

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING
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DATE: NOVEMBER 5, 1998
TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)
FROM: DIVISION OF WATER AND WASTEWATER (LINGO, T. L. DAVIS, RIEGER) [Handwritten initials]
DIVISION OF LEGAL SERVICES (BRUBAKER) [Handwritten initials]
RE: DOCKET NO. 981147-WS - HIGHLANDS RIDGE ASSOCIATES, INC.
COUNTY: HIGHLANDS

AGENDA: 11/17/98 - REGULAR AGENDA - DECISION ON SETTING REVENUES SUBJECT TO REFUND - INTERESTED PERSONS MAY PARTICIPATE ON ISSUE 1 ONLY - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF ON ISSUES 2 - 4

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\981147.RCM

CASE BACKGROUND

Highlands Ridge Associates, Inc. (Highlands Ridge or utility) is a Class C water and wastewater utility located in Avon Park in Highlands County. The utility served approximately 302 water customers and 296 wastewater customers at December 31, 1997. According to the utility's 1997 Annual Report, the revenues were \$76,534 for the water system and \$77,867 for the wastewater system. The corresponding net operating incomes were \$20,870 and \$7,455 for the respective systems.

The utility was granted water and wastewater certificates in September 1992. The development served by the utility consists of site-built manufactured homes, single-family detached homes, a clubhouse, several golf courses and a pro shop. The utility had been in operation since October 1990, providing service without compensation to approximately 35 connections. By Order No. PSC-92-

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FPSO-RECORDS/REPORTING

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0954-FOF-WS, issued September 9, 1992, the utility was granted Certificates Nos. 544-W and 474-S, and had rates and charges established for its water and wastewater systems. The utility has never filed a rate case, but it has received price index rate adjustments for the years 1994-1998.

On February 3, 1998, Staff received from the utility a request for a refund of a portion of the regulatory assessment fees (RAFs) paid during the years 1994-1996, as well as corrected RAF returns for those corresponding years. The utility stated in its request that certain connection and meter installation fees were incorrectly recorded as revenues during those years, and that those fees are not subject to RAFs. As a result, the utility contends that it overpaid its RAFs during those years.

On February 19, 1998, Staff also received from the utility an application for a 1998 price index. As part of the index application review process, Staff contacted the utility, which stated that the Southwest Florida Water Management District (SWFWMD or District) had contacted the utility about the high per capita consumption of the utility's customers. According to the utility, the District indicated that the utility's Consumptive Use Permit would be reviewed 18 months early for the primary purpose of requiring the utility to implement a conservation-oriented rate structure.

Staff proceeded to review certain information from the utility's 1997 Annual Report in order to determine, on a preliminary basis, the utility's average monthly water consumption per customer. During this review, Staff discovered that the utility, while indicating the number of general service (GS) customers at the beginning of the year, failed to account for those GS customers at the end of the year. When Staff called the utility to inquire about the GS customers, we were told that all GS customers were related parties to the utility and, therefore, were not billed. Therefore, although the utility's 1997 Annual Report did not indicate that the utility achieved a return greater than what was authorized, due to the number of customers who had not been billed, Staff began an informal investigation into the potential overearnings of this utility.

Consequently, Staff requested an audit of the utility's rate base, capital structure and operating position for the test period ended December 31, 1997. During the course of the informal investigation, Staff learned that, in addition to the customers who are metered but not billed, the utility also has several unmetered customers. Based on this new information, Staff conducted two

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field investigations, during which a comprehensive billing analysis was performed for the year ended December 31, 1997. Based on the results of both the billing analysis and the audit, Staff believes it is necessary and appropriate to initiate an investigation into the potential overearnings of this utility.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission initiate an overearnings investigation of Highlands Ridge Associates, Inc.?

RECOMMENDATION: Yes, the Commission should initiate an investigation of the composition and level of water and wastewater rates to determine potential overearnings. Rate base for both the water and wastewater systems should also be established since rate base has never been set for this utility. (LINGO)

STAFF ANALYSIS: Section 367.082, Florida Statutes, authorizes the Commission to initiate an investigation of a utility's earnings upon a preliminary demonstration that the utility is earning a rate of return which is outside the range of reasonableness. To the extent that the achieved rate of return exceeds the required rate of return applied to an average investment rate base or an end-of-period rate base, the Commission may require revenues to be collected subject to refund during the investigation (Section 367.082(1), (5), Florida Statutes).

Staff's preliminary analysis indicates that during 1997 the utility's water system earned a 20.64% return, while its wastewater system earned a 17.71% return. Therefore, based on the results of our preliminary analysis, we believe a full investigation of this utility's earnings for water and wastewater service is appropriate. The test year for the investigation should be the year ended December 31, 1997. As mentioned previously, the utility has not had a rate case since its inception and, therefore, rate base for the respective systems has never been set. Based on the foregoing, Staff recommends that the Commission establish the appropriate rate base for the utility's water and wastewater systems at this time.

ISSUE 2: Should any amount of annual water or wastewater revenues be held subject to refund, and, if so, what are the appropriate amounts?

RECOMMENDATION: Yes, Highlands Ridge should hold annual water revenues of \$19,004 and annual wastewater revenues of \$17,146 subject to refund. The following amounts are recommended:
(LINGO, T.L. DAVIS, RIEGER)

	<u>Test Year</u> <u>Revenues</u>	<u>Amount</u> <u>Subject</u> <u>to Refund</u>	<u>% Subject</u> <u>to Refund</u>
Water	\$89,294	\$19,004	21.28%
Wastewater	\$98,017	\$17,146	17.49%

STAFF ANALYSIS: Test year water operating revenues, as adjusted by Staff, totaled \$89,294 for the year ended December 31, 1997. The corresponding annual water revenue requirement, based on Staff's adjusted revenues, rate base and operating expenses, totals \$70,290. Correlatively, test year wastewater operating revenues, as adjusted by Staff, totaled \$98,017 over the same period. The corresponding annual wastewater revenue requirement, based Staff's adjusted revenues, rate base and operating expenses, totals \$80,871.

Using the upper boundary of 13.44% for return on equity, in conjunction with the appropriate cost rates for other components in the utility's capital structure, yields a 10.49% overall cost of capital. Our preliminary review indicates that the utility is earning a return of 20.64% on the water system and 17.71% on the wastewater system.

Section 367.082(5)(b), Florida Statutes, requires that adjustments consistent with those made in the last individual rate proceeding shall be made in arriving at the achieved rate of return of the utility. Additionally, the statute requires the annualization of any rate changes that occurred during the test period. For the purpose of this interim recommendation, the schedules reflect year-end test year balances per the Staff auditor, as well as specific audit adjustments. Since there was no filing on the part of the utility, the amounts per the audit do not necessarily reflect the utility's position. Our recommendation reflects the appropriate adjustments, the nature and magnitude of which are discussed below.

RATE BASE

Plant in Service

The auditor made several adjustments to the utility's plant accounts to correct for improperly recorded Allowance for Funds Used During Construction (AFUDC) and improperly recorded plant additions, and to reflect averaging adjustments. Staff made additional adjustments to remove a nonutility well and to remove disallowed project additions. The resulting average balances for utility plant in service are \$448,652 for the water system and \$545,309 for the wastewater system.

Land

The utility had not recorded land on its books. The auditor made adjustments of \$443 to the water system and \$4,434 to the wastewater system.

Accumulated Depreciation

The auditor decreased the accumulated depreciation balances to reflect adjustments necessary to: 1) correct for improperly recorded plant in service; 2) correct for the use of prescribed rates per Rule 25-30.140, Florida Administrative Code; and 3) reflect the appropriate averaging adjustments. Staff made additional adjustments to remove the accumulated depreciation associated with the nonutility well and disallowed project additions removed from plant in service. This results in accumulated depreciation balances of (\$110,939) for the water system and (\$122,414) for the wastewater system.

Contributions in Aid of Construction (CIAC)

The auditor and Staff increased the CIAC balances by \$161,560 for the water system and \$223,061 for the wastewater system to reflect uncollected CIAC and averaging adjustments, resulting in average balances of \$177,858 and \$223,061, respectively.

Accumulated Amortization of CIAC

The auditor and Staff increased the balance of the water system by \$13,010 and increased the balance of the wastewater system by \$18,209 to reflect the accumulated amortization of CIAC associated with uncollected CIAC and averaging adjustments. The

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resulting balances in the water and wastewater accounts are \$14,729 and \$18,209, respectively.

Working Capital

Section 367.082(5)(b)1, Florida Statutes, requires that in calculating interim rates, adjustments be made consistent with those in the utility's rate proceeding. Consistent with the methodology used in Highlands Ridge's original certificate case which established the utility's initial rates and charges, Staff calculated working capital using the formula method. Based on our preliminary review and the use of the formula method, Staff recommends a working capital allowance of \$3,758 for the water system and \$4,264 for the wastewater system.

Rate base for interim purposes, as adjusted by Staff, is \$178,785 for the water system and \$226,741 for the wastewater system. The respective rate bases are shown on Schedules Nos. 1-A and 1-B, and the related adjustments are shown on Schedule No. 1-C.

COST OF CAPITAL

In Order No. PSC-92-0954-FOF-WS, the Commission found it appropriate to establish a return on equity of 12.44% for the utility, with a range of 11.44%-13.44%, to be used in future proceedings. Consistent with Section 367.082(5)(b), Florida Statutes, the appropriate return on equity for interim refund purposes is calculated using the maximum of the last authorized range. Using the upper boundary of 13.44% for return on equity, in conjunction with the appropriate cost rates for other components in the utility's capital structure, yields a 10.49% overall cost rate of return for interim purposes.

OPERATING INCOME

Operating Revenue

As discussed previously, Staff performed a comprehensive billing analysis for the year ended December 31, 1997. Based on the information gathered, Staff calculated and/or imputed additional revenues of \$7,303 for the water system and \$19,862 for the wastewater system. In addition, on July 1, 1997 the utility implemented a price index rate adjustment. As required by Section 367.082(5)(b), Florida Statutes, this rate change was annualized,

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resulting in additional adjustments of \$379 and \$288 to the respective systems.

Operation and Maintenance Expenses

The auditor removed a prior period expense from the water system and removed plant misclassified as expenses from the wastewater system. The resulting adjustments are reductions of \$729 and \$11,004, respectively.

Depreciation Expenses (Net of CIAC Amortization)

The net effect of calculating depreciation expense using the rates in Rule 25-30.140, Florida Administrative Code, and including the annual amortization of unrecorded CIAC results in decreases of \$7,156 for the water system and \$7,449 for the wastewater system.

Taxes Other Than Income

The auditor made several adjustments to this account to reflect: 1) unrecorded regulatory assessment fees for revenues per the utility; and 2) unrecorded tangible personal property taxes. In addition, Staff adjusted the water and wastewater balances to reflect the additional regulatory assessment fees associated with the imputed revenues and the 1997 price index. The net results of these adjustments are increases of \$7,525 to the water system and \$7,281 to the wastewater system.

REVENUE REQUIREMENT FOR THE INTERIM PERIOD

As discussed previously, the water system generated operating revenues of \$89,294, while the wastewater system generated operating revenues of \$98,017. Staff's recommended adjustments result in revenue requirements for the interim test period of \$70,290 for the water system and \$80,871 for the wastewater system, representing decreases of \$19,004 and \$17,146 for the respective systems.

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ISSUE 3: What is the appropriate security to guarantee the amount subject to refund?

RECOMMENDATION: The utility should be required to file a bond, letter of credit or escrow agreement to guarantee the amount subject to refund. The letter of credit or bond should be in the amount of \$18,576. In lieu of a letter of credit or bond, the utility should obtain an escrow agreement which requires the utility to deposit an amount monthly, as discussed below, until completion of the overearnings investigation and the resolution of the other outstanding matters as discussed previously. Pursuant to Rule 25-30.360.(6), Florida Administrative Code, the utility should be required to provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. The utility should be put on notice that failure to comply with these requirements will result in the initiation of a show cause proceeding. (LINGO)

STAFF ANALYSIS: Pursuant to Section 367.082, Florida Statutes, when revenues are held subject to refund, the utility is authorized to continue collecting the previously authorized rates. The amount of potential overearnings on an annual basis is \$19,004 for the water system and \$17,146 for the wastewater system. However, \$1,080 of the potential overearnings is a result of a 1997 index. Pursuant to Section 367.081(4)(d), Florida Statutes, the revenues associated with the index are already subject to refund. Therefore, only \$35,070 in annual revenues should be collected under guarantee, subject to refund with interest. Assuming a 6-month time frame, the potential refund amount is \$18,576.

Staff in the Division of Auditing and Financial Analysis (AFA) has recommended that Highlands Ridge not be allowed a corporate undertaking. As discussed in AFA's memo dated September 21, 1998, the criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability and interest coverage to guarantee any potential refund. However, AFA was unable to perform a financial analysis of Highlands Ridge's financial statements due to insufficient data. Therefore, Staff recommends that the utility provide a letter of credit, bond or escrow agreement to guarantee the funds collected subject to refund.

If the security provided is an escrow account, said account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a

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signatory to the escrow account. The written escrow agreement should state the following:

1. The account is established at the direction of this Commission for the purpose set forth above;
2. No withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of Records and Reporting;
3. The account shall be interest bearing;
4. Information concerning that escrow account shall be available from the institution to the Commission or its representative at all times;
5. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and
6. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d. DCA 1972), escrow accounts are not subject to garnishments.

The utility should deposit \$3,096 into the escrow account each month for possible overearnings. The escrow agreement should also state the following:

1. If a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers; and
2. If a refund to the customers is not required, the interest earned on the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument should be in the amount of \$18,576. If the utility chooses a bond as security, the bond should state that it will be released or should terminate only upon subsequent order of the Commission addressing overearnings or requiring a refund. If the utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered addressing overearnings or requiring a refund.

Irrespective of the type of security provided, the utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with

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interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility. Finally, the utility should be on notice that if it does not comply with the requirements stated in this recommendation, it should be put on notice that a show cause proceedings will be initiated.

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ISSUE 4: Should this docket be closed?

RECOMMENDATION: No, this docket should remain open pending Staff's investigation of the utility's earnings for 1997 and the results of Staff's investigation and analysis into all other outstanding matters. (LINGO, BRUBAKER)

STAFF ANALYSIS: Based on Staff's audit and subsequent revenue adjustments, Staff recommends that the utility's water system is overearning by \$19,004 and its wastewater system is overearning by \$17,146. Furthermore, as discussed previously, there are other issues pertaining this utility that must be addressed. Therefore, this docket should remain open pending Staff's investigation of the utility's earnings for 1997 and the results of Staff's investigation and analysis into all other outstanding matters.

HIGHLANDS RIDGE ASSOCIATES, INC.
DOCKET NO. 981147-WS
TEST YEAR ENDED DECEMBER 31, 1997
SCHEDULE OF WATER RATE BASE

Schedule No. 1-A

<u>Description</u>	<u>Balance Per Utility</u>	<u>Staff Adjustments</u>	<u>Staff Adjusted Test Year</u>
Utility Plant in Service	\$529,042	(\$80,390) A	\$448,652
Land	0	443 B	443
Plant Held for Future Use	0	0	0
CIAC	(16,298)	(161,560) C	(177,858)
Accumulated Depreciation	(200,093)	89,154 D	(110,939)
Accumulated Amortization of CIAC	1,719	13,010 E	14,729
Working Capital	0	3,758 F	3,758
TOTAL	<u>\$314,370</u>	<u>(\$135,585)</u>	<u>\$178,785</u>

HIGHLANDS RIDGE ASSOCIATES, INC.
DOCKET NO. 981147-WS
TEST YEAR ENDED DECEMBER 31, 1997
SCHEDULE OF WASTEWATER RATE BASE

Schedule No. 1-B

<u>Description</u>	<u>Balance</u> <u>Per Utility</u>	<u>Staff</u> <u>Adjustments</u>	<u>Staff</u> <u>Adjusted</u> <u>Test Year</u>
Utility Plant in Service	\$596,630	(\$51,321) A	\$545,309
Land	0	4,434 B	4,434
Plant Held for Future Use	0	0	0
CIAC	0	(223,061) C	(223,061)
Accumulated Depreciation	(258,687)	136,273 D	(122,414)
Accumulated Amortization of CIAC	0	18,209 E	18,209
Working Capital	0	4,264 F	4,264
TOTAL	<u>\$337,943</u>	<u>(\$111,202)</u>	<u>\$226,741</u>

HIGHLANDS RIDGE ASSOCIATES, INC.
DOCKET NO. 981147-WS
TEST YEAR ENDED DECEMBER 31, 1997
SCHEDULE OF RATE BASE ADJUSTMENTS

Schedule No. 1-C

<u>Description</u>	<u>Water</u>	<u>Wastewater</u>
A. Utility Plant in Service		
1. To remove disallowed AFUDC recorded prior to Order No. PSC-92-0954-FOF-WS	(\$47,307)	(\$51,113)
2. To reflect improperly recorded plant additions	49,483	58,604
3. To remove nonutility well	(59,925)	
4. To remove disallowed project additions		(35,012)
5. Averaging adjustment	(22,641)	(23,800)
Subtotal	<u>(\$80,390)</u>	<u>(\$51,321)</u>
B. Land		
1. To record land	<u>\$443</u>	<u>\$4,434</u>
C. Contributions in Aid of Construction (CIAC)		
1. To record uncollected CIAC per tariff	(\$181,322)	(\$247,845)
2. Averaging adjustment	19,762	24,784
Subtotal	<u>(\$161,560)</u>	<u>(\$223,061)</u>
D. Accumulated Depreciation		
1. To reflect accumulated depreciation based on depreciation rates prescribed to Rule 25-30.140, Florida Administrative Code	\$63,697	\$115,782
2. To remove accumulated depreciation associated with nonutility well and disallowed additions	16,774	\$648
3. Averaging adjustment	<u>8,683</u>	<u>19,843</u>
Subtotal	<u>\$89,154</u>	<u>\$136,273</u>
E. Accumulated Amortization of CIAC		
1. To reflect accumulated amortization of CIAC associated with unrecorded CIAC	\$16,292	\$22,045
2. Averaging adjustment	(3,282)	(3,836)
Subtotal	<u>\$13,010</u>	<u>\$18,209</u>
F. Working Capital		
1. To reflect working capital based on the formula method	<u>\$3,758</u>	<u>\$4,264</u>
TOTAL ADJUSTMENTS	<u>(\$135,585)</u>	<u>(\$111,202)</u>

HIGHLANDS RIDGE ASSOCIATES, INC.
 DOCKET NO. 981147-WS
 TEST YEAR ENDED DECEMBER 31, 1997
 SCHEDULE OF CAPITAL STRUCTURE

Schedule 2

<u>Description</u>	<u>Balance per Utility</u>	<u>Staff Adjustments</u>	<u>Balance per Staff</u>	<u>Pro Rata Adjustments</u>	<u>Adjusted Balance per Staff</u>	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Average Cost of Capital</u>
Common Stock	\$1,000	\$0	\$1,000	(\$976)	\$24	0.01%	13.44%	0.00%
Other Paid-In Capital	1,067,000	0	1,067,000	(1,041,018)	25,982	6.41%	13.44%	0.86%
Retained Earnings	(11,972,868)	11,972,868	0	0	0	0.00%	13.44%	0.00%
1st Union Line of Credit	374,810	0	374,810	(365,683)	9,127	2.25%	9.00%	0.20%
1st Union Development Note	7,626,745	0	7,626,745	(7,441,027)	185,718	45.80%	8.34%	3.82%
1st Union -- Scottish Links	271,154	0	271,154	(264,551)	6,603	1.63%	8.50%	0.14%
Network Equipment Note	10,608	0	10,608	(10,350)	258	0.06%	9.60%	0.01%
Shareholder Notes	7,172,599	0	7,172,599	(6,997,940)	174,659	43.07%	12.50%	5.38%
Equipment Note	94,361	0	94,361	(92,064)	2,298	0.57%	9.60%	0.05%
Vehicle Note	26,852	0	26,852	(26,198)	654	0.16%	9.25%	0.01%
Sunbank Floorplan Note	8,318	0	8,318	(8,115)	203	0.05%	8.50%	0.00%
Customer Deposits	0	0	0	0	0	0.00%	8.00%	0.00%
TOTAL	\$4,680,579	\$11,972,868	\$16,653,447	(\$16,247,921)	\$405,526	100.00%		10.49%

<u>Range of Reasonableness</u>	<u>Low</u>	<u>High</u>
Return on Equity	11.44%	13.44%
Overall Rate of Return	10.36%	10.49%

HIGHLANDS RIDGE ASSOCIATES, INC.
DOCKET NO. 981147-WS
TEST YEAR ENDED DECEMBER 31, 1997
SCHEDULE OF WATER OPERATING INCOME

Schedule No. 3-A

<u>Per Utility</u>	<u>Per Utility</u>	<u>Staff Adjs to Util Balance</u>	<u>Test Year Balance per Staff</u>	<u>Staff Adjs for Increase</u>	<u>Balance per Staff</u>
Operating Revenues	\$81,612	\$7,682 A	\$89,294	(\$19,004) E -21.28%	\$70,290
<u>Operating Expenses:</u>					
Operation and Maintenance	30,792	(729) B	30,063	0	30,063
Depreciation	17,959	(7,156) C	10,803	0	10,803
Amortization	0	0	0	0	0
Taxes Other Than Income	4,000	7,525 D	11,525	(855) F	10,670
Income Taxes	0	0	0	0	0
Total Operating Expenses	\$52,751	(\$360)	\$52,391	(\$855)	\$51,536
Operating Income (Loss)	\$28,861	\$8,042	\$36,903	(\$18,148)	\$18,755
RATE BASE	\$314,370		\$178,785		\$178,785
RATE OF RETURN	9.18%		20.64%		10.49%

HIGHLANDS RIDGE ASSOCIATES, INC.
DOCKET NO. 981147-WS
TEST YEAR ENDED DECEMBER 31, 1997
SCHEDULE OF WASTEWATER OPERATING INCOME

Schedule No. 3-B

<u>Per Utility</u>	<u>Per Utility</u>	<u>Staff Adjs to Util Balance</u>	<u>Test Year Balance per Staff</u>	<u>Staff Adjs for Increase</u>	<u>Balance per Staff</u>
Operating Revenues	\$77,867	\$20,150 A	\$98,017	(\$17,146) E -17.49%	\$80,871
<u>Operating Expenses:</u>					
Operation and Maintenance	45,113	(11,004) B	34,109	0	34,109
Depreciation	19,916	(7,449) C	12,467	0	12,467
Amortization	0	0	0	0	0
Taxes Other Than Income	4,000	7,281 D	11,281	(772) F	10,509
Income Taxes	0	0	0	0	0
Total Operating Expenses	\$69,029	(\$11,172)	\$57,857	(\$772)	\$57,085
Operating Income (Loss)	\$8,838	\$31,322	\$40,160	(\$16,375)	\$23,785
RATE BASE	\$337,943		\$226,741		\$226,741
RATE OF RETURN	2.62%		17.71%		10.49%

HIGHLANDS RIDGE ASSOCIATES, INC.
DOCKET NO. 981147-WS
TEST YEAR ENDED DECEMBER 31, 1997
SCHEDULE OF OPERATING INCOME ADJUSTMENTS

Schedule No. 3-C

<u>Description</u>	<u>Water</u>	<u>Wastewater</u>
<u>A. Operating Revenues</u>		
1. To record imputed and/or miscalculated revenues	\$7,303	\$19,862
2. To reflect annualization resulting from a 1997 price index	<u>379</u>	<u>288</u>
Subtotal	<u>\$7,682</u>	<u>\$20,150</u>
<u>B. Operation and Maintenance Expense</u>		
1. To remove out of period expense	(\$729)	
2. To remove plant additions misclassified as expenses		(\$11,004)
Subtotal	<u>(\$729)</u>	<u>(\$11,004)</u>
<u>C. Depreciation Expense</u>		
1. To reflect adjustments to depreciation expense based on prescribed rates per Rule 25-30.140, Florida Administrative Code	(\$2,312)	\$224
2. To reflect annual amortization resulting from uncollected CIAC	<u>(4,844)</u>	<u>(7,673)</u>
Subtotal	<u>(\$7,156)</u>	<u>(\$7,449)</u>
<u>D. Taxes Other Than Income</u>		
1. To reflect additional regulatory assessment fees associated with imputed and/or miscalculated revenues and 1997 price index	\$346	\$907
2. To reflect unrecorded regulatory assessment fees for revenues per utility	\$3,673	\$3,504
3. To reflect unrecorded tangible personal property taxes	<u>3,507</u>	<u>2,870</u>
Subtotal	<u>\$7,525</u>	<u>\$7,281</u>
<u>E. Operating Revenues</u>		
1. To reflect Staff's recommended decrease in revenues	(\$19,004)	(\$17,146)
<u>F. Taxes Other Than Income</u>		
1. To reflect the reduction in regulatory assessment fees associated with Staff's recommended revenue decrease	(\$855)	(\$772)