

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff- ) DOCKET NO. 940973-WU  
assisted rate case in Alachua ) ORDER NO.PSC-95-0751-FOF-WU  
County by LANDIS ENTERPRISES, ) ISSUED: June 22, 1995  
INC. )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates in the event of protest, and the finding that the Office of Public Counsel's protest to Order No. PSC-95-0098-FOF-WU is moot, 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

Lake Alto Water System (Lake Alto or utility) is a Class C water utility located in Alachua County. Alachua County became jurisdictional on June 30, 1992. At that time the owner of the utility abandoned the system and Mr. Landis, owner of Landis Enterprises, Inc. (LEI) became the court appointed receiver.

On March 8, 1993, LEI purchased the utility. On March 26, 1994, the utility applied for a certificate to provide water service in Alachua County. Order No. PSC-93-1550-FOF-WU, issued October 21, 1993, granted Certificate No. 556-W to LEI. The rates that were in effect at the time of the transfer were grandfathered

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in and miscellaneous service charges and service availability charges were also approved.

On September 14, 1994, the utility applied for this staff assisted rate case. In addition, the utility also requested a payment plan for the rate case filing fees and delinquent regulatory assessment fees. Order No. PSC-94-1464-FOF-WU, issued November 29, 1994 established a payment schedule for application filing fees and delinquent regulatory assessment fees, including penalties and interest.

On October 5, 1994, the Commission received a request for emergency rates from the utility. Proposed Agency Action (PAA) Order No. PSC-95-0098-FOF-WU, issued January 19, 1995 granted a temporary emergency rate increase. On February 9, 1995, the Office of Public Counsel timely protested the PAA Order. The emergency rates approved in this Order have never been implemented.

On December 23, 1994, LEI filed its Notice of Abandonment with the Commission under Docket No. 941329-WU. On February 14, 1995, the Circuit Court of Alachua County, Eighth Judicial Circuit, in Case No. 95-207-CA, appointed Mr. Berdell Knowles to act as receiver for Lake Alto.

We have informed the receiver of all prior events that have taken place with this rate case. In addition, we have informed the receiver that he must notify us in writing stating whether he wished to continue the rate case and pay the outstanding \$125 rate case filing fee. By letter dated March 13, 1995, the receiver requested that we continue processing this rate case. He also paid the \$125 rate case filing fee.

We have audited the utility's books to determine compliance with Commission rules and orders. We have also conducted a field investigation, which included an inspection of the utility's service area and a review of the utility's files, rate application and operation expenses. We have selected a historical test year ended August 31, 1994.

The utility's service area consists of single family homes. During the test year the utility provided service to approximately 72 residential customers. Based on the audit, the utility recorded revenues of \$10,423 and expenses of \$22,709, which resulted in an operating loss of \$12,286.

The utility is located in Suwannee River Water Management District. This area is not listed as a critical use or water

caution area. However, we are approving a conservation rate structure as addressed below.

QUALITY OF SERVICE

On April 12, 1995, a customer meeting was held in Waldo, Florida to allow customers the opportunity to address the quality of service being provided by the utility. Approximately 16 customers attended this meeting. Customers voiced concerns about the percentage increase in rates, ownership of the utility's assets and the land on which the assets are located after the abandonment by the prior owner, frequent water outages due to power outages, the need for a back up generator, the need for a back up well, rust in water, refunds of customer deposits, and the rates approved by the Commission in the certificate docket. The percentage increase is addressed in the section below entitled "Rates and Rate Structure".

During the customer meeting some customers stated that the prior owner of the utility collected customer deposits, but these deposits were never refunded. Mr. Knowles, the receiver of the utility, has stated that no funds were transferred to him from the prior owner. The Commission approved customer deposit for this utility is \$30 for a 5/8" x 3/4" meter. Based on our audit, the utility listed \$60 in its billing records in a category called deposits, but customers were not identified. We have contacted customers that attended the meeting and requested documentation of payment of customer deposits. One customer stated he paid \$350 when he was connected to the system, but he is not sure of the breakdown of the charge. The utility also has a \$300 plant capacity charge along with miscellaneous service charges and meter installation charges. In addition, the utility did not record any meter additions in plant. Therefore, the number of possible customer deposits cannot be determined. As of this date no verification of customer deposits has been received from customers.

One customer voiced concerns about the rates approved by the Commission when the water certificate was granted. Proposed Agency Action (PAA) Order No. PSC-93-1550-FOF-WU, issued October 21, 1993, granted the utility its water certificate and approved rates and charges. This order states that the utility was unable to provide a copy of a formal approval of its rates, because the Board of County Commissioners of Alachua County never set rates for the utility. The utility was also unable to provide billing records to verify the rates and charges. The order also states that the utility provided the Commission with rates that were acknowledged in the Circuit Court abandonment order. However, the rates that were approved were those that the original owner indicated he was

charging prior to abandonment. The monthly rates that were approved are:

Water

|        |                    |
|--------|--------------------|
| \$6.50 | with 2,000 gallons |
| \$2.30 | per 1,000 gallons  |

The customer indicated that a larger gallonage allowance was included in the base charge of \$6.50. The PAA order that approved the rates when the certificate was granted was not protested and the rates became final. We contacted Alachua County's attorney to determine whether the Board of County Commissioners ever set rates for privately owned water and wastewater utilities, and if so, are records available. The County's attorney informed us that the Board of Commissioners set rates for this utility in 1979. The utility applied for a rate increase in 1988. However, the County has no records that show that the rates requested in 1988 were ever approved by the County. The approved rates for this rate case are addressed in the section below entitled "Rates and Rate Structure".

At the customer meeting, several customers asked who owned the utility assets and the land upon which the assets are located. Alachua County became subject to Commission regulation on June 30, 1992. At that time, the prior owner of Lake Alto, Mr. Arnold, abandoned the system. The Circuit Court of Alachua County appointed Mr. Landis, owner of LEI, to act as receiver for Lake Alto. On November 16, 1992, Mr. Arnold transferred title of the utility assets and the land on which the assets are located by Quit Claim Deed to Mr. Landis. On March 8, 1993, Mr. Arnold transferred title of the utility assets and the land on which the assets are located by Special Warranty Deed to Mr. Landis. Mr. Landis became the owner of Lake Alto by these instruments.

On December 23, 1994, Mr. Landis noticed the Commission of his intention to abandon Lake Alto. On February 14, 1995, the Circuit Court of Alachua County appointed Mr. Knowles to act as receiver of Lake Alto. Although the Court Order appointing Mr. Knowles as receiver ordered Mr. Landis to turn over control of the utility assets to Mr. Knowles in order to continue running the utility, Mr. Landis remains the owner of these assets. Mr. Landis also remains the owner of the land on which the utility assets are located.

Our investigation into the power outages show that, while some electrical power failures occur, we believe that the customers realize that the water utility has no control over the electric utility. While these outages cause inconvenience to some or all of the customers, the Department of Environmental Protection (DEP),

who maintains the regulatory jurisdiction regarding the plant equipment for the utility, does not require either the second well or a standby generator at this time. Until the total number of connections reaches 350, the present plant fulfills the customers' requirements. While a second well and a standby generator could help alleviate an outage, the cost of providing these additions in the rate base with such a limited customer base would appear to be cost prohibitive. Recent cases brought before the Commission show that a standby generator acceptable to DEP may cost more than \$15,000 to install and the cost of recertification of an abandoned well could exceed \$5,000.00. Such costs added to the current rate base and passed on to such a small number of customers may well be more than the customers would be willing to pay for the convenience.

At the customer meeting, the comment was made that at one time the utility had a standby generator on the premises. We could find no records of a generator ever being a part of the utility. When Mr. Landis assumed control of the facility, there was no generator or air compressor. A member of the homeowners who is, and was, the local maintenance person for the utility determined this. While he believes there had been, in the distant past, a standby generator and air compressor on site before the original owner abandoned the facility, there is no record of such equipment ever being owned by the utility.

Another point of concern at the customer meeting was the second well. When Mr. Landis attempted to test operate this submersible pump well shortly after assuming the receivership, the circuit breakers opened the circuit, indicating a shorted circuit in the pump. This well had been inoperative for an undetermined period of time, and the pump motor was defective. DEP advised that the well is not required, and that it would need to be recertified before being placed in operation. To recertify the well would include an extended water testing analysis. The sum of these requirements would represent a considerable expense that would be passed along to the customers. Therefore, the decision was made to leave this well and pump inoperative. The original cost study includes the 1980 cost of the well and pump at \$2,063 for the well and \$2,712 for the pump. The cost of the well and pump is included in the original cost study because they exist and are materially available and, at some time, were purchased and paid for. However, we have not included these amounts in the rate base since the well and pump are not in use, are not required and would require considerable expenditure to reactivate. Since these items are not in the rate base and are not considered to be a part of the plant, they are not considered in the used and useful calculation nor in the customers' rates.

Our investigation of the concern of rust in the water offers little explanation. Most of the utility's total mains and distribution system is comprised of PVC pipes that are incapable of rust. The pumps and storage tank are made of iron and may possibly develop rust. Since rust in the utility's water is not a common or regular occurrence, it can be assumed that the rust is caused by unusual occurrences such as power failures which allow the reservoir to be either totally or nearly depleted. Then, with the restoration of electrical power and the sudden refilling of the tank, the rust residue would be suspended in solution and sent to the customers. This undesirable condition could be reduced by proper and frequent flushing of the tank. Since these complaints were voiced at the customer meeting, they reflect the operations of the previous owner/operator(s) and not the current receiver. Further, this Commission has jurisdiction over the quality of service, not the quality of water. DEP requires frequent and adequate testing of the utility's water by an independent laboratory and this utility, at least in the immediate past, has satisfied DEP as to the quality of the water.

Based on the concerns voiced at the customer meeting and the results of our investigation into those concerns, we find that the quality of service provided by Lake Alto Water System is satisfactory.

#### RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1 and our adjustments are depicted on Schedule No 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Used and Useful

##### Water Treatment Plant

Based on the plant capacity of 108,000 gallons per day, as shown in the filings for the instant rate case, the used and useful calculation computed to more than 200 percent used and useful using the gallons per minute (GPM) formula based on closed systems. Since 100 percent used and useful is the maximum used and useful obtainable, we find that the water treatment facility is 100 percent used and useful.

### Water Distribution System

Based on an acceptable methodology, using actual connections rather than equivalent residential connections and using a margin reserve, the used and useful calculation computes to 77.8 percent. Therefore, we find that the water distribution system is 77.8 percent used and useful.

### Test Year Rate Base

An audit of the utility's books has been completed and shows that original documentation of plant cost are not available. Consistent with our past practice, we completed an original cost study to determine plant balances at August 1994. We have established rate base at August 31, 1994, based on the original cost study. A discussion of each component follows:

### Utility Plant in Service

Based on the original cost study, utility plant in service (UPIS) was \$91,786 in 1982. The utility has recorded no plant additions since that time. We find that UPIS is \$91,786 at August 31, 1994. Since there was no change in UPIS during the test year, an averaging adjustment is not necessary.

### Land

Based on a quit-claim deed and a special warranty deed provided in our audit, Mr. Landis owns the land on which the water system is located. Based on the original cost study this land was originally acquired around 1979. The average historical cost for this land at the time it was first dedicated to service was \$17,158 per the original cost study. Therefore, we find that the land value at August 31, 1994, is \$17,158.

### Plant Held for Future Use

As addressed above, a well valued at \$2,063 and a pump valued at \$2,712 is included in the utility's plant totals. This well and pump are not in use and will require considerable expense to reactivate. Therefore, we have recognized this plant as plant held for future use (PHFU). PHFU has a negative impact on rate base. A negative adjustment of \$4,775 has been made to reflect year end and average plant held for future use. Year end accumulated depreciation on this plant is \$2,936 and average accumulated depreciation is \$2,818. A negative adjustment has been made of \$1,957 to reflect net average plant held for future use.

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

The utility did not record CIAC on its books and no evidence is available showing the amount of CIAC that has been collected. Following the guidelines of Rule 25-30.570(1), Florida Administrative Code, we have imputed CIAC based on the value of the transmission and distribution system as determined by the original cost study. Therefore, we find that CIAC at August 31, 1994 is \$67,000. The CIAC balance remained constant from the beginning of the test year through the end of the test year, so an averaging adjustment is not necessary.

Accumulated Depreciation

The utility did not record accumulated depreciation on its books. We calculated accumulated depreciation using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Year end accumulated depreciation was \$37,855 at August 31, 1994. An averaging adjustment of \$1,527 was made to reflect average accumulated depreciation. Therefore, average accumulated depreciation is \$36,328.

Amortization of CIAC

We calculated amortization of CIAC using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Year end amortization of CIAC was \$25,120 at August 31, 1994. An averaging adjustment was made of \$1,023 to reflect average amortization of CIAC. Therefore, we find that average amortization of CIAC is \$24,097.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we have calculated working capital by using the formula method, or one-eighth of operation and maintenance expense. Applying that formula, we find appropriate a working capital allowance of \$1,769 for water. The utility's working capital allowance has been increased by \$1,769 for water to reflect the appropriate working capital allowance.

Based on the foregoing, we find appropriate an average test year rate base of \$28,825 for this utility.

CAPITAL STRUCTURE

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.

Based on our audit for this rate case, the utility provided no records of its debt or equity balances, and the prior owner's records were not available. As addressed above, we approve a rate base of \$28,825, which represents the utility's investment. The utility has no recorded capital components. Therefore, rate base is greater than the utility's recorded capital. As done in other cases and following Commission practice, we reconciled the utility's capital structure with our approved rate base and recognized the investment as common equity. There are no other capital components and the utility's capital structure is considered 100% equity.

Using the most recent leverage graph approved in Order No. PSC-94-1051-FOF-WS, issued August 24, 1994, the utility's return on equity is 9.81%. Since the utility's capital structure is 100% equity, the overall rate of return is 9.81%.

#### NET OPERATING INCOME

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

#### Test Year Operating Revenue

Based on the test year billing analysis, the utility provided water service to approximately 72 residential customers. The utility recorded revenue of \$10,423. A revenue check using test year number of customers, consumption, and the rates that were in effect during the test year shows that the utility was charging the correct rates.

The utility was granted a 1994 price index rate adjustment effective on November 12, 1994, which was after the end of test year. We calculated revenue using existing rates, test year number of customers and consumption. Test year annualized revenue is \$11,137. Therefore, test year revenue has been adjusted by \$714 to reflect annualized revenue of \$11,137.

### Test Year Operating Loss

The test year revenues are \$11,137 for water. Corresponding test year operating expenses are \$17,159, which does not include our approved revenue increase and corresponding taxes. This results in a test year operating loss of \$6,022.

### Operating Expenses

The utility's recorded operating expenses include operation and maintenance (O&M) expenses of \$22,489 and taxes other than income of \$220. The utility's recorded O&M expenses include some expenses charged to the utility for management services provided by a company that is owned by LEI. Adjustments have been made to remove non-recurring expenses and reclassifications have been made to appropriate accounts. In addition, adjustments have been made to allow the appropriate level of expenses to cover the required day-to-day operations. A summary of adjustments follows:

- 1) Salaries and Wages - Employees (601) - The utility did not have any salaried employees during the test year. All operational duties were performed by an affiliated company owned by LEI, and the costs were recorded in contractual services, account No. 630. LEI has abandoned the system and the court appointed receiver manages the utility. The receiver's responsibilities include handling administrative duties, handling regulatory matters and overall operation of the system. Based on the size of the utility and the duties required of the receiver, we find that a salary of \$250 per month is appropriate. Therefore, this expense has been increased by \$3,000 to reflect our approved salary for the manager. In addition, this expense has been increased by \$1,200 to allow a salary for a bookkeeper/secretary. This employee is responsible for bookkeeping, billing and general office duties.
- 2) Materials and Supplies (620) - The utility recorded \$270 in this expense. This expense has been increased by \$230 to allow an appropriate annual amount to cover postage, billing costs and other incidentals.
- 3) Contractual Services (630) - The utility recorded \$19,329 in this expense. This expense has been decreased by \$15,513 to remove non-recurring management service expenses recorded by the prior owner.

The utility recorded DEP required water testing expenses of \$492. This expense has been increased by \$1,356 to allow annual DEP required water testing expense of \$1,848. A schedule of DEP required water testing expenses follows:

| <u>Description</u>           | <u>Frequency</u>                          | <u>Annual Costs</u> |
|------------------------------|---|---------------------|
| Bacteriological              | Monthly \$30                              | \$ 360              |
| Primary Inorganic            | Every 36 mos. @\$90                       | 30                  |
| Secondary Contaminants       | Every 36 mos. @\$148                      | 49                  |
| Nitrates & Nitrite           | Annually @ \$20                           | 20                  |
| Primary VOCs                 | Quarterly 1st yr.<br>then annually @168   | 336                 |
| Pesticides & PCB<br>w/Dioxin | Every 36 mos. @\$1,504                    | 502                 |
| Radioneuclides               | Every 36 mos. @\$75                       | 25                  |
| Unregulated                  | Every 36 mos. @\$712                      | 238                 |
| Lead & Copper                | Each 6 mos. 1st yr.<br>then annually @200 | 288                 |
|                              | Total annual cost                         | \$ <u>1,848</u>     |

- 4) Rents (640) - The receiver conducts utility business out of his home. We find that \$100 per month is an adequate rent allowance for this utility to cover space and overhead. This expense has been increased by \$1,200 to reflect an appropriate annual rent allowance.
- 5) Regulatory Commission Expense (665) - This expense has been increased by \$50 to reflect the rate case filing fee amortized over four years.
- 6) Miscellaneous Expense (675) - The utility recorded \$1,259 in this expense. This expense has been decreased by \$1,059 to reflect a reclassification to taxes other than income. This expense has been increased by \$1,200 to allow an annual allowance for repairs and maintenance.

Depreciation Expense - Test year depreciation expense has been calculated using the rates prescribed by Rule 25-20.140, Florida Administrative Code. The utility did not record depreciation expense. This expense has been increased by \$3,055 to reflect our approved calculated test year depreciation expense. Non-used and useful depreciation expense has a negative impact on depreciation expense. Test year non-used and useful depreciation expense is a negative \$235. Therefore, this expense has been decreased by \$235 to remove non-used and useful depreciation. The net test year depreciation expense is \$2,820.

Amortization of CIAC - Amortization of CIAC has a negative impact on depreciation expense. Amortization of CIAC has been calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code. The utility did not record an amortization expense. This expense has been adjusted by a negative \$2,049 to reflect our calculated test year amortization expense.

Taxes Other Than Income - The utility recorded \$220 in this expense. This expense has been increased by \$1,059 to reflect a reclassification from Account No. 675, miscellaneous expense, increased by \$455 to reflect payroll taxes on recommended salaries and increased by \$501 to reflect regulatory assessment fee on test year revenue.

Increases in Operating Revenues and Expenses

Operating Revenue - Revenue has been increased by \$9,267 to reflect the increase in revenue required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income - This expense has been increased by \$417 to reflect regulatory assessment fees at 4.5% on the required increase in revenue. The application of our approved adjustments to the utility's recorded operating expenses results in approved operating expense of \$17,576 for water.

REVENUE REQUIREMENT

Based on our audit of the utility and the adjustments made herein, we find it appropriate to approve an annual increase in revenue of \$9,267 (83.20%). This \$9,267 annual increase allows the utility the opportunity to recover its expenses and earn a 9.81% return on its investment. The revenue requirement is shown on Schedule No. 3.

RATES AND RATE STRUCTURE

The utility currently uses a flat rate which includes the first 2,000 gallons consumption, plus a gallonage charge per 1,000 gallons in excess of 2,000 gallons. Even though the utility is not located in critical use or water caution area, the utility shall use the base facility charge rate structure, which is considered a conservation rate structure.

During the test year, the utility provided water service to approximately 72 residential customers. Our approved rates, employing the base facility charge rate structure, have been

calculated based on test year customers and consumption. Schedules of the utility's existing rates and our approved rates follow:

WATER  
MONTHLY RATES

RESIDENTIAL SERVICE

CURRENT RATES

\$6.97 with 2,000 gallons

\$2.47 per 1,000 gallons

COMMISSION'S APPROVED RATES

| <u>Meter Sizes</u> | <u>Base Facility Charge</u> |
|--------------------|-----------------------------|
| 5/8" x 3/4"        | \$ 11.66                    |
| 3/4"               | 17.49                       |
| 1"                 | 29.15                       |
| 1 1/2"             | 58.30                       |
| 2"                 | 93.28                       |
| 3"                 | 186.56                      |
| 4"                 | 291.50                      |
| 6"                 | 583.00                      |

| <u>Gallage charge</u> |         |
|-----------------------|---------|
| Per 1,000 gallons     | \$ 2.93 |

Based on the test year billing analysis, the average consumption was 4,000 gallons per customer. However, excluding the first 2,000 gallon consumption, the average consumption per customer was 2,387 gallons. A schedule of an average bill using test year consumption and existing rates and the average bill using our approved rates is as follows:

Average bill using approved rates - \$ 23.38  
Average bill using existing rates - \$(12.85)  
Increase in average bill - \$ 10.53

Percentage increase in average bill - 81.94%

Our approved rates are designed to produce revenue of \$20,404 for water, using the base facility charge rate structure. These rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have

received notice. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

Service Availability Charges

The Commission approved the existing service availability policy in Order No. PSC-93-1550-FOF-WU, issued October 21, 1993. CIAC has been imputed based on the value of the utility's transmission and distribution system using the original cost study. The utility's contribution level is 78.95%. The utility can accommodate 92 connections, and currently provides service to 72 connections.

We determined that average daily flow plus margin reserve and fire flow requirements can exceed the existing capacity for the water treatment plant when computed on a gallons per minute (GPM) basis. The utility may need to increase the capacity of the plant to accommodate additional customers. There are no plans for expansion at this time, because the computed margin reserve should accommodate a short term increase in demand should this occur. However, the distribution system can accommodate an additional 20 connections. Therefore, the existing service availability charges shall remain in effect to allow the utility to recover some of the expansion costs from future connections.

WATER CONSERVATION

Lake Alto is located within the Suwannee River Water Management District in Alachua County. This area is not a critical use or a caution usage area. However, to be in harmony with the statewide effort to encourage conservation, we have approved rates that are usage sensitive.

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 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 \$52. The reduction in revenues will result in the approved rates shown on Schedule No. 4.

The utility shall be required to file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall be required to 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 for the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATE IN THE EVENT OF PROTEST

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

The utility shall be authorized to collect the temporary rates after our staff's approval of the security for potential refund, a copy of the proposed customer notice, and revised tariff sheets. The security shall be in the form of a bond or letter of credit in the amount of \$6,430. Alternatively, the utility could 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 approved the rate increase, or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If the security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow agreement 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, all 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 signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase should be maintained by the utility. This account must specify by whom and on whose behalf such monies are 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 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



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days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

OFFICE OF PUBLIC COUNSEL'S PROTEST

By Order No. PSC-95-0098-FOF-WU, issued January 19, 1995, we approved unsecured emergency rates for the Lake Alto system. On February 9, 1995, the Office of Public Counsel (OPC) filed a protest of that Order. OPC's protest rendered Order No. PSC-95-0098-FOF-WU null; therefore, Lake Alto was unable to implement the emergency rates.

OPC protested on the grounds that the emergency rate increase was approved by the Commission without notice to customers or public hearing, and that the increase was not subject to refund if a rate increase was not justified in the pending staff assisted rate case. By Order No. PSC-95-0422-FOF-WU, issued March 28, 1995, we again approved the emergency rates outlined in Order No. PSC-95-0098-FOF-WU, but this time required that the emergency rates be secured. Since we required security in this Order, it appears that OPC's concern in its protest has been resolved. Therefore, we find that OPC's protest to Order No. PSC-95-0098-FOF-WU is moot.

CLOSING OF DOCKET

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, no further action will be required and this docket shall be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Landis Enterprises, Inc., for an increase in its water rates in Alachua County 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 by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, and the finding that the Office of Public Counsel's protest to Order No. PSC-95-0098-FOF-WU is moot, 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

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DOCKET NO. 940973-WU  
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received by the Director of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0863, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Lake Alto Water System is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the rates and charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. It is further

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

ORDERED that Lake Alto Water System shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Lake Alto Water System shall submit revised tariff sheets which will be approved upon our staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that an appropriate customer notice has been submitted. It is further

ORDERED that in the event of a timely protest by any substantially affected person other than the utility, Lake Alto Water System is authorized to collect the rates and charges approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that the utility has furnished satisfactory security for any potential refund and provided that it has submitted and our staff has approved revised tariff sheets and a proposed customer notice. It is further

ORDERED that in the event of a timely protest by any substantially affected person other than the utility, prior to its implementation of the rates and charges approved herein, Lake Alto Water System shall submit and have approved a bond or letter of credit in the amount of \$6,430 or an escrow agreement with an

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independent financial institution as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that Lake Alto Water System shall use the base facility charge rate structure. It is further

ORDERED that the water rates shall be reduced to remove \$52 rate case expense grossed-up for regulatory assessment fees immediately following the expiration of the four year period over which the rate case expense is being amortized. It is further

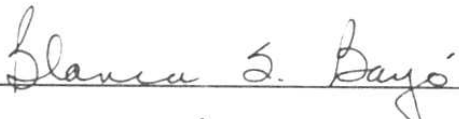
ORDERED that Lake Alto Water System shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction, and shall file a proposed customer notice setting forth the lower rates and the reason for the reduction. It is further

ORDERED that if Lake Alto Water System 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 reduction in the rates due to the amortized rate case expense. It is further

ORDERED that the Office of Public Counsel's protest to Order No. PSC-95-0098-FOF-WU is deemed moot. It is further

ORDERED that, upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 22nd day of June, 1995.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

SKE

LAKE ALTO WATER SYSTEM  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 1  
 DOCKET NO. 940973-WU

|  | <u>BALANCE<br/>PER ORIGINAL<br/>COST STUDY</u> | <u>COMM. ADJUST.<br/>TO COST STUDY</u> | <u>BALANCE<br/>PER COMM.</u>  |
|--|--|--|---|
| UTILITY PLANT IN SERVICE               | \$ 91,786                                      | \$ 0                                   | \$ 91,786   |
| LAND/NON-DEPRECIABLE ASSETS            | 17,158   | 0                                      | 17,158  |
| PLANT HELD FOR FUTURE USE              | 0  | (1,957) A                              | (1,957)   |
| ACQUISITION ADJUSTMENT                 | 0  | 0                                      | 0   |
| CWIP                                   | 0  | 0                                      | 0   |
| CIAC                                   | (67,700)                                       | 0                                      | (67,700)  |
| ACCUMULATED DEPRECIATION               | (37,855)                                       | 1,527 B                                | (36,328)  |
| AMORTIZATION OF ACQUISITION ADJUSTMENT | 0  | 0                                      | 0   |
| AMORTIZATION OF CIAC                   | 25,120   | (1,023) C                              | 24,097  |
| WORKING CAPITAL ALLOWANCE              | <u>0</u>                                       | <u>1,769</u> D                         | <u>1,769</u>  |
| WATER RATE BASE                        | \$ 28,509                                      | \$ 316                                 | \$ <span style="border: 1px solid black; padding: 2px;">28,825</span> |

LAKE ALTO WATER SYSTEM  
ADJUSTMENTS TO RATE BASE  
TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 1A  
DOCKET NO. 940973-WU

|   | <u>WATER</u>      |
|---|-------------------|
| A. <u>PLANT HELD FOR FUTURE USE</u>                                 |                   |
| 1. Non-used and useful plant  | \$ (4,775)        |
| 2. Average accumulated depreciation on non-used<br>and useful plant | <u>2,818</u>      |
|   | <u>\$ (1,957)</u> |
| <br>  |                   |
| B. <u>ACCUMULATED DEPRECIATION</u>                                  |                   |
| 1. To adjust to average accumulated depreciation                    | \$ <u>1,527</u>   |
| <br>  |                   |
| C. <u>AMORTIZATION OF CIAC</u>                                      |                   |
| 1. To adjust to average amortization of CIAC                        | \$ <u>(1,023)</u> |
| <br>  |                   |
| D. <u>WORKING CAPITAL ALLOWANCE</u>                                 |                   |
| 1. To reflect 1/8 of operation and maintenance expense              | \$ <u>1,769</u>   |

LAKE ALTO WATER SYSTEM  
 SCHEDULE OF CAPITAL STRUCTURE  
 TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 2  
 DOCKET NO. 940973-WU

|                   | <u>PER UTILITY</u> | <u>COMM. ADJUST.<br/>TO UTIL. BAL.</u> | <u>BALANCE<br/>PER COMM.</u> | <u>PERCENT<br/>OF TOTAL</u> | <u>COST</u> | <u>WEIGHTED<br/>COST</u> |
|-------------------|--------------------|--|------------------------------|-----------------------------|-------------|--------------------------|
| COMMON EQUITY     | \$ 0               | \$ 28,825                              | \$ 28,825                    | 100.00%                     | 9.81%       | 9.81%                    |
| LONG-TERM DEBT    | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| PREFERRED EQUITY  | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| CUSTOMER DEPOSITS | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| RETAINED EARNINGS | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| CAPITAL STOCK     | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| PAID IN CAPITAL   | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| OTHER             | 0                  | 0                                      | 0                            | 0.00%                       | 0.00%       | 0.00%                    |
| TOTAL             | \$ 0               | \$ 28,825                              | \$ 28,825                    | 100.00%                     |             | 9.81%                    |

| <u>RANGE OF REASONABLENESS</u> | <u>LOW</u> | <u>HIGH</u> |
|--------------------------------|------------|-------------|
| RETURN ON EQUITY               | 8.81%      | 10.81%      |
| OVERALL RATE OF RETURN         | 8.81%      | 10.81%      |

LAKE ALTO WATER SYSTEM  
 SCHEDULE OF WATER OPERATING INCOME  
 TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 3  
 DOCKET NO. 940973-WU

|                           | TEST YEAR<br>PER UTILITY | COMM. ADJ.<br>TO UTILITY | COMM.<br>ADJUSTED<br>TEST YEAR | ADJUST.<br>FOR<br>INCREASE | TOTAL<br>PER COMM. |
|---------------------------|--------------------------|--------------------------|--------------------------------|----------------------------|--------------------|
| OPERATING REVENUES        | \$ <u>10,423</u>         | \$ <u>714 A</u>          | \$ <u>11,137</u>               | \$ <u>9,267 F</u>          | \$ <u>20,404</u>   |
| OPERATING EXPENSES:       |                          |                          |                                |                            |                    |
| OPERATION AND MAINTENANCE | \$ 22,489                | \$ (8,336) B             | \$ 14,153                      | \$ 0                       | 14,153             |
| DEPRECIATION (NET)        | 0                        | 2,820 C                  | 2,820                          | 0                          | 2,820              |
| AMORTIZATION (CIAC)       | 0                        | (2,049) D                | (2,049)                        | 0                          | (2,049)            |
| TAXES OTHER THAN INCOME   | 220                      | 2,015 E                  | 2,235                          | 417 G                      | 2,652              |
| INCOME TAXES              | <u>0</u>                 | <u>0</u>                 | <u>0</u>                       | <u>0</u>                   | <u>0</u>           |
| TOTAL OPERATING EXPENSES  | \$ <u>22,709</u>         | \$ <u>(5,550)</u>        | \$ <u>17,159</u>               | \$ <u>417</u>              | \$ <u>17,576</u>   |
| OPERATING INCOME/(LOSS)   | \$ <u>(12,286)</u>       |                          | \$ <u>(6,022)</u>              |                            | \$ <u>2,828</u>    |
| WATER RATE BASE           | \$ <u>28,509</u>         |                          | \$ <u>28,825</u>               |                            | \$ <u>28,825</u>   |
| RATE OF RETURN            | <u>-43.10%</u>           |                          | <u>-20.89%</u>                 |                            | <u>9.81%</u>       |

LAKE ALTO WATER SYSTEM  
 ADJUSTMENTS TO OPERATING INCOME  
 TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 3A  
 DOCKET NO. 940973-WU

| <u>A. OPERATING REVENUES</u>  | <u>WATER</u>       |
|---|--------------------|
| 1. To reflect annualized revenue based on existing rates  | \$ <u>714</u>      |
| <br>  |                    |
| <u>B. OPERATION AND MAINTENANCE EXPENSES</u>  |                    |
| 1. <u>Salaries and Wages(Employees)</u>   |                    |
| a. To reflect an annual salary for the manager/receiver   | \$ 3,000           |
| b. To reflect an annual salary for the bookkeeper/secretary                                       | 1,200              |
|   | <u>\$ 4,200</u>    |
| 2. <u>Materials and Supplies</u>  |                    |
| a. To allow an appropriate annual amount to cover postage, billing costs, and other incidentals   | \$ <u>230</u>      |
| 3. <u>Contractual Services</u>  |                    |
| a. To reflect an annual DEP required water testing expense of \$1,848                             | \$ 1,356           |
| b. To remove non-recurring management expenses recorded by the prior owner                        | (15,513)           |
|   | <u>\$ (14,157)</u> |
| 4. <u>Rents</u>   |                    |
| a. To reflect annual rent allowance   | \$ <u>1,200</u>    |
| 5. <u>Regulatory Commission Expense</u>   |                    |
| a. To reflect rate case filing fee amortized over 4 years   | \$ <u>50</u>       |
| 6. <u>Miscellaneous Expenses</u>  |                    |
| a. To reclassify to taxes other than income   | \$ (1,059)         |
| b. To reflect an annual allowance for repairs and maintenance                                     | 1,200              |
|   | <u>\$ 141</u>      |
| TOTAL O & M ADJUSTMENTS   | <u>\$ (8,336)</u>  |
| <br>  |                    |
| C. <u>DEPRECIATION EXPENSE</u>  |                    |
| 1. To reflect test year depreciation expense  | \$ 3,055           |
| 2. Non-used and useful depreciation expense   | (235)              |
| D. <u>AMORTIZATION EXPENSE (CIAC)</u>   | <u>2,820</u>       |
| 1. To reflect test year amortization of CIAC  | \$ <u>(2,049)</u>  |
| E. <u>TAXES OTHER THAN INCOME</u>   |                    |
| 1. To reflect a reclassification from account no. 675   | \$ 1,059           |
| 2. To reflect payroll taxes on recommended salaries   | 455                |
| 3. To reflect regulatory assessment fee @4.5% on test year revenue                                | 501                |
|   | <u>\$ 2,015</u>    |
| F. <u>OPERATING REVENUES</u>  |                    |
| 1. To reflect increase in revenue required to cover expenses and allow recommended rate of return | \$ <u>9,267</u>    |
| G. <u>TAXES OTHER THAN INCOME</u>   |                    |
| 1. To reflect regulatory assessment fee at 4.5% on increase in revenue                            | \$ <u>417</u>      |



LAKE ALTO WATER SYSTEM  
 ANALYSIS OF WATER OPERATION AND  
 MAINTENANCE EXPENSE  
 TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 3B  
 DOCKET NO. 940973-WU

|                                     | <u>TOTAL<br/>PER UTIL.</u> | <u>COMM.<br/>ADJUST.</u> | <u>TOTAL<br/>PER COMM</u> |
|-------------------------------------|----------------------------|--------------------------|---------------------------|
| #601 SALARIES AND WAGES – EMPLOYEES | \$ 0                       | \$ 4,200 [1]             | \$ 4,200                  |
| #603 SALARIES AND WAGES – OFFICERS  | 0                          | 0                        | 0                         |
| #604 PENSIONS AND BENEFITS          | 0                          | 0                        | 0                         |
| #610 PURCHASED WATER                | 0                          | 0                        | 0                         |
| #615 PURCHASED POWER                | 1,126                      | 0                        | 1,126                     |
| #616 FUEL FOR POWER PRODUCTION      | 0                          | 0                        | 0                         |
| #618 CHEMICALS                      | 334                        | 0                        | 334                       |
| #620 MATERIALS AND SUPPLIES         | 270                        | 230 [2]                  | 500                       |
| #630 CONTRACTUAL SERVICES           | 19,329                     | (14,157)[3]              | 5,172                     |
| #640 RENTS                          | 0                          | 1,200 [4]                | 1,200                     |
| #650 TRANSPORTATION EXPENSE         | 171                        | 0                        | 171                       |
| #655 INSURANCE EXPENSE              | 0                          | 0                        | 0                         |
| #665 REGULATORY COMMISSION EXPENSE  | 0                          | 50 [5]                   | 50                        |
| #670 BAD DEBT EXPENSE               | 0                          | 0                        | 0                         |
| #675 MISCELLANEOUS EXPENSES         | 1,259                      | 141 [6]                  | 1,400                     |
|                                     | <u>\$ 22,489</u>           | <u>\$ (8,336)</u>        | <u>\$ 14,153</u>          |

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LAKE ALTO WATER SYSTEM  
 SCHEDULE OF RATE CASE EXPENSE RATE  
 REDUCTION AFTER FOUR YEARS  
 TEST YEAR ENDED AUGUST 31, 1994

SCHEDULE NO. 4  
 DOCKET NO. 940973-WU

MONTHLY RATES

| <u>RESIDENTIAL AND GENERAL SERVICE</u>            | <u>COMM. APPROVED RATES</u> | <u>RATE DECREASE</u> |
|---|-----------------------------|----------------------|
| BASE FACILITY CHARGE:                             |                             |                      |
| Meter Size:                                       |                             |                      |
| 5/8"x3/4"   | \$ 11.66                    | \$ 0.03              |
| 1"  | 17.49                       | 0.04                 |
| 1-1/4"  | 29.15                       | 0.07                 |
| 1-1/2"  | 58.30                       | 0.15                 |
| 2"  | 93.28                       | 0.24                 |
| 3"  | 186.56                      | 0.48                 |
| 4"  | 291.50                      | 0.74                 |
| 6"  | 583.00                      | 1.49                 |
| RESIDENTIAL GALLONAGE CHARGE<br>PER 1,000 GALLONS | \$ 2.93                     | \$ 0.01              |