

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

DATE: NOVEMBER 19, 2001

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (RENDELL MONIZ)
DIVISION OF LEGAL SERVICES (HARRIS) *RM*

RE: DOCKET NO. 011451-WS - INVESTIGATION OF WATER AND
WASTEWATER RATES FOR POSSIBLE OVEREARNINGS BY PLANTATION
BAY UTILITY COMPANY

AGENDA: 12/04/01 - REGULAR AGENDA - DECISION ON SETTING REVENUES
SUBJECT TO REFUND - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 08/08/02

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\011451.RCM

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

CASE BACKGROUND

Plantation Bay Utility Company (Plantation Bay or utility) is a Class C water and wastewater utility operating in Volusia County. The system serves approximately 734 customers. For the test period ended December 31, 2000, the utility reported operating revenues of \$212,826 for water and \$141,058 for wastewater and operating expenses of \$107,658 for water and \$73,038 for wastewater. This resulted in a net operating income of \$16,167 for water and \$19,718 for wastewater. The service territory extends into both Volusia and Flagler counties.

Since its certification, docketed activity for this utility has included an application for a miscellaneous service charge (Docket No. 880477-WS), request for name change (Docket No. 911112-WS), a territory amendment (Docket No. 950181-WS), and a request for a staff assisted rate case (Docket No 951296-WS). In addition to these mentioned docketed activities, the utility has taken advantage of price indexing and pass-through opportunities.

This utility is within the St. Johns River Water Management District (SJRWMD). The service area is located thirteen miles north of Daytona Beach at the intersection of Old Dixie Hwy. and Interstate 95. The utility's service territory is in a defined water use caution area, but according to the staff at the SJRWMD, the utility is within prescribed usage levels.

A review of Plantation Bay's 2000 Annual Report indicated that the utility's water and wastewater systems may have exceeded its last authorized return on equity investment. Consequently, staff conducted an audit of the utility's rate base, capital structure and operating position for the test period ended December 31, 2000. Based on the results of 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 Plantation Bay Utility Company?

RECOMMENDATION: Yes, the Commission should initiate an investigation of the composition and level of water and wastewater rates to determine potential overearnings. (MONIZ)

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 rate base, the Commission may require revenues to be collected subject to refund pending the result of the investigation. (Sections 367.082(1)and(5), Florida Statutes).

Staff's preliminary analysis indicates that during 2000 the utility's water system earned a 28.80% return, while its wastewater system earned a 32.35% return. Using the utility's 2000 capital structure, the maximum of the range of reasonableness for the rate of return is 11.04%. Therefore, based on the results of staff's preliminary analysis, a full investigation of this utility's earnings for water and wastewater service is appropriate.

ISSUE 2: Should a year end rate base be used, for this utility, in calculating interim revenues?

RECOMMENDATION: Yes, the Commission should approve the use of a year end rate base, for this utility, in calculating interim revenues. (MONIZ)

STAFF ANALYSIS: Pursuant to Section 367.082(5)(a), Florida Statutes, the Commission shall determine the interim revenue deficiency (or excess) by comparing a utility's achieved return and its required rate of return using either an average investment rate base or an end-of-period investment rate base. Thus, the Commission has the authority and the discretion to decide when interim rates should be established under year-end conditions rather than under average test year conditions.

To measure the utility's "achieved rate of return" (actual income) for the interim test period, the Commission must apply appropriate adjustments from the utility's most recent rate case. This replication of prior adjustments does not determine whether an average or a year-end test year shall be employed. The rate base timing issue is not a carryover adjustment from a prior case, since use of a year-end test year, where appropriate, must be justified in each docket.

Typically, a year-end basis for final rate purposes must be preceded by a showing of extraordinary growth in investment and/or expenses. According to the audit, the utility completed several large construction projects totaling \$325,579 and \$772,916 for water and wastewater, respectively. An average test year would allow only half of the cost for these improvements and facilities in rate base, therefore allowing a return on only half of the utility's investment. In staff's opinion, the difference in revenue requirement is sufficient to justify use of a year-end rate base. Accordingly, we recommend the use of the historical test year ended December 31, 2000, in calculating interim revenues.

ISSUE 3: Should any amount of annual water or wastewater revenues be held subject to refund, and, if so, what are the appropriate amounts?

RECOMMENDATION: Yes, Plantation Bay should hold annual water revenues of \$35,876 (17.18%) and annual wastewater revenues of \$23,447 (15.31%) subject to refund.
(MONIZ)

STAFF ANALYSIS: Test year water operating revenues, as adjusted by staff, totaled \$208,859 for the year ended December 31, 2000. The corresponding annual water revenue requirement, based on staff's adjusted revenues, rate base and operating expenses, totals \$169,532. Test year wastewater operating revenues, as adjusted by staff, totaled \$153,106 over the same period. The corresponding annual wastewater revenue requirement, based Staff's adjusted revenues, rate base and operating expenses, totals \$123,083.

Using the upper boundary of 11.27% for return on equity, in conjunction with the appropriate cost rates for other components in the utility's capital structure, yields a 11.04% overall rate of return. Staff's preliminary review indicates that the utility is earning a return of 28.80% on the water system and 32.35% 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 attached schedules reflect year-end test year balances per the staff auditor, as well as specific staff adjustments. Since there was no filing on the part of the utility, the audit amounts do not necessarily reflect the utility's position. Staff's recommendation reflects the appropriate adjustments, the nature and magnitude of which are discussed below.

RATE BASE

Plant in Service:

During the year 2000, the utility completed several large construction projects and made additions to plant-in-service totaling \$333,883 and \$772,916 for water and wastewater, respectively. Upon examination of the additions, the staff determined that one of the projects had been double-booked as stated in Audit Exception No. 1.

Due to this accounting error, UPIS should be reduced by \$113,038 and \$188,277 for water and wastewater, respectively. The utility's CIAC balances should also be reduced by equal amounts.

Non Used And Useful:

By applying the used and useful methodology used in the utility's last rate case, the staff engineer determined that the water treatment plant is 63.10% used and useful and the wastewater is 25.40% used and useful. Staff also concludes that the water distribution and the wastewater collection systems are 100% used and useful. Staff has applied these percentages to the applicable rate base components and expense accounts for the test year ended December 31, 2000. The amounts resulting from staff's calculations are shown below:

Account Description	Water Treatment Plant	Wastewater Treatment Plant
Non Used & Useful Plant	\$ (371,481)	\$ (406,730)
Accumulated Depreciation	\$ 278,114	\$ 396,481
Non Used & Useful Land	\$ (12,455)	n/a
Net Non Used & Useful Plant	\$ (105,822)	\$ (10,249)
Depr. Exp	\$ (19,739)	\$ (1,381)
Property Taxes	\$ (1,932)	\$ (2,012)

Accumulated Depreciation:

Audit Exception No. 1 states that accumulated depreciation should be decreased by \$2,955 and \$5,012 for water and wastewater, respectively, to correct the double booking error. Additionally, staff has calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. This results in a \$970 increase to water accumulated depreciation and a \$2,141 decrease to wastewater accumulated depreciation. Based on the above adjustments, accumulated depreciation should have a balances of \$1,176,578 for water and \$992,699 for wastewater.

Contributions in Aid of Construction (CIAC):

As discussed above and in Audit Exception No. 1, staff has reduced CIAC by \$113,038 and \$188,277 for the water and wastewater systems, respectively, to reflect the correction due to the double booking error. This adjustment results in CIAC balances of \$1,441,639 for the water system and \$2,113,197 for the wastewater system, for the test year ended December 31, 2000.

Accumulated Amortization of CIAC:

The utility reported accumulated amortization of CIAC balances of \$274,823 and \$411,535 for water and wastewater, respectively, as of December 31, 2000. As stated in Audit Exception No. 2, staff examined the additions to accumulated amortization and determined that as of December 31, 1994, the utility stopped recording amortization on the amounts collected for system capacity and meter installation. Staff calculated amortization on all system capacity and meter installation charges collected after 1994. Based on staff's calculations, accumulated amortization should be increased by \$78,656 for water and \$124,346 for wastewater. Staff has also made an adjustment to decrease accumulated amortization by \$2,956 for water and \$5,012 for wastewater, to correct a double booking error.

Based on the above-mentioned adjustments, staff recommends that accumulated amortization of CIAC should be increased by \$75,700 (\$78,656-\$2,956) for water by \$119,334 (\$124,346-\$5,012) for wastewater.

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 Plantation Bay's last rate case, 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 \$11,693 for the water system and \$10,535 for the wastewater system.

Rate Base Summary:

Based on the foregoing, staff recommends that the appropriate test year rate bases are \$211,445 and \$134,557 for the water and wastewater systems, respectively. The 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

The utility reported a balance of \$2,531,000 for "Advances from Associated Companies." The long-term debt belongs to Ecocen Corp., the original owners of the development, which has a cost rate of 10% and an accrued interest balance of \$1,040,367, as of December 31, 2000. As disclosed in Audit Disclosure No. 1, the staff discovered that no loan payments had been made since its inception. The utility has also stopped accruing interest on this debt.

In Order No. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990245-WS, Sun Communities Finance, the utility recorded related party long term debt with no cost assignment and no available debt instrument. The Commission found that the debt should be characterized as other common equity rather than long-term debt given the related party status of the "debt." Based on the above, staff has adjusted the capital structure to include the debt for Plantation Bay as common equity.

In Order No. PSC-96-0934-FOF-WS, issued July 18, 1996, in Docket No. 951296-WS, the Commission found it appropriate to establish a return on equity of 10.27% for this utility, with a

range of 9.27%-11.27%, 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. The utility's capital structure has been reconciled with staff's recommended rate base. Then applying the upper boundary of 11.27% for return on equity, in conjunction with the appropriate cost rates for other components in the utility's capital structure, yields a 11.04% overall rate of return for interim purposes.

The return on equity and overall rate of return are shown on Schedule No. 2.

OPERATING INCOME

Operating Revenue:

On January 1, 2000 the utility implemented a price index and pass-through rate adjustment, which increased water and wastewater annual revenues by \$3,451 and \$6,476, respectively. Additionally, on September 1, 2000, the utility had its rates reduced for a four year rate reduction, pursuant to Section 367.0816, Florida Statutes. Staff has recalculated the water and wastewater revenues using the rates from the utility's most recent Commission approved tariff. Based on these calculations, staff has decreased water revenues by \$3,967 and increased wastewater revenues by \$12,048.

Operation and Maintenance Expenses:

According to Audit Exception No. 4, the utility made several errors when allocating expenses between water and wastewater. In addition, the staff auditor reported that the utility included \$8,104 in test year expenses for pump repairs that should have been amortized over five years. Staff made an adjustment to reduce water contractual services by \$6,483 (\$8,104-\$1,621). The errors have been corrected and are shown in the table on the following page:

DESCRIPTION	WATER	WASTEWATER
Reallocate Purchased Power (615/715)	\$ (242)	\$ 242
Amortize Pump Repairs (631)	\$ (6,483)	\$ 0
Reallocate Testing Cost (631/731)	\$ (8,190)	\$ 8,190
Reallocate Well Repairs (636/736)	\$ 234	\$ (234)
Reallocate Mowing Costs (675/775)	\$ 566	\$ (566)
Total	\$(14,115)	\$ 7,632

Based on the adjustments discussed above, the staff recommends that the balances for the test year O&M expenses should be \$93,543 and \$84,278 for water and wastewater, respectively.

Depreciation Expenses (Net of CIAC Amortization):

The utility recorded \$65,595 of net water depreciation expense and \$24,518 of net wastewater depreciation expense. Staff recalculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code, which resulted in increases of \$4,027 and \$9,867 for water and wastewater test year depreciation expense, respectively.

As discussed previously, an adjustment should be made to increase test year amortization expense by \$13,806 and \$21,396 to reflect the corrected accumulated amortization account balances.

Staff also reduced depreciation expense by \$2,956 for water and \$5,012 for wastewater, to reflect the correction for the double booking error and by \$19,739 and \$1,381 for water and wastewater, respectively, to remove non used and useful depreciation expense.

Based on the above, staff recommends that test year depreciation should be reduced by \$32,474 for water and \$17,922 for wastewater.

Taxes Other Than Income:

The utility recorded test year taxes other than income of \$23,406 and \$20,176. Staff made an adjustment to decrease water regulatory assessment fees by \$179 and to increase wastewater

regulatory assessment fees by \$542, to reflect staff's adjustment to annualize test year revenues. Staff has also made an adjustment to decrease property taxes by \$1,932 for water and \$2,012 for wastewater due to staff's adjustment for non used and useful plant.

Staff's adjustments cause revenue decreases of \$39,327 for water and \$30,023 for wastewater. The revenue decreases generate reductions in regulatory assessment fees of \$1,770 for water and \$1,351 for wastewater.

REVENUE REQUIREMENT FOR THE INTERIM PERIOD

Based on staff's recommended adjustments, the revenue requirement should be \$169,532 for water and \$123,083 for wastewater, which represents a decrease of \$39,327 or 18.83% for the water system and \$30,023 or 19.61% for the wastewater system. However, pursuant to Section 367.081(4)(d), Florida Statutes, the revenues associated with the price index and pass-through rate increase are subject to refund for fifteen months after the filing of the annual report for the year the increase was implemented. Plantation Bay implemented its price index and pass-through rate increase on January 1, 2000. The utility filed its 2000 Annual Report on May 8, 2001, therefore the revenues generated by the index and pass-through are subject to refund through August 8, 2002. Based on the above, staff recommends that \$35,876 (\$39,327 less \$3,451) in water revenues and \$23,455 (\$30,023 less \$6,576) in wastewater revenues be held subject to refund pending the final determination by the Commission.

ISSUE 4: 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 \$40,207. 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. (MONIZ)

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 \$39,327 for the water system and \$30,023 for the wastewater system. However, \$3,451 of the potential water overearnings and \$6,576 of the potential wastewater overearnings are the result of a 2000 price index and pass-through rate adjustment. Pursuant to Section 367.081(4)(d), Florida Statutes, the revenues associated with the price index and pass-through rate adjustments are already subject to refund. Therefore, only \$35,876 and \$23,447 in annual water and wastewater revenues, respectively, should be collected under guarantee, subject to refund with interest. Assuming a 8-month time frame, the potential refund amount is \$24,316 for water and \$15,892 for wastewater.

Based on the above, staff has reviewed the financial data of the utility in order to determine whether Plantation Bay can support a corporate undertaking of \$40,208. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff has reviewed the 1998, 1999 and 2000 annual reports of Plantation Bay to determine the financial condition of the utility. Staff's analysis shows that Plantation Bay has no equity due to negative retained earnings for each of the

three years. Based upon this analysis, staff recommends that Plantation Bay cannot support a corporate undertaking in the amount of \$40,208. 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 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 17.18% of water revenues and 15.31% of wastewater revenues collected into the escrow account each month to secure for a possible refund. 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 \$40,208. 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 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, show cause proceedings will be initiated.

DOCKET NO. 011451-WS
DATE: NOVEMBER 19, 2001

ISSUE 5: Should this docket be closed?

RECOMMENDATION: No, this docket should remain open pending staff's investigation of the utility's earnings for 2000 and the results of staff's investigation and analysis into all other outstanding matters. (MONIZ, HARRIS)

STAFF ANALYSIS: Based on staff's audit and subsequent revenue adjustments, staff recommends that the utility's water system is overearning by \$39,327 and its wastewater system is overearning by \$30,023. Therefore, this docket should remain open pending staff's investigation of the utility's earnings for 2000 and the results of staff's investigation and analysis into all other outstanding matters.

**PLANTATION BAY UTILITY COMPANY
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED 12/31/00**

**SCHEDULE NO. 1-A
DOCKET 011451-WS**

DESCRIPTION	Balance PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$2,652,552	(\$113,038)	\$2,539,514
2 LAND & LAND RIGHTS	\$33,754	\$0	\$33,754
3 NON-USED & USEFUL COMPONENTS	\$0	(\$105,822)	(\$105,822)
4 ACCUMULATED DEPRECIATION	(\$1,178,563)	\$1,985	(\$1,176,578)
5 CIAC	(\$1,554,677)	\$113,038	(\$1,441,639)
6 AMORTIZATION OF CIAC	\$274,823	\$75,700	\$350,523
11 WORKING CAPITAL ALLOWANCE	\$0	\$11,693	\$11,693
RATE BASE	<u>\$227,889</u>	<u>(\$16,444)</u>	<u>\$211,445</u>

**PLANTATION BAY UTILITY COMPANY
SCHEDULE OF WASTEWATER RATE BASE
TEST YEAR ENDED 12/31/00**

**SCHEDULE NO. 1-B
DOCKET 011451-WS**

DESCRIPTION	BALANCE PER UTILITY 12/31/00	STAFF ADJUSTMENTS	BALANCE PER STAFF 12/31/00
1 UTILITY PLANT IN SERVICE	\$2,846,945	(\$188,277)	\$2,658,668
2 LAND	\$50,631	\$0	\$50,631
3 NON-USED & USEFUL COMPONENTS	\$0	(\$10,249)	(\$10,249)
4 ACCUMULATED DEPRECIATION	(\$999,852)	\$7,153	(\$992,699)
5 CIAC	(\$2,301,474)	\$188,277	(\$2,113,197)
6 AMORTIZATION OF CIAC	\$411,535	\$119,334	\$530,869
11 WORKING CAPITAL ALLOWANCE	\$0	\$10,535	\$10,535
RATE BASE	<u>\$7,785</u>	<u>\$126,772</u>	<u>\$134,557</u>

PLANTATION BAY UTILITY COMPANY
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED 12/31/00

SCHED. NO. 1-C
 DOCKET 011451-WS
 PAGE 1 OF 1

EXPLANATION	WATER	WASTEWATER
<u>PLANT IN SERVICE</u>		
To correct double booking error (Audit Exception No. 1)	<u>(\$113,038)</u>	<u>(\$188,277)</u>
<u>NON-USED AND USEFUL</u>		
1 Non-used and useful Plant	(\$371,481)	(\$406,730)
2 Non-used & Useful Accum Depr	278,114	396,481
3 Non-used & USeful land	<u>(12,455)</u>	<u>0</u>
Total	<u>(\$105,822)</u>	<u>(\$10,249)</u>
<u>ACCUMULATED DEPRECIATION</u>		
1 To correct double booking error (Audit Exception No. 1)	\$2,955	\$5,012
2 Depreciation Adjustment Per Rule 25-30.140 FAC	<u>(970)</u>	<u>2,141</u>
Total	<u>\$1,985</u>	<u>\$7,153</u>
<u>CIAC</u>		
To correct double booking error (Audit Exception No. 1)	<u>\$113,038</u>	<u>\$188,277</u>
<u>ACCUM. AMORT. OF CIAC</u>		
1 To correct double booking error (Audit Exception No. 1)	(2,956)	(5,012)
2 To record amortization on CIAC collected after 1994 (AE No. 2)	<u>78,656</u>	<u>124,346</u>
Total	<u>\$75,700</u>	<u>\$119,334</u>
<u>WORKING CAPITAL</u>		
Working Capital Provision (1/8 of O&M)	<u>\$11,693</u>	<u>\$10,535</u>

PLANTATION BAY UTILITY COMPANY
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/00

SCHEDULE NO. 2
 DOCKET 011451-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS				
1. COMMON STOCK	\$1,000	\$0	\$1,000					
2. RETAINED EARNINGS	(2,835,049)	303,049	(2,532,000)				346002	
3. PAID IN CAPITAL	0		0					
4. OTHER COMMON EQUITY	<u>0</u>	<u>2,531,000</u>	<u>2,531,000</u>					
5. TOTAL COMMON EQUITY	(\$2,834,049)	\$2,834,049	0	330,857	330,857	95.62%	11.27%	10.78%
6. LONG TERM DEBT	2,531,000	(2,531,000)	0	0	0	0.00%	0.00%	0.00%
7. CUSTOMER DEPOSITS	<u>15.145</u>	<u>0</u>	<u>15.145</u>	0	<u>15.145</u>	<u>4.38%</u>	6.00%	<u>0.26%</u>
8. TOTAL	<u>(\$287.904)</u>	<u>\$303.049</u>	<u>\$15.145</u>	<u>\$330,857</u>	<u>\$346.002</u>	<u>100.00%</u>		<u>11.04%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>9.27%</u>	<u>11.27%</u>	
OVERALL RATE OF RETURN						<u>9.13%</u>	<u>11.04%</u>	

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PLANTATION BAY UTILITY COMPANY
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/00

SCHEDULE NO. 3-A
 DOCKET 011451-WS

DESCRIPTION	BALANCE PER UTILITY 12/31/00	STAFF ADJUSTMENTS	BALANCE PER STAFF 12/31/00	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$212,826</u>	<u>(\$3,967)</u>	<u>\$208,859</u>	<u>(\$39,327)</u> -18.83%	<u>\$169,532</u>
OPERATING EXPENSES:					
2 OPERATION & MAINTENANCE	107,658	(14,115)	93,543		93,543
3 DEPRECIATION (NET)	65,595	(32,474)	33,121		33,121
4 AMORTIZATION	0	0	0		0
5 TAXES OTHER THAN INCOME	23,406	(2,110)	21,296	(1,770)	19,526
6 INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7 TOTAL OPERATING EXPENSES	<u>\$196,659</u>	<u>(\$48,699)</u>	<u>\$147,960</u>	<u>(\$1,770)</u>	<u>\$146,190</u>
8 OPERATING INCOME	<u>\$16,167</u>	<u>\$44,732</u>	<u>\$60,899</u>	<u>(\$37,557)</u>	<u>\$23,342</u>
9 RATE BASE	<u>\$227,889</u>		<u>\$211,445</u>		<u>\$211,445</u>
10 RATE OF RETURN	<u>7.09%</u>		<u>28.80%</u>		<u>11.04%</u>

PLANTATION BAY UTILITY COMPANY
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED 12/31/00

SCHEDULE NO. 3-B
 DOCKET 011451-WS

DESCRIPTION	BALANCE PER UTILITY 12/31/00	STAFF ADJUSTMENTS	BALANCE PER STAFF 12/31/00	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$141,058</u>	<u>\$12,048</u>	<u>\$153,106</u>	<u>(\$30,023)</u> -19.61%	<u>\$123,083</u>
OPERATING EXPENSES					
2 OPERATION & MAINTENANCE	\$76,646	\$7,632	\$84,278		\$84,278
3 DEPRECIATION (NET)	\$24,518	(\$17,922)	\$6,596		\$6,596
4 AMORTIZATION	\$0	\$0	\$0		\$0
5 TAXES OTHER THAN INCOME	\$20,176	(\$1,470)	\$18,706	(\$1,351)	\$17,355
6 INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$-0</u>	<u>\$0</u>
7 TOTAL OPERATING EXPENSES	<u>\$121,340</u>	<u>(\$11,760)</u>	<u>\$109,580</u>	<u>(\$1,351)</u>	<u>\$108,229</u>
8 OPERATING INCOME	<u>\$19,718</u>	<u>\$23,808</u>	<u>\$43,526</u>	<u>(\$28,672)</u>	<u>\$14,854</u>
9 RATE BASE	<u>\$7,785</u>		<u>\$134,557</u>		<u>\$134,557</u>
10 RATE OF RETURN	<u>253.28%</u>		<u>32.35%</u>		<u>11.04%</u>

PLANTATION BAY UTILITY COMPANY
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDED 12/31/00

SCHED. NO. 3-C
 DOCKET 011451-WS
 PAGE 1 OF 1

EXPLANATION	WATER	WASTEWATER
<u>OPERATING REVENUES</u>		
To annualize revenues	<u>(\$3,967)</u>	<u>\$12,048</u>
<u>OPERATION & MAINTENANCE EXPENSE</u>		
1 To reallocate Purchased Power expenses (AE No 4)	(\$242)	\$242
2 To Amortize pump repairs (Audit Except No 4-3)	(6,483)	0
3 Reallocate well repairs from wastewater (AE No 4)	234	(234)
4 Reallocate & mowing costs (AE No 4-4)	566	(566)
5 Reallocate testing costs (AE No 4-4)	(8,190)	8,190
Total	<u>(\$14,115)</u>	<u>\$7,632</u>
<u>DEPRECIATION EXPENSE-NET</u>		
1 Non Used and Useful Adjustment	(\$19,739)	(\$1,381)
2 To correct double booking error (Audit Exception No. 1)	(2,956)	(5,012)
3 To record amortization on CIAC collected after 1994 (AE No.	(13,806)	(21,396)
4 To reflect recalculation of Depr per Rule 25-30.140 FAC	4,027	9,867
Total	<u>(\$32,474)</u>	<u>(\$17,922)</u>
<u>TAXES OTHER THAN INCOME</u>		
1 RAFs on revenue adjustment above	(\$179)	\$542
2 Non Used and Useful Property Taxes	(1,932)	(2,012)
Total	<u>(\$2,110)</u>	<u>(\$1,470)</u>