, steel encased well but is dug to a depth of 450 feet and has a rated capacity of 300 gallons per minute. The raw water is disinfected by gas chlorination just prior to entry into a new 10,000 gallon tank. The utility also has a new standby electrical generator that is fueled by liquid gas.

With the completion of Phase III of the resort, the water distribution system added 1,600 linear feet of four-inch and 939 feet of three-inch PVC to the existing plant. As with the original mains, the system is constructed as a loop system to provide for optimum dispersion and pressure equalization.

The wastewater treatment facility was retired during the test year, and the utility now purchases wastewater treatment from Pasco County through an interconnection to the county system. The wastewater collection system, like the water distribution system, has been expanded due to the completion of Phase III of the resort. A total of four lift stations are in use to collect effluent.

The utility recorded utility plant in service balances of \$195,600 for water and \$653,843 for wastewater at the end of the test year. We made no adjustment to water plant in service balances. We adjusted wastewater plant to reflect a reduction of \$109,214 for the reuse plant that had been written off in the last rate case and not booked. We made a reduction of \$156,602 for the retirement of the wastewater treatment plant as a consequence of the interconnection with Pasco County, a reduction of \$2,226 for miscoded expense, and lastly, an averaging adjustment of \$17,803. Therefore, we find that the total utility plant in service is \$195,600 for water and \$371,998 for wastewater.

Land

The utility recorded \$7,800 for water land in service and \$36,000 for wastewater land in service. We reduced the wastewater land account by \$23,400 to reflect the thirty-five percent used and useful component of the wastewater land account. We made a corresponding adjustment to the CIAC account balance to reflect the

fully contributed nature of the wastewater land. Therefore, we find that the total utility land in service is \$7,800 for water and \$12,600 for wastewater.

Non-Used and Useful Plant

We have determined that the water treatment plant, water distribution system, and wastewater collection system are 100% used and useful. Therefore, we do not find there to be any non-used and useful plant.

CIAC

The utility CIAC balances at the end of the test year were negative \$27,600 for water and negative \$55,920 for wastewater. The water CIAC balance includes \$7,800 in land, and the wastewater CIAC balance includes \$31,200 that represents donated land. No new customers were added since the last rate case, and, therefore, no averaging adjustment was necessary. We have removed \$23,400 of the contributed land to reflect the retirement of the wastewater plant. Therefore, we find that the appropriate CIAC balances are negative \$27,600 for water and negative \$32,520 for wastewater.

Accumulated Depreciation

The utility books reflected accumulated depreciation balances of negative \$72,807 for water and negative \$234,086 for wastewater. We have calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We made adjustments of \$1,969 to water accumulated depreciation to correct the balance. We also adjusted wastewater accumulated depreciation by \$234,086 to account for the retirement of the wastewater plant. These adjustments resulted from the retirement of the wastewater treatment plant, incorrect inclusion of depreciation on retired reuse plant and averaging adjustments. Therefore, we find that the appropriate accumulated depreciation balances are \$70,838 for water and \$0 for wastewater.

Accumulated Amortization

The utility recorded accumulated amortization balances of \$4,643 for water and \$7,402 for wastewater at the end of the test year. We calculated amortization of CIAC by computing and using the appropriate yearly composite rate. Adjustments of \$1,130 for water and \$3,968 for wastewater were made to bring the utility

balances to the National Association of Regulatory Utility Commissioners (NARUC) calculated amount. Averaging adjustments of negative \$279 for water and negative \$542 for wastewater bring the total accumulated CIAC amortization balances to \$5,494 for water and \$10,828 for wastewater.

Miscellaneous Deferred Debit

We amortized the \$51,200 loss on the retirement of the wastewater plant over a ten year period, which is the remaining useful life of this plant. This amortization results in test year expense of \$5,120 and a miscellaneous deferred debit of \$46,080 that is included in rate base.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense formula approach for calculating working capital allowance. Applying that formula, and based on operation and maintenance expense of \$42,774 for water and \$68,230 for wastewater, we find that the working capital allowance is \$5,347 for water and \$8,529 for wastewater.

Rate Base Summary

Based on the foregoing, we find that the appropriate balance of Paradise Lakes' test year rate base is \$115,803 for water and \$417,515 for wastewater.

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.

Return on Equity

The utility's capital structure consists of \$111,900 of long-term debt with an imputed interest rate of 10.00%, short term debt of \$70,307, and common equity of \$395,521. Using the current leverage formula, the rate of return on common equity is 10.70% with a range of 9.70% to 11.70%.

Applying the weighted average method to the total capital structure yields an overall rate of return of 10.46% with a range of 9.78% to 11.15%. We have made pro rata adjustments to reconcile the capital structure downward to match the approved rate base.

NET OPERATING INCOME

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

Test Year Operating Revenues

The utility recorded water revenues of \$60,680 and wastewater revenues of \$122,007 during the test period. A review of the test year billing analysis showed these test year revenues were overstated for water by \$447 and understated for wastewater by \$4,787. Therefore, we have adjusted test year revenues accordingly, resulting in appropriate test year operating revenues of \$60,203 for water and \$126,794 for wastewater.

Test Year Operating Expenses

The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense net of related amortization of CIAC, and taxes other than income taxes.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect unrecorded test year expenses and to reflect our approved allowances for plant operations.

Operation and Maintenance Expenses(O & M)

The utility charged \$29,347 to water O & M and \$55,984 to wastewater O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

Sludge Removal Expense

Because the wastewater treatment plant was retired during the test year, we reduced this expense by \$3,380. The result of this reduction is an approved expense of \$600 for sludge hauling associated with maintenance of the lift stations.

Purchased Power

The utility recorded \$2,516 in water purchased power and \$5,918 in wastewater purchased power. We reduced water purchased power by \$8 and wastewater purchased power by \$4,467 to correct the amounts spent and to account for the retirement of the wastewater treatment plant. Therefore, the appropriate amounts for water and wastewater purchased power are \$2,508 and \$1,451, respectively.

Chemicals

The utility recorded \$649 for water chemical expense and \$9,517 for wastewater chemical expense during the test year. We made adjustments of \$431 to water chemical expense and negative \$8,767 to wastewater chemical expense to correct the balances to levels recommended by our staff engineer and to account for the retirement of the wastewater treatment plant. Therefore, the appropriate amounts for water and wastewater chemical expense are \$1,080 and \$750, respectively.

Materials and Supplies

The utility recorded a materials and supplies expense of \$233 for water and \$1,666 for wastewater. We made adjustments of \$1,250 to water and negative \$391 to wastewater to reclassify expenses to contractual services, to plant in service, and to true the expense to the level approved in the last rate case. Therefore, the appropriate amounts for water and wastewater materials and supplies expense are \$1,483 and \$1,275, respectively.

Contractual Services

The utility recorded contractual services expenses of \$22,795 for water and \$31,748 for wastewater during the test year. We made adjustments to the water contractual services account to: a) reclassify \$1,193 from material and supplies; b) reclassify \$775 from the wastewater system to the water system; c) adjust by \$360 for an item that was paid out of the test year; d) adjust to prior

order amounts factored for index increases of \$6,903; h) adjust testing costs by \$2,879 to allow proper expense for required testing and; I) adjust transportation expense by \$974 to the prescribed level.

We made adjustments to the wastewater contractual services account to: b) reclassify negative \$775 of expense to the water system; c) adjust by \$360 for an item that was paid out of the test year; d) adjust to prior order amounts factored for index increases of \$889; e) adjust by \$126 for an item that was paid out of the test year; f) adjust for contractual expense related to the retired wastewater treatment plant by negative \$5,272; g) adjust the cost of purchased wastewater treatment from Pasco County by \$36,147; h) adjust testing costs by negative \$1,312 to allow proper expense for required testing and; i) adjust transportation expense by \$418 to the prescribed level.

Paradise Lakes, Ltd., the utility's parent company, handles all management services for the utility. The president's salary was based on the percentage of time spent on utility business multiplied by his total salary. We indexed up the president's previously approved salary using the our approved yearly index figures resulting in an approved president's salary of \$10,361 for the water system and \$7,156 for the wastewater system.

Clerical costs were also based on percentage of time spent on utility business multiplied by the salary of the bookkeeper in the previous rate case. The utility has stated that it now has a full time bookkeeper handling utility business. We find that the appropriate clerical expense is \$11,654 for the water system and \$8,448 for the wastewater system.

Office expenses include telephone, rent, electricity, taxes, office supplies, postage and use of the office equipment. We find that the appropriate amount of office expense is \$6,606, divided equally between water and wastewater.

Accounting and legal expense include contracted services for litigation and preparation of accounting reports for regulatory and tax purposes. We find that the appropriate amount of accounting and legal expense, as reported by the utility, is \$3,604, divided equally between water and wastewater.

Based on expenses allowed in the last rate case and index increases from that time, we find that the appropriate amount of maintenance expense is \$3,092 for the water system and \$4,637 for the wastewater system. In accordance with the review and recommendation of our staff engineer, we find that the appropriate amount of transportation expense is \$974 for the water system and \$418 for the wastewater system. Also in accordance with the review and recommendation of our staff engineer, we find that the appropriate amount of testing cost is \$3,719 for the water system. Finally, we find that the appropriate cost of purchased wastewater treatment expense is \$36,147, based on consumption recorded in the test year.

Based on the foregoing, adjustments for water and wastewater contractual services total \$12,110 and \$30,163, respectively, resulting in approved contractual services of \$34,905 for water and \$61,911 for wastewater.

Insurance Expense

The utility recorded \$2,500 of insurance expense for water and \$2,500 of insurance expense for wastewater. The staff auditor discovered these figures were not expensed during the test year and that an adjustment should be made to reflect the retirement of the wastewater treatment plant. Accordingly, we have made adjustments of negative \$1,580 for water and negative \$1,580 for wastewater to reflect the current insurance policy and the amount of plant currently insured. We find that the appropriate amount of insurance expense is \$920 for water and \$920 for wastewater.

Regulatory Commission Expense

The utility recorded \$250 of water and \$250 of wastewater regulatory commission expense in this account. These amounts represent \$250 for water and \$250 for wastewater for the staff assisted rate case filing fee amortized over four years. We find these amounts appropriate.

Miscellaneous Expense

The utility recorded \$404 of water and \$405 of wastewater miscellaneous expenses. We find these amounts appropriate.

O&M Summary

We have made O&M adjustments of \$13,427 for water and \$12,246 for wastewater. Based on these adjustments, we find that the appropriate test year O&M expenses are \$42,774 for water and \$68,230 for wastewater.

Depreciation Expense

The utility recorded \$7,898 of water and \$30,091 of wastewater depreciation expense during the test year. We have calculated test year depreciation expense using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. We made an adjustment of negative \$18,825 to wastewater depreciation expense. This adjustment brings the utility balances to the correct amount, and recognizes the retirement of the wastewater treatment plant and the disallowance of depreciation on the reuse facility that should have been retired as a result of the findings in the last rate case. In addition, we corrected the amount of amortization by negative \$446 for the water system and by negative \$1,486 for the wastewater system to agree with prescribed rates. We also amortized an extraordinary loss on retirement of the wastewater treatment plant in the amount of \$5,120, resulting from the utility's interconnection with Pasco County. In determining this amount, we recognized the total loss of \$51,200, amortized it over the ten year remaining life of the retired plant, and accounted for the miscellaneous deferred debit in rate base of \$46,080, in accordance with the 1984 NARUC Uniform System of Accounts and Rule 25-30.433(9), Florida Administrative Code.

Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances, and then offsetting that by applying the composite depreciation rates to the appropriate CIAC account balances, yields the appropriate depreciation expense net of CIAC of \$6,957 for water and \$14,237 for wastewater.

Taxes Other Than Income Taxes

The utility recorded \$2,796 of water and \$5,075 of wastewater taxes other than income in this account. We made adjustments to increase regulatory assessment fees by \$248 for water and \$966 for wastewater to match test year revenue. We find that the appropriate amount of taxes other than income is \$3,044 for water

and \$6,041 for wastewater, prior to any increase for regulatory assessment fees associated with a general rate increase.

Operating Revenues

Revenues have been adjusted by \$4,909 for water and \$5,653 for wastewater to reflect the increase in revenue required to cover expenses and allow the approved rate of return on investment.

Taxes Other Than Income Taxes

This expense has been increased by \$221 for water and \$254 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary

The application of our adjustments to the utility's test year operating expenses results in approved operating expenses of \$52,996 for water and \$88,762 for wastewater.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that appropriate annual revenue requirement for this utility is \$65,112 for water and \$132,447 for wastewater. This revenue requirement represents an annual increase in revenue of \$4,909 for water and \$5,653 for wastewater or 8.15% and 4.46%, respectively.

RATES AND CHARGES

Rates and Rate Structure

The preferred rate structure is the base facility and gallonage charge for all customers who would require meters at each point of delivery. In the previous rate case, we found that metering the existing customers was neither economically feasible nor necessary for water conservation. By Order No. 19276, issued May 3, 1988, we did require that future development at Paradise Lakes be metered. Although the utility is located within a critical water use caution area, residential consumption only averages approximately 2,744 gallons per month, which is not considered excessive. Therefore, we do not it necessary to change the utility's rate structure.

Schedules of the utility's existing rates and our approved rates follow.

RESIDENTIAL WATER RATES

	<u>Existing Monthly Rates</u>	<u>Approved Monthly Rates</u>
<u>Monthly Flat Charge</u>		
Single Family Homes	\$ 10.79	\$ 11.67
Double-Wide Mobile Homes	\$ 10.79	\$ 11.67
 <u>Monthly Metered Rates</u>		
<u>Base Facility Charge</u>		
<u>Meter Size</u>		
5/8" x 3/4"	\$ 5.68	\$ 6.14
3/4"	8.51	9.21
1"	14.19	15.35
1-1/2"	28.38	30.70
2"	45.41	49.12
3"	90.82	98.24
4"	141.91	153.50
6"	283.81	307.00
 <u>Gallonage Charge</u>		
Per 1,000 gallons	\$ 1.67	\$ 1.81

WATER RATES
GENERAL SERVICE

	<u>Existing Monthly Rates</u>	<u>Approved Monthly Rates</u>
<u>Monthly Flat Rates</u>		
Clubhouse, Pool, Guardhouse, Maintenance Building (31.5 ERCs)	\$ 340.24	\$ 367.89
Recreational Vehicle Park (31.5 ERCs)	\$ 340.24	\$ 367.89

Monthly Metered Rates

Base Facility Charge

Meter Size

5/8" x 3/4"	\$ 5.68	\$ 6.14
3/4"	8.51	9.21
1"	14.19	15.35
1-1/2"	28.38	30.70
2"	45.41	49.12
3"	90.82	98.24
4"	141.91	153.50
6"	283.81	307.00

Gallonage Charge Per 1,000 gallons	\$ 1.67	\$ 1.81
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MULTI-RESIDENTIAL WATER RATES

	<u>Existing Monthly Rates</u>	<u>Approved Monthly Rates</u>
<u>Monthly Flat Charge</u>		
Three Bedroom Condominiums	\$ 10.79	\$ 11.67
Two Bedroom Condominiums	\$ 10.79	\$ 11.67
One Bedroom Condominiums	\$ 10.79	\$ 11.67

Monthly Metered Rates

Base Facility Charge

Meter Size

5/8" x 3/4"	\$ 5.68	\$ 6.14
3/4"	8.51	9.21
1"	14.19	15.35
1-1/2"	28.38	30.70
2"	45.41	49.12
3"	90.82	98.24
4"	141.91	153.50
6"	283.81	307.00

Gallonage Charge Per 1,000 gallons	\$ 1.67	\$ 1.81
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RESIDENTIAL WASTEWATER RATES

	<u>Existing Monthly Rates</u>	<u>Approved Monthly Rates</u>
<u>Monthly Flat Charge</u>		
Single Family Homes	\$ 22.48	\$ 23.48
Double-Wide Mobile Homes	\$ 22.48	\$ 23.48
<u>Monthly Metered Rates</u>		
<u>Base Facility Charge</u>		
<u>Meter Size</u>		
5/8" x 3/4"	\$ 8.35	\$ 8.72
3/4"	12.53	13.08
1"	20.88	21.80
1-1/2"	41.77	43.60
2"	66.83	69.76
3"	133.65	139.52
4"	208.83	218.00
6"	417.67	436.00
<u>Gallonage Charge</u>		
Per 1,000 gallons (Maximum of 3,000 gallons per month)	\$ 4.62	\$ 4.82

GENERAL SERVICE WASTEWATER RATES

	<u>Existing Monthly Rates</u>	<u>Approved Monthly Rates</u>
<u>Monthly Flat Rates</u>		
Clubhouse, Pool, Guardhouse, Maintenance Building (31.5 ERCs)	\$ 708.36	\$ 740.05
Recreational Vehicle Park (31.5 ERCs)	\$ 708.36	\$ 740.05

Monthly Metered Rates

Base Facility Charge

Meter Size

5/8" x 3/4"	\$ 8.35	\$ 8.72
3/4"	12.53	13.08
1"	20.88	21.80
1-1/2"	41.77	43.60
2"	66.83	69.76
3"	133.65	139.52
4"	208.83	218.00
6"	417.67	436.00

Gallonge Charge		
Per 1,000 gallons (No Maximum)	\$ 4.62	\$ 4.82

MULTI-RESIDENTIAL WASTEWATER RATES

	<u>Existing Monthly Rates</u>	<u>Approved Monthly Rates</u>
<u>Monthly Flat Charge</u>		
Three Bedroom Condominiums	\$ 22.48	\$ 23.48
Two Bedroom Condominiums	\$ 22.48	\$ 23.48
One Bedroom Condominiums	\$ 22.48	\$ 23.48

Monthly Metered Rates

Base Facility Charge

Meter Size

5/8" x 3/4"	\$ 8.35	\$ 8.72
3/4"	12.53	13.08
1"	20.88	21.80
1-1/2"	41.77	43.60
2"	66.83	69.76
3"	133.65	139.52
4"	208.83	218.00
6"	417.67	436.00

Gallonge Charge		
Per 1,000 gallons (Maximum of 3,000 gallons per month)	\$ 4.62	\$ 4.82

Using test year residential water customers with an average estimated use of 2,744 gallons per month per customer, an average residential monthly water bill comparison for metered customers results in the following:

	Average Monthly Bill Using Existing Rates	Average Monthly Bill Using Approved Rates	Percent Increase
Base Facility Charge	\$ 5.68	\$ 6.14	
Gallorage Charge	<u>\$ 4.58</u>	<u>\$ 4.96</u>	
Total	\$10.26	\$ 11.10	8.16%

Using test year residential wastewater customers with usage of 1,935 gallons per month per customer, an average residential monthly wastewater bill comparison results in the following:

	Average Monthly Bill Using Existing Rates	Average Monthly Bill Using Approved Rates	Percent Increase
Base Facility Charge	\$ 8.35	\$ 8.72	
Gallorage Charge	<u>\$ 8.94</u>	<u>\$ 9.33</u>	
Total	\$17.29	\$ 18.05	4.41%

In accordance with Rule 25-30.475, Florida Administrative Code, the rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, provided the customers have received notice. The tariff sheets shall be approved upon staff's verification that the tariffs are consistent with our decision herein, 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. In that event, 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 shall 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 the rates be reduced immediately following the expiration of the four-year 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 regulatory assessment fees which is \$262 annually for each water and wastewater system. Using the utility's current revenues, expenses, capital structure and customer base, the reduction in revenues will result in the rate decreases shown on Schedules Nos. 4 and 4A.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data 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 A PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein as temporary rates. The rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon Commission staff's approval of the security for the potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$7,301. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

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 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.

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 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.

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 Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

CLOSING OF DOCKET

Upon expiration of the protest period, if no timely protest is received from a substantially affected person, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Paradise Lakes Utility, Ltd.'s application for increased water rates is hereby 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 incorporated herein by reference. It is further

ORDER NO. PSC-98-0130-FOF-WS
DOCKET NO. 970633-WS
PAGE 23

ORDERED that Paradise Lakes Utility, Ltd. is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that Paradise Lakes Utility, Ltd.'s 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 proper notice. It is further

ORDERED that Paradise Lakes Utility, Ltd. shall provide proof that customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Paradise Lakes Utility, Ltd. 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 Paradise Lakes Utility, Ltd. first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that prior to implementation of the rates approved herein, Paradise Lakes Utility, Ltd. shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon Commission staff's verification that the pages are consistent with our decision herein, that the protest period has expired, that the customer notice is adequate and that any required security has been provided. It is further

ORDERED that the rates approved herein shall be reduced at the end of the four-year rate case expenses amortization period, consistent with our decision herein. Paradise Lakes Utility, Ltd. 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 prior to its implementation of the rates approved herein, Paradise Lakes Utility, Ltd. shall submit and have approved a bond or letter of credit in the amount of \$7,301 as a guarantee of any potential refund of revenues collected on a temporary basis. Alternatively, the utility may establish an escrow account with an independent financial institution. It is further

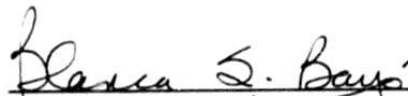
ORDER NO. PSC-98-0130-FOF-WS
DOCKET NO. 970633-WS
PAGE 24

ORDERED that Paradise Lakes Utility, Ltd. shall submit monthly reports no later than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that the provisions of this Order regarding our granting increased rates are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, 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

ORDERED that if no timely protest is received from a substantially affected person within twenty-one days of the issuance of this Order, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 26th day of January, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

TV

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 granting increased 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 February 16, 1998. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. 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 Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida

ORDER NO. PSC-98-0130-FOF-WS
DOCKET NO. 970633-WS
PAGE 26

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. 970633-WS

PARADISE LAKES UTILITIES, LTD.
TEST YEAR ENDING JUNE 30, 1997
SCHEDULE OF WATER RATE BASE

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 195,600	\$ 0 A	\$ 195,600
LAND/NON-DEPRECIABLE ASSETS	7,800	0	7,800
PLANT HELD FOR FUTURE USE	0	0	0
CWIP	0	0	0
CIAC	(27,600)	0	(27,600)
ACCUMULATED DEPRECIATION	(72,807)	1,969 B	(70,838)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	4,643	851 C	5,494
WORKING CAPITAL ALLOWANCE	0	5,347 D	5,347
WATER RATE BASE	\$ 107,636	\$ 8,167	\$ 115,803

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
 DOCKET NO. 970633-WS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 653,843	\$ (281,845) A	\$ 371,998
LAND/NON-DEPRECIABLE ASSETS	36,000	(23,400)	12,600
PLANT HELD FOR FUTURE USE	0	0	0
CWIP	0	0	0
CIAC	(55,920)	23,400 F	(32,520)
ACCUMULATED DEPRECIATION	(234,086)	234,086 B	0
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	7,402	3,426 C	10,828
MISCELLANEOUS DEFERRED DEBIT	0	46,080 E	46,080
WORKING CAPITAL ALLOWANCE	0	8,529 D	8,529
WASTEWATER RATE BASE	\$ 407,239	\$ 10,276	\$ 417,515

PARADISE LAKES UTILITIES, LTD.
TEST YEAR ENDING JUNE 30, 1997
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
DOCKET NO. 970633-WS

	WATER	WASTEWATER
A. UTILITY PLANT IN SERVICE		
1. Retirement of reuse plant from last Order	\$ 0	\$ (109,214)
2. Retirement of wastewater treatment plant	0	(152,602)
3. Adjust for non-recurring miscoded expense	0	(2,226)
4. To reflect averaging adjustment	0	(17,803)
	\$ 0	\$ (281,845)
B. ACCUMULATED DEPRECIATION		
1. To bring accumulated depreciation to correct amount	\$ 0	\$ 230,132
2. To reflect averaging adjustment	1,969	3,954
	\$ 1,969	\$ 234,086
C. AMORTIZATION OF CIAC		
1. To bring CIAC amortization to correct amount	\$ 1,130	\$ 3,968
2. To reflect averaging adjustment	(279)	(542)
	\$ 851	\$ 3,426
D. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses	\$ 5,347	\$ 8,529
E. LAND		
1. To reflect retirement of wastewater system	\$ 0	\$ (23,400)
F. CIAC		
1. To reflect retirement of wastewater system	\$ 0	\$ 23,400

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 970633-WS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 111,900	\$ (8,602)	\$ 103,298	19.37%	10.00%	1.94%
SHORT TERM DEBT	50,000	(3,844)	46,156	8.65%	10.00%	0.87%
COMMON EQUITY	395,521	(30,404)	365,117	68.46%	10.70%	7.33%
SHORT TERM DEBT	20,307	(1,561)	18,746	3.51%	9.50%	0.33%
TOTAL	\$ 577,728	\$ (44,411)	\$ 533,318	100.00%		10.46%
RATE BASE			533,318			

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.70%	11.70%
OVERALL RATE OF RETURN	9.78%	11.15%

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 970633-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	<u>60,680</u>	\$ <u>(477) A</u>	\$ <u>60,203</u>	\$ <u>4,909 F</u> 8.15%	\$ <u>65,112</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	29,347	13,427 B	42,774	0	42,774
DEPRECIATION	7,898	0 C	7,898	0	7,898
AMORTIZATION	(495)	(446) D	(941)	0	(941)
TAXES OTHER THAN INCOME	2,796	248 E	3,044	221 G	3,265
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>39,546</u>	\$ <u>13,229</u>	\$ <u>52,775</u>	\$ <u>221</u>	\$ <u>52,996</u>
OPERATING INCOME/(LOSS)	\$ <u>21,134</u>		\$ <u>7,428</u>		\$ <u>12,116</u>
WATER RATE BASE	\$ <u>107,636</u>		\$ <u>115,803</u>		\$ <u>115,803</u>
RATE OF RETURN	<u>19.63%</u>		<u>6.41%</u>		<u>10.46%</u>

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
 DOCKET NO. 970633-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	122,007	\$ 4,787 A	\$ 126,794	\$ 5,653 F 4.46%	\$ 132,447
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	55,984	12,246 B	68,230	0	68,230
DEPRECIATION	30,091	(18,825) C	11,266	0	11,266
AMORTIZATION	(663)	3,634 D	2,971	0	2,971
TAXES OTHER THAN INCOME	5,075	966 E	6,041	254 G	6,295
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	90,487	\$ (1,979)	\$ 88,508	\$ 254	\$ 88,762
OPERATING INCOME/(LOSS)	31,520		\$ 38,286		\$ 43,685
WASTEWATER RATE BASE	\$ 407,239		\$ 417,515		\$ 417,515
RATE OF RETURN	7.74%		9.17%		10.46%

ORDER NO. PSC-98-0130-FOF-WS
DOCKET NO. 970633-WS
PAGE 33

PARADISE LAKES UTILITIES, LTD
TEST YEAR ENDING JUNE 30, 1997
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B
DOCKET NO. 970633-WS

	WATER	WASTEWATER
A. OPERATING REVENUES		
1. To adjust test year revenue to test year customers and consumption through billing analysis.	\$ (447)	\$ 4,827
B. OPERATION AND MAINTENANCE EXPENSES		
1. Sludge Removal Expense		
a. Adjust for retirement of wwtp	\$ 0	\$ (3,380)
2. Purchased Power		
a. Correction and adjust for retirement of wwtp	\$ (8)	\$ (4,487)
3. Chemicals		
a. Correction and adjust for retirement of wwtp	\$ 431	\$ (8,767)
4. Materials and Supplies		
a. To reclassify to water contractual services	\$ 0	\$ (1,193)
b. To reclassify to utility plant	0	(448)
c. To adjust to levels approved in the last Order	1,250	1,250
	\$ 1,250	\$ (391)
5. Contractual Services		
a. To reclassify to material and supplies	\$ 1,193	\$ 0
b. To reclassify from wastewater to water system	775	(775)
c. To adjust for out of period item	360	360
d. Adjust to prior Order and Index	6,903	889
e. To adjust for out of period item	0	126
f. Adjust out operator charges to reflect retirement of wwtp	0	(5,272)
g. Adjust for wastewater treatment charges by county	0	38,147
h. Adjust testing costs	2,879	(1,312)
i. Adjust transportation costs	974	418
	\$ 13,084	\$ 30,581
6. Insurance Expenses		
a. Adjust for change in coverage	\$ (1,580)	\$ (1,580)
7. Regulatory Commission Expense		
a. To include filing fee amortized over 4 years.	\$ 250	\$ 250
b.	0	0
	\$ 250	\$ 250
8. Miscellaneous Expenses		
a.	\$ 0	\$ 0
b.	0	0
c.	0	0
	\$ 0	\$ 0
TOTAL O & M ADJUSTMENTS	\$ 13,427	\$ 12,246
C. DEPRECIATION EXPENSE		
1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	\$ 0	\$ (18,825)
D. AMORTIZATION EXPENSE		
1. To adjust utility balance to PSC calculated balance.	(446)	(1,486)
2. To amortize loss on retirement of utility plant	0	5,120
	\$ (446)	\$ 3,634
E. TAXES OTHER THAN INCOME		
1. To bring RAF's match test year revenue.	\$ 248	\$ 966
2.	0	0
3.	0	0
	\$ 248	\$ 966
F. OPERATING REVENUES		
1. To reflect ordered increase in revenue	\$ 4,909	\$ 5,653
G. TAXES OTHER THAN INCOME		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement	\$ 221	\$ 254

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C
 DOCKET NO. 970633-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	2,516	(8)[2]	2,508
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	649	431 [3]	1,080
(620) MATERIALS AND SUPPLIES	233	1,250 [4]	1,483
(630) CONTRACTUAL SERVICES	22,795	12,110 [5]	34,905
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	974	974
(655) INSURANCE EXPENSE	2,500	(1,580)[6]	920
(665) REGULATORY COMMISSION EXPENSE	250	250 [7]	500
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	404	0 [8]	404
	\$ 29,347	\$ 13,427	\$ 42,774

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D
 DOCKET NO. 970633-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(701) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	3,980	(3,380) [1]	600
(715) PURCHASED POWER	5,918	(4,467) [2]	1,451
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	9,517	(8,767) [3]	750
(720) MATERIALS AND SUPPLIES	1,666	(391) [4]	1,275
(730) CONTRACTUAL SERVICES	31,748	30,163 [5]	61,911
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	418	418
(755) INSURANCE EXPENSE	2,500	(1,580) [6]	920
(765) REGULATORY COMMISSION EXPENSES	250	250 [7]	500
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	405	0 [8]	405
	\$ 55,984	\$ 12,246	\$ 68,230

ORDER NO. PSC-98-0130-FOF-WS
DOCKET NO. 970633-WS
PAGE 36

RECOMMENDED RATE REDUCTION SCHEDULE

PARADISE LAKES UTILITIES, LTD.
TEST YEAR ENDING JUNE 30, 1997

SCHEDULE NO. 4
DOCKET NO. 970633-WS

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

MONTHLY WATER RATES

RESIDENTIAL AND GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 6.14	\$ 0.02
3/4"	9.21	0.04
1"	15.35	0.06
1-1/2"	30.70	0.12
2"	49.12	0.20
3"	98.24	0.39
4"	153.50	0.62
6"	307.00	1.23
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.81	\$ 0.01
RESIDENTIAL FLAT RATE	\$ 11.67	\$ 0.05
GENERAL SERVICE FLAT RATE	\$ 367.89	\$ 1.48

ORDER NO. PSC-98-0130-FOF-WS
 DOCKET NO. 970633-WS
 PAGE 37

RECOMMENDED RATE REDUCTION SCHEDULE

PARADISE LAKES UTILITIES, LTD.
 TEST YEAR ENDING JUNE 30, 1997

SCHEDULE NO. 4A
 DOCKET NO. 970633-WS

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

MONTHLY WASTEWATER RATES

RESIDENTIAL AND GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 8.72	\$ 0.02
3/4"	13.08	0.03
1"	21.80	0.04
1-1/2"	43.60	0.09
2"	69.76	0.14
3"	139.52	0.28
4"	218.00	0.43
6"	436.00	0.86
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (3,000 GALLON MAX. PER MONTH)	\$ 4.82	\$ 0.01
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	\$ 4.82	\$ 0.01
RESIDENTIAL FLAT RATE	\$ 23.48	\$ 0.05
GENERAL SERVICE FLAT RATE	\$ 740.05	\$ 1.46