

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Staff- ) DOCKET NO. 950631-WS  
Assisted Rate Case in Volusia ) ORDER NO. PSC-96-0286-FOF-WS  
County by Indian River ) ISSUED: February 27, 1996  
Utilities, Inc. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

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

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

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the authorization of temporary rates in the event of protest, the finding not to order the utility to show cause why it should not be penalized for charging unauthorized plant capacity charges, and the finding that the utility maintain its books and records in conformity with 1984 NARUC Uniform System of Accounts, 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

Indian River Utilities, Inc. (Indian River or utility) is a Class C water and wastewater utility serving approximately 450 water and wastewater customers in Volusia County. The service area and treatment facilities of Indian River is near Hacienda Del Rio, south of the city of Edgewater, on U.S. Highway 1 in Volusia County.

We granted Indian River its original water and wastewater certificates in Order No. 13627, issued August 27, 1984. Indian River filed this staff-assisted rate case application on June 8,

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FPSC-RECORDS/REPORTING

1995, and paid the appropriate filing fee. The official filing date was August 4, 1995. We audited the utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. We also conducted a field investigation of the utility's water plant, wastewater plant, water distribution system, wastewater collection system and utility service area. Finally, we reviewed the utility's operating expenses, maps, files, and rate case application.

The utility has had no prior rate cases, and its rate base has never been established. The utility has never applied for price index or pass-through rate adjustments.

We have selected a historical test year ended June 30, 1995. During that period, the utility's books reflected unaudited water operating revenues of \$76,799 and unaudited wastewater operating revenues of \$83,138, resulting in a net operating income of \$8,898 for water and a net operating income of \$523 for wastewater.

Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District. The utility is located within a water conservation area.

#### QUALITY OF SERVICE

On November 16, 1995, we held a customer meeting at Club Rio Hacienda, Edgewater, Florida, in the utility's service area. Approximately 141 customers attended the meeting. Five customers commented on quality of service. One made a favorable comment about the service; one inquired about the chlorine residual testing procedures, and three expressed concerns with water pressure levels. One other customer conferred with our staff after the meeting about problems with sand in the lines.

The utility makes a daily test in the distribution system to insure adequate protection against bacteria infections. Test results for chlorine residuals and bacteriologicals show the utility to be in compliance with applicable regulations. The utility is in compliance with all other health standards as well.

The utility has found it difficult to maintain good pressure levels in times of high demand. To eliminate potential pressure problems, it believes that additional water storage is necessary to provide adequate water flow. To assure reliable supply, the utility plans to install a 158,000 gallon storage tank and transfer pump at the water treatment facility by February, 1996. The cost of installing this structure is included in this rate case as part

of the pro forma plant improvements. We find that the utility is adequately addressing its pressure problems with this measure.

Finally, the incident of sand in the lines appears to be a single one. There is no need for correction at this time. Accordingly, we find that the quality of service provided by Indian River is satisfactory, and we will allow the utility six months from the issuance date of this Order in which to complete the pro forma improvements addressing the pressure problem, subject to our verification.

#### RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedule No. 1 for water, and on Schedule No. 1A for wastewater, and our adjustments for both are itemized on Schedule No. 1B. 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 Plant

##### Water Treatment Plant

Based on the plant capacity of 288,000 gallons per day (gpd), as shown in the filings, we find that the water treatment plant is 100 percent used and useful. The maximum daily flow that occurred during the test year was 160,000 gpd. We have allowed 21,987 gpd for margin reserve, plus 90,000 gpd for fire flow.

##### Water Distribution System

The water distribution system has a capacity of 592 equivalent residential connections (ERCs). The number of test year ERCs is 459. Allowing 63 ERCs for margin reserve, we find that the water distribution system is 88% percent used and useful.

##### Wastewater Treatment Plant

The wastewater treatment plant has a permitted treatment capacity of 116,000 gpd. The average daily flow of the peak usage month during the test year was 64,000 gpd. Allowing 8,883 gpd for margin reserve, we find that the wastewater treatment plant is 63% used and useful.

### Wastewater Collection System

The wastewater collection system has a capacity of 587 ERCs. The number of test year ERCs is 454. Allowing 63 ERCs for margin reserve, we find that the wastewater collection system is 88% used and useful.

### Utility Plant in Service

Rate base has never been established for this utility. We have selected a historical test year ended June 30, 1995, for this rate case. All rate base components have been updated through June 30, 1995, to include additions and reclassification.

The utility recorded utility plant in service (UPIS) of \$720,401 for water and \$782,860 for wastewater. We have decreased UPIS by \$8,792 for water and \$11,140 for wastewater to reflect year end plant. We have increased UPIS by \$104,028 for water and \$8,710 for wastewater to reflect pro forma plant. The pro forma plant includes a 158,000 gallon storage tank and transfer pump at the water treatment plant, as noted above, and a generator for the wastewater treatment plant. We also made averaging adjustments reducing water UPIS by \$31,055 and wastewater UPIS by \$43,166. The total adjustments result in an increase of \$64,181 for water UPIS and a decrease of \$45,596 for wastewater UPIS.

Therefore, we find that utility plant in service for water is \$784,592 and for wastewater, \$737,264.

### Land

The utility recorded land on its books of \$45,118 for water and \$37,241 for wastewater. The land was a part of a purchase made by the utility's owner in 1984. Documentary stamps support a purchase price of \$3,985 per acre for water and \$6,466 per acre for wastewater. In 1985, the utility's owner sold the land to the utility; therefore, the utility owns the land on which the water and wastewater systems are located.

Of the land recorded for water purposes, 2.68 acres is being used for wastewater treatment. We have decreased land value to reflect the original cost of land by \$11,397 for water and increased it by \$12,480 for wastewater. We decreased land value by \$10,688 for water and increased it by the same amount for wastewater to reflect the reclassification of the 2.68 acres of land used for wastewater treatment. Total adjustments reflect a decrease of \$22,085 for water and an increase of \$23,168 for wastewater.

Therefore, we find that the utility land value is \$23,033 for water and \$60,409 for wastewater.

#### Non-Used & Useful Plant

We have determined that the average non-used and useful plant is \$43,213 for water and \$164,140 for wastewater. The average accumulated depreciation associated with non-used and useful plant is \$7,047 for water and \$26,209 for wastewater. The average non-used and useful contributions-in-aid-of-construction (CIAC) for water is \$5,793 and \$10,506 for wastewater. We made adjustments to decrease average non-used and useful amortization of CIAC by \$196 for water and \$331 for wastewater.

Therefore, we find that the non-used and useful plant balances are \$30,569 for water and \$127,756 for wastewater.

#### Contributions-in-Aid-of-Construction

CIAC has a negative impact on rate base. The utility's CIAC balances at the end of the test year were \$332,551 for water and \$713,789 for wastewater. We have made averaging adjustments of \$3,591 for water and \$7,481 for wastewater to reflect average CIAC. We also made an adjustment to decrease CIAC on margin reserve by \$56,700 for water.

Therefore, we find that average CIAC balances are \$385,660 for water and \$706,308 for wastewater.

#### Accumulated Depreciation

The utility books reflect accumulated depreciation balances of \$229,155 for water and \$132,798 for wastewater. Consistent with our practice, we have calculated accumulated depreciation using the rates prescribed in Rule 25-30.140, Florida Administrative Code. We have decreased accumulated depreciation by \$41,319 for water and \$3,207 for wastewater to reflect the year end accumulated depreciation. We have also increased accumulated depreciation by \$3,217 for water and \$581 for wastewater to reflect depreciation on pro forma plant. Further, we made averaging adjustments of \$12,723 for water and \$15,005 for wastewater.

Therefore, we find that average accumulated depreciation is \$178,330 for water and \$115,167 for wastewater.

### Accumulated Amortization

The utility did not record accumulated amortization for water or for wastewater at the end of the test year. We have made adjustments to reflect accumulated amortization of CIAC at year end of \$52,241 for water and \$100,648 for wastewater. We determined amortization of CIAC on margin reserve to be \$3,045, on the basis of the appropriate yearly composite rate. We made averaging adjustments of \$5,547 for water and \$13,186 for wastewater.

Therefore, we find that adjustments of \$49,739 for water and \$87,462 for wastewater are appropriate to bring the utility's accumulated amortization balances to the correct amount.

### Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we find it appropriate to use the one-eighth of operation and maintenance expense formula for calculating working capital allowance. Accordingly, we find that a working capital allowance of \$6,393 for water and \$9,309 for wastewater is appropriate.

### Reuse Water Investment

The developer, in compliance with Volusia County code, installed \$16,270 of reuse water lines in 1992 and \$52,680 in 1995, subsequently selling these lines to the utility. We do not find it appropriate to include these costs in rate base, because they are development costs. Moreover, the utility does not meet the Department of Environmental Protection's (DEP) criteria for providing reuse water and it has no firm plans for providing reuse water in the future.

### Rate Base Summary

Based on the foregoing, we find the appropriate rate base test year balances for rate setting purposes to be \$269,198 for water and \$(54,787) for wastewater. Following our practice, we have adjusted the wastewater rate base to zero.

### COST OF CAPITAL

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

Our staff audit determined the utility's capital structure to consist of a bank loan of \$275,520 at an interest rate of 10.25%. It also includes a loan from a related company of \$894,476 at an interest rate of 7.75%.

In addition, the utility's capital structure includes common equity of \$218,760, which is 15.75% of total capital. Using the current leverage formula approved in Docket No. 950006-WS, Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, we have capped the rate of return on common equity at 11.88% with a range of 10.88% - 12.88%.

In instances where rate base balances are less than the balance in the utility's capital structure, it is our policy to reduce each component in the capital structure by its weighted share of the excess rate base. As a result, we have reduced the long-term debt by \$943,203 and equity balance by \$176,355 to reconcile the utility's capital structure components to the rate base balance determined herein only for water, because the wastewater rate base is zero.

Applying the weighted average method to the pro rata share of each capital component, we find that the utility's appropriate overall rate of return is 8.90% with a range of 8.74% to 9.05%.

#### NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedule No. 3 for water and on Schedule No. 3A for wastewater. Our adjustments are itemized on Schedule No. 3B. Schedules 3C and 3D present analyses of operation and maintenance expenses for water and wastewater, respectively. 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.

#### Operating Revenues

The utility recorded water revenues of \$76,799 and wastewater revenues of \$83,138 during the test year. Through a test year billing analysis, we have determined test year revenues of \$84,445 for water and \$75,877 for wastewater. We have, therefore, increased revenues by \$7,646 for water and decreased revenues by \$7,261 for wastewater to reflect the appropriate test year revenues.

Revenue Requirement Methodology

We have considered whether to apply the alternative operating ratio methodology to Indian River in this rate case, pursuant to Section 367.0814 (7), Florida Statutes, and Rule 25-30.456, Florida Administrative Code. We have applied the operating ratio methodology criteria contemporaneously adopted in Docket No. 950641-WU to Indian River. We find that the utility merits favorable consideration under all the criteria except for one, that is, its status as a developer-owned utility. However, our concern regarding developer status is not the sole issue. The existence of non-used and useful plant, along with potential development property in the service territory, makes this utility a borderline candidate for the alternative methodology. Furthermore, we are informed that the utility owner is negotiating with Volusia County for a possible sale of the utility.

In light of this analysis, we find Indian River to be ineligible at this time for application of the alternative operating ratio methodology. We find it appropriate to apply the traditional rate base methodology. A decision of whether or not to implement the alternative methodology for borderline cases, such as this utility's wastewater system, with its negative rate base, represents, is a matter of our discretion. While an argument can be made in support of applying the alternative methodology to this utility, we find a more cautious approach during this initial period of implementing and evaluating alternative methodologies to be appropriate, because of the unique circumstances in this case.

Operation and Maintenance Expenses

The utility recorded operating expenses of \$67,811 for water and \$82,614 for wastewater. The components of these expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes.

The utility's test year operating expenses have been traced to invoices. We have made adjustments to reflect unrecorded test year expenses and to reflect allowances for plant operations. The utility charged \$37,601 to water operation and maintenance expenses (O & M) and \$54,580 to wastewater O & M during the test year. A summary of the adjustments that we have made to the utility's recorded expenses follows:



#### Sludge Removal Expense

The utility did not record sludge removal expense during the test year. The utility hauled approximately 54,800 gallons of sludge for \$3,838. We have made adjustments of \$3,838 to reflect the sludge removal expense.

#### Purchased Power

The utility recorded \$6,951 for water purchased power and \$11,105 for wastewater purchased power. We have decreased wastewater purchased power by \$638 to reflect the appropriate test year amount. Accordingly, we find that the utility's purchased power expense is \$6,951 for water and \$10,467 for wastewater.

#### Chemicals

The utility recorded \$13,117 for water chemical expense and \$25,942 for wastewater chemical expense during the test year. We have decreased the expense for water by \$461 and increased the expense for wastewater by \$249 to reflect the chemical expense for the year.

#### Materials and Supplies

The utility recorded an expense for materials and supplies of \$1,120 for water and \$1,120 for wastewater. We have increased the expense for water by \$438 and decreased the expense for wastewater by \$160 to reflect the proper test year materials and supplies expenses. Accordingly, we find that the appropriate materials and supplies expense is \$1,558 for water and \$960 for wastewater.

#### Contractual Services

The utility recorded contractual services expenses of \$16,413 for water and wastewater each during the test year. We have adjusted the water contractual services account to (a) increase the recorded accounting fees by \$2,958; (b) decrease the DEP-required testing by \$764 to reflect the correct amount; (c) increase the recorded test year legal fees by \$3,295; (d) increase the maintenance and administrative expense by \$6,750 for the test year; and (e) record the proper test year repair expenses of \$931.

We have made adjustments to the wastewater contractual services account to (a) increase the recorded accounting fees by \$2,958; (b) increase the DEP-required testing by \$1,441 to reflect the correct amount; (c) increase the recorded test year legal fees by \$3,295; (d) increase the maintenance and administrative expense by \$6,750 for the test year; (e) recorded the proper test year repair expenses of \$1,470; and (f) record the proper engineering expense for the test year of \$300.

We have made total adjustments of \$13,170 for water contractual services and \$16,214 for wastewater contractual services. Accordingly, we find that the utility's water contractual services expenses are \$29,583, which includes \$4,800 for utility plant operations; \$3,730 for accounting fees; \$4,067 for legal fees; \$1,355 for DEP-required testing; \$14,700 for maintenance and administrative fees; and \$931 for repairs. Similarly, we have determined wastewater contractual services expenses to be \$32,627, which includes \$4,800 for utility plant operations; \$3,370 for accounting fees; \$4,067 for legal fees; \$3,560 for DEP-required testing; \$14,700 for maintenance and administrative fees; \$1,470 for repairs; and \$300 for engineering expense.

#### Regulatory Commission Expense

We have adjusted the regulatory commission expense to \$281 for the water system and for the wastewater system to allow the utility's rate case filing fees of \$2,244 to be amortized over four years.

#### Miscellaneous Expense

The utility did not record any amount for water and wastewater miscellaneous expenses. We have made adjustments of \$111 for each system to reflect a reasonable and prudent amount for miscellaneous expense.

We have made total operation and maintenance expense adjustments of \$13,539 for water and \$19,895 for wastewater. Therefore, we find that the utility's operation and maintenance expenses is \$51,140 for water and \$74,475 for wastewater.

### Depreciation Expense

We have calculated test year depreciation expense using the prescribed rates in Rule 25-30.140, Florida Administrative Code. The utility recorded depreciation expense of \$30,210 for water and \$28,034 for wastewater. We have decreased this expense by \$2,459 for water and by \$4,801 for wastewater to bring the utility balances to the correct amount. We have applied the composite depreciation rate to the appropriate CIAC account and determined the appropriate CIAC amortization to be \$(11,447) for water and \$(26,664) for wastewater during the test year.

In addition, we have made adjustments to the wastewater depreciation expense of \$(23,233) and to the amortization expense of \$26,664, to adjust depreciation expense for wastewater to zero because of the negative wastewater rate base.

### Taxes Other Than Income Taxes

The utility did not record any taxes other than income for water or wastewater. We have made adjustments to (1) increase regulatory assessment fees by \$3,800 for water and \$3,414 for wastewater to match test year revenue; (2) increase the intangible tax amount by \$5,652 for water and \$5,652 for wastewater; and (3) include \$1,605 for water and \$999 for wastewater real property taxes.

Therefore, we find that the appropriate amount of Taxes Other Than Income Taxes is \$11,057 for water and \$10,065 for wastewater.

### Increases in Operating Expenses for Ratesetting Purposes

We have increased operating revenues by \$18,864 for water and \$19,896 for wastewater to reflect the increase in revenues required to recover operating and maintenance expenses, and, in the case of the water system, to allow the utility an opportunity to earn a fair rate of return on investment. Accordingly, we have increased Taxes Other Than Income Taxes by \$849 for water and \$409 for wastewater to reflect the regulatory assessment fee of 4.5% on these increases in revenues.

### Operating Expenses Summary

We find it appropriate to apply adjustments to the utility's test year operating expenses resulting in operating expenses for ratesetting purposes in the amount of \$79,350 for water and \$84,949 for wastewater.

REVENUE REQUIREMENT

We find it appropriate to authorize the utility an annual increase in revenues of \$18,864, or 22.34%, for water, as shown in Schedule No. 3. This will provide the utility with the opportunity to fully recover its operating and maintenance expenses and earn a 8.90% return on its water system investment. The utility's wastewater rate base is negative and we have adjusted it to zero following Commission practice. Therefore, we further find it appropriate to authorize an annual increase in revenues of \$9,072, or 11.96%, for wastewater, as shown in Schedule No. 3A, providing it with an opportunity to fully recover its wastewater operating and maintenance expenses.

RATES AND CHARGES

Rates and Rate Structure

The utility's current tariff employs a base facility and gallonage charge rate structure. Rule 25-30.443, Florida Administrative Code, requires for Class C utilities that the base facility and usage (gallonage) charge rate structure be utilized for metered service. This is the preferred rate structure, because it is designed to provide for equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs of providing service (through the usage or gallonage charge), as well as their share of the fixed costs of providing service (through the base facility charge).

During the test year, the utility provided metered water service to approximately 462 residential customers and 14 general service customers. It provided metered wastewater service to approximately 462 residential customers and 5 general service customers.

Furthermore, the base facility and gallonage charge rate structure is a conservation rate structure. The utility is located within a water conservation area. For all of these reasons, we find it appropriate to retain the base facility and gallonage charge rate structure. Schedules of the utility's existing rates and of its final rates we herein approve are as follows:

MONTHLY RATES

WATER

Residential and General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission</u> <u>Approved Rates</u>
5/8" x 3/4"	\$ 4.58	\$ 6.59
3/4"	6.87	9.88
1"	11.45	16.47
1 1/2"	22.90	32.95
2"	36.64	52.72
3"	73.28	105.43
4"	N/A	164.74
6"	N/A	329.48
<u>Gallonge Charge</u> Per 1,000 gallons	\$ 1.66	\$ 1.85

WASTEWATER

Residential Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission</u> <u>Approved Rates</u>
All meter sizes	\$ 5.21	\$ 6.30
<u>Gallonge Charge</u> Per 1,000 gallons (6,000 gallon maximum)	\$ 1.98	\$ 2.05

General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rate</u>	<u>Commission</u> <u>Approved Rates</u>
5/8" x 3/4"	\$ 5.21	\$ 6.30
3/4"	7.82	9.45
1"	13.03	15.74
1 1/2"	26.05	31.49
2"	41.68	50.38
3"	83.36	100.76
4"	N/A	157.44
6"	N/A	314.88

<u>Gallage Charge</u>		
Per 1,000 gallons	\$ 1.98	\$ 2.46

The approved final rates are designed to produce revenues of \$103,309 for water and \$84,949 for wastewater, using the base facility and a gallage 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. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within ten days of the date of the notice.

Rate Reduction After Rate Case Expense Amortization

Section 367.0816, Florida Statutes, requires that rates be reduced immediately following the expiration of the statutory four year amortization period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for the corresponding regulatory assessment fee. The revenue reduction will amount to \$294 annually for each system. Using the utility's current revenues, expenses, capital structure and customer base, the effect of the revenue reduction results in rate decreases as shown on Schedules Nos. 4 and 4A. The decrease in rates shall become effective immediately following the expiration of the four year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

#### Service Availability Charges

In Order No. 13627, issued August 27, 1984, we approved system capacity charges per ERC for the utility for both water and wastewater. These charges were to be paid by the owner/developer in constructing the proposed system.

The water treatment plant can accommodate 169 additional connections and the distribution system can accommodate 133 additional connections. The utility's existing tariff authorizes a \$900 system capacity charge to be paid by the owner/developer for water. This charge will not cause the utility to exceed the 75% maximum level at full capacity utilization, pursuant to Rule 25-30.580(1), Florida Administrative Code. Therefore, we find it appropriate to authorize a service availability charge to be paid by the owner/developer of \$900. This charge consists of a plant capacity charge of \$600 and main extension charge of \$300. In addition, we find it appropriate to approve a meter installation charge for future water customers of \$100 for a 5/8" x 3/4" meter and actual cost for meters larger than 5/8" x 3/4."

The wastewater treatment plant can accommodate 72 additional connections and the collection system can accommodate 133 additional connections. The utility's existing tariff authorizes a system capacity charge of \$1,875 to be paid by the owner/developer. The utility's current level of CIAC exceeds the 75% maximum contribution level established by Rule 25-30.580(1), Florida Administrative Code. The high CIAC level combined with non-used and useful plant has created a negative wastewater rate base. Therefore, we do not find it appropriate to authorize the utility to collect a wastewater system capacity charge.

A schedule of the utility's existing charges and approved revised charges are as follows:

Service Availability Charges

Water

Existing

System Capacity \$900

Approved Revised Charge

Plant Capacity \$600  
Main Extension \$300

Meter Installation Charges

<u>Meter Size</u>	<u>Existing</u>	<u>Approved Revised Charge</u>
5/8 x 3/4"	\$90	\$100
1"	Actual Cost	Actual Cost
1 1/2"	Actual Cost	Actual Cost
2"	Actual Cost	Actual Cost

Wastewater

Existing

Approved Revised Charge

System Capacity Charge \$1,875 \$0

The approved revised charges shall be effective for service rendered on or after the stamp approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code.

Miscellaneous Charges

The utility's existing tariff includes Commission-approved miscellaneous service charges. However, we have modified the utility's existing charges to reflect more reasonable charges that are consistent with current Commission practice. The approved miscellaneous service charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the ratepaying body as a whole. A schedule of the utility's existing charges and approved modified charges is as follows:



Existing Charges

<u>Initial Connection*</u>	\$10.00 (during regular working hours) \$15.00 (after regular working hours)
<u>Normal Connection**</u>	\$10.00 (during regular working hours) \$15.00 (after regular working hours)
<u>Violation Reconnection***</u>	\$10.00 (during regular working hours) \$15.00 (after regular working hours)
<u>Collection Charge****</u>	\$5.00

\*At location where no service previously existed.

\*\*Transfer to new account at same location, or reconnection subsequent to customer-requested disconnection.

\*\*\*Subsequent to disconnection for cause, including delinquency in payment of bill.

\*\*\*\*Where no disconnection has occurred, but utility has to visit customer's premises to collect overdue account.

Approved Modified Charges

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Connection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

When both water and wastewater services are provided, we find that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

The definition of each charge is provided for clarification:

Initial Connection. This charge would be levied for service initiation at a location where service did not exist previously.

Normal Reconnection. This charge would be levied for transfer of service to a new customer account, a previously served location

or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection. This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (in lieu of disconnection). This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The approved modified miscellaneous service charges 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. The revised tariff sheets shall be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate. The charges shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within ten days after the date of the notice.

#### Unauthorized System Capacity Charges

In Order No. 13627, granting the utility's original certificate, we approved system capacity charges per ERC of \$900 for water and \$1,875 for wastewater services. These charges represented a pro rata break-down of the total amount of CIAC paid by the developer(s) to the utility.

The staff audit in this docket revealed that the utility collected less than the authorized system capacity charges from the developer(s). The utility collected a system capacity charge of \$513 per ERC for water service and \$1,069 per ERC for wastewater service. In a 1987 letter to a developer found in the utility's files, the utility explained that it determined these charges in the following manner:

An ERC is equal to 350 gallons per day, however, estimated use for mobile home residents in adult parks are (sic) is 200 gallons per day, therefore, the connection fees are reduced to 57% of the normal residential charges.

The assumptions the utility used in these determinations are consistent with daily per customer flows normally experienced in mobile home retirement communities.

Section 367.161 (1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated, any provision of Chapter 367, Florida Statutes or an order of the Commission. Indian River appears to have violated Section 367.081 (1), Florida Statutes, in charging system capacity charges other than those approved by us in Order No. 13627. Although we have no reason to believe that the utility intended to violate our order, its actions were "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL titled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., having found that the company had not intended to violate the rule, we nevertheless found it appropriate to order it to show cause why it should not be fined, stating that, "in our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to comply with the Commission-approved system capacity charges, would meet the standard for a "willful violation." Nevertheless, we do not find that Indian River's apparent violation of Section 367.081(1), Florida Statutes, rises to a level of warranting that a show cause order be issued. First, the effect of undercollecting system capacity charges is to cause rate base to be at a level higher by the amount of system capacity charges, or contributions in aid of construction, not collected. The utility could have benefitted from the undercollection only by requesting rate relief. It did not, until now. Second, the assumptions that the utility, in apparent good faith, adopted in determining the charges actually collected are consistent with flows normally experienced in communities such as Hacienda Del Rio.

Thus, we do not find it appropriate to order the utility to show cause why it should not be fined for charging unauthorized system capacity charges. We admonish the utility, however, that, pursuant to Section 367.091 (3), Florida Statutes, it may in the future only impose and collect rates and charges approved by the Commission, not more and not less.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, pursuant to Section 367.0814, Florida Statutes, and Rule 25-30.360, Florida Administrative Code, we hereby authorize the utility to collect the rates we approve herein, on a temporary basis, subject to refund, provided that the utility first obtain our approval of security for potential refund and of the proposed customer notice.

The security shall be in the form of a bond or letter of credit in the amount of \$29,702. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.

- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

#### NARUC UNIFORM SYSTEM OF ACCOUNTS CONFORMITY

During the test year, the utility's books were not maintained in conformity with the NARUC Uniform System of Accounts. Rule 25-30.115(1), Florida Administrative Code, states:

Water and wastewater utilities shall, effective January 1, 1986, maintain its accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

We find that this utility has the expertise necessary to convert and maintain its records in conformity with the 1984 NARUC Uniform System of Accounts, as provided by rule. Therefore, we find it appropriate to require Indian River to maintain its books and records in that manner.

DOCKET STATUS

We have, as earlier noted, required the utility to make certain pro forma improvements, which have been included in rate base for rate setting purposes. If no timely protest is received, upon expiration of the protest period, this docket shall remain open for an additional six months from the effective date of this Order to give the utility sufficient time to complete this pro forma plant, subject to our verification. After we have verified that the utility has completed the pro forma plant and after we have approved revised tariff sheets reflecting the new rates, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Indian River Utilities, Inc., for an increase in water and wastewater rates is 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 hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the authorization of temporary rates in the event of protest, the finding not to order the utility to show cause why it should not be penalized for charging unauthorized plant capacity charges, and the finding that the utility maintain its books and records in conformity with 1984 NARUC Uniform System of Accounts, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of Records and Reporting at her office at 2540 Shumard Oak Boulevard,

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Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Indian River Utilities, Inc., is not in this proceeding eligible for alternative rate setting pursuant to Section 367.0814(7), Florida Statutes. It is further

ORDERED that Indian River Utilities, Inc., 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 pages, provided that the customers have received notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Indian River Utilities, Inc., 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 Staff's verification that it is consistent with our decision herein. It is further

ORDERED that Indian River Utilities, Inc., shall provide proof that notice was given within ten days of the date of the notice. It is further

ORDERED that Indian River Utilities, Inc., shall make the specific plant improvements as set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Indian River Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$29,702 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates approved herein, Indian River Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff pages shall be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Indian River Utilities, Inc., is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-

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30.360, Florida Administrative Code, provided that Indian River Utilities, Inc., furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

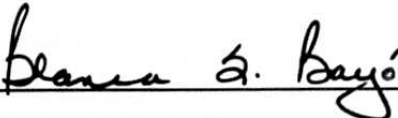
ORDERED that Indian River Utilities, Inc., shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that, upon expiration of the protest period, this docket shall remain open for an additional six months days from the effective date of this order to give Indian River Utilities, Inc., sufficient time to complete pro forma plant improvements. It is further

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

ORDERED that, if upon expiration of the protest period, no protest is filed, this docket shall be closed administratively upon Staff's verification that the pro forma plant improvements have been completed in the time permitted herein.

By ORDER of the Florida Public Service Commission, this 27th day of February, 1996.

  
\_\_\_\_\_  
BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )  
CJP



NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action, except for the authorization of temporary rates in the event of protest, the finding not to order the utility to show cause why it should not be penalized for charging unauthorized plant capacity charges, and the finding that the utility maintain its books and records in conformity with 1984 NARUC Uniform System of Accounts, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 19, 1996. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1  
 DOCKET NO. 950631-WS

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 720,411	\$ 64,181 A	\$ 784,592
LAND/NON-DEPRECIABLE ASSETS	45,118	(22,085)B	23,033
NON-USED & USEFUL PLANT	0	(30,569)C	(30,569)
CWIP	0	0	0
CIAC	(332,551)	(53,109)D	(385,660)
ACCUMULATED DEPRECIATION	(229,155)	50,825 E	(178,330)
ACCUMULATED AMORTIZATION OF CIAC	0	49,739 F	49,739
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>6,393 G</u>	<u>6,393</u>
WATER RATE BASE	\$ 203,823	\$ 65,375	\$ <span style="border: 1px solid black; padding: 2px;">269,198</span>

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A  
 DOCKET NO. 950631-WS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 782,860	\$ (45,596)A	\$ 737,264
LAND/NON-DEPRECIABLE ASSETS	37,241	23,168 B	60,409
NON USED & USEFUL PLANT	0	(127,756)C	(127,756)
CWIP	0	0	0
CIAC	(713,789)	7,481 D	(706,308)
ACCUMULATED DEPRECIATION	(132,798)	17,631 E	(115,167)
ACCUMULATED AMORTIZATION OF CIAC	0	87,462 F	87,462
WORKING CAPITAL ALLOWANCE	0	9,309 G	9,309
WASTEWATER RATE BASE	\$ (26,486)	\$ (28,301)	\$ (54,787)

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B  
 DOCKET NO. 950631-WS

	WATER	WASTEWATER
<b>A. UTILITY PLANT IN SERVICE</b>		
1. To reflect year end plant.	\$ (8,782)	\$ (11,140)
2. To reflect pro forma plant.	104,028	8,710
3. To reflect averaging adjustment.	<u>(31,055)</u>	<u>(43,186)</u>
	<u>\$ 64,181</u>	<u>\$ (45,596)</u>
<b>B. LAND</b>		
1. To reflect land at original cost.	\$ (11,387)	\$ 12,480
2. To reclassify 2.68 acres of land used for wastewater.	<u>(10,688)</u>	<u>10,688</u>
	<u>\$ (22,075)</u>	<u>\$ 23,168</u>
<b>C. NON-USED &amp; USEFUL PLANT</b>		
1. Average non-used & useful plant.	\$ (43,213)	\$ (164,140)
2. Average non-used & useful accumulated depreciation.	7,047	26,209
3. Average non-used & useful CIAC.	5,793	10,506
4. Average non-used & useful amortization of CIAC.	<u>(196)</u>	<u>(331)</u>
	<u>\$ (30,569)</u>	<u>\$ (127,756)</u>
<b>D. CIAC</b>		
1. To reflect averaging adjustment.	\$ 3,581	\$ 7,481
2. To reflect CIAC on margin reserve.	<u>(56,700)</u>	<u>0</u>
	<u>\$ (53,119)</u>	<u>\$ 7,481</u>
<b>E. ACCUMULATED DEPRECIATION</b>		
1. To reflect year end accumulated depreciation.	\$ 41,319	\$ 3,207
2. To reflect accumulated depreciation on pro forma plant.	<u>(3,217)</u>	<u>(581)</u>
3. To reflect averaging adjustment.	12,723	15,005
	<u>\$ 50,825</u>	<u>\$ 17,631</u>
<b>F. AMORTIZATION OF CIAC</b>		
1. To reflect accumulated amortization of CIAC at 6/30/95.	\$ 52,241	\$ 100,648
2. To reflect amortization of CIAC on margin reserve.	3,045	0
3. To reflect averaging adjustment.	<u>(5,547)</u>	<u>(13,186)</u>
	<u>\$ 49,739</u>	<u>\$ 87,462</u>
<b>G. WORKING CAPITAL ALLOWANCE</b>		
1. To reflect 1/8 of test year O & M expenses.	<u>\$ 9,393</u>	<u>\$ 9,309</u>

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 950631-WS

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 275,520	\$ (222,113)	\$ 53,407	19.84%	10.25%	2.03%
LONG-TERM DEBT (HDC)	894,476	(721,090)	173,386	64.41%	7.75%	4.99%
COMMON EQUITY	218,760	(176,355)	42,405	15.75%	11.88%	1.87%
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
TOTAL	\$ 1,388,756	\$ (1,119,559)	\$ 269,198	100.00%		<span style="border: 1px solid black;">8.90%</span>

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	10.88%	12.88%
OVERALL RATE OF RETURN	8.74%	9.05%

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3  
 DOCKET NO. 950631-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>76,799</u>	\$ <u>7,646 A</u>	\$ <u>84,445</u>	\$ <u>18,864 F</u>	\$ <u>103,309</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	37,601	13,539 B	51,140	0	51,140
DEPRECIATION	30,210	(2,459) C	27,751	0	27,751
AMORTIZATION	0	(11,447) D	(11,447)	0	(11,447)
TAXES OTHER THAN INCOME	0	11,057 E	11,057	849 I	11,906
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>67,811</u>	\$ <u>10,690</u>	\$ <u>78,501</u>	\$ <u>849</u>	\$ <u>79,350</u>
OPERATING INCOME/(LOSS)	\$ <u>8,988</u>		\$ <u>5,944</u>		\$ <u>23,959</u>
WATER RATE BASE	\$ <u>203,823</u>		\$ <u>269,198</u>		\$ <u>269,198</u>
RATE OF RETURN	<u>4.41%</u>		<u>2.21%</u>		<u>8.90%</u>

INDIAN RIVER UTILITY, INC.  
TEST YEAR ENDING JUNE 30, 1995  
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A  
DOCKET NO. 950631-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>83,138</u>	\$ <u>(7,261) A</u>	\$ <u>75,877</u>	\$ <u>9,072 F</u>	\$ <u>84,949</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	54,580	19,895 B	74,475	0	74,475
DEPRECIATION	28,034	(4,801) C	23,233	(23,233) G	0
AMORTIZATION	0	(26,664) D	(26,664)	26,664 H	0
TAXES OTHER THAN INCOME	0	10,065 E	10,065	409 I	10,474
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>82,614</u>	\$ <u>(1,505)</u>	\$ <u>81,109</u>	\$ <u>3,840</u>	\$ <u>84,949</u>
OPERATING INCOME/(LOSS)	\$ <u>524</u>		\$ <u>(5,232)</u>		\$ <u>0</u>
RATE OF RETURN	<u>0.65%</u>		<u>-6.45%</u>		<u>0.00%</u>



INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B  
 DOCKET NO. 950631-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<b>A. OPERATING REVENUES</b>		
1. To adjust test year revenue to test year customers and consumption through billing analysis.	\$ <u>7,646</u>	\$ <u>(7,261)</u>
<b>B. OPERATION AND MAINTENANCE EXPENSES</b>		
1. Sludge Removal Expense		
a. To record sludge removal expense for the test year.	\$ <u>0</u>	\$ <u>3,838</u>
2. Purchased Power		
a. To reflect the proper amount for purchase power.	\$ <u>0</u>	\$ <u>(638)</u>
3. Chemicals		
a. To bring chemical expense to proper amount.	\$ <u>(461)</u>	\$ <u>249</u>
4. Materials and Supplies		
a. To reflect the proper amount for material and supplies.	\$ <u>438</u>	\$ <u>(160)</u>
5. Contractual Services		
a. To reflect the proper amount for contractual operator	\$ <u>0</u>	\$ <u>0</u>
b. To record accounting fees.	2,958	2,958
c. To bring DEP required testing to correct amount.	(764)	1,441
d. To record legal fees.	3,295	3,295
e. To record maintenance and administrative expense.	6,750	6,750
f. To reflect the proper amount for repair expense.	931	1,470
g. To record the proper amount for engineering fees.	0	300
	\$ <u>13,170</u>	\$ <u>16,214</u>
6. Regulatory Commission Expense		
a. To include filing fee amortized over 4 years.	\$ <u>281</u>	\$ <u>281</u>
7. Miscellaneous Expenses		
a. To reflect the proper amount for miscellaneous expense.	\$ <u>111</u>	\$ <u>111</u>
	\$ <u>111</u>	\$ <u>111</u>
<b>TOTAL O &amp; M ADJUSTMENTS</b>	\$ <u>13,539</u>	\$ <u>19,895</u>
<b>C. DEPRECIATION EXPENSE</b>		
1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	\$ <u>(2,459)</u>	\$ <u>(4,801)</u>
<b>D. AMORTIZATION EXPENSE</b>		
1. To reflect test year amortization of CIAC.	\$ <u>(11,447)</u>	\$ <u>(26,664)</u>
<b>E. TAXES OTHER THAN INCOME</b>		
1. To reflect regulatory assessment fees on test year revenue.	\$ <u>3,800</u>	\$ <u>3,414</u>
2. To record intangible taxes.	5,652	5,652
3. To record real property taxes.	1,605	999
	\$ <u>11,057</u>	\$ <u>10,065</u>
<b>F. OPERATING REVENUES</b>		
1. To reflect staff's recommended increase in revenue.	\$ <u>18,864</u>	\$ <u>9,072</u>
<b>G. DEPRECIATION EXPENSE</b>		
1. To zero out depreciation expense on a going forward basis because of a negative wastewater rate base.	\$ <u>0</u>	\$ <u>(23,233)</u>
<b>H. AMORTIZATION EXPENSE</b>		
1. To zero out amortization expense on a going forward basis because of a negative wastewater rate base.	\$ <u>0</u>	\$ <u>26,664</u>
<b>I. TAXES OTHER THAN INCOME</b>		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement.	\$ <u>849</u>	\$ <u>409</u>

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 ANALYSIS OF WATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C  
 DOCKET NO. 950631-WS

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	\$ 0
(603) SALARIES AND WAGES – OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	6,951	0 [2]	6,951
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	13,117	(461)[3]	12,656
(620) MATERIALS AND SUPPLIES	1,120	438 [4]	1,558
(630) CONTRACTUAL SERVICES	16,413	13,170 [5]	29,583
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	281 [6]	281
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	0	111 [7]	111
	<u>\$ 37,601</u>	<u>\$ 13,539</u>	<u>\$ 51,140</u>

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995  
 ANALYSIS OF WASTEWATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D  
 DOCKET NO. 950631-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(701) SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	\$ 0
(703) SALARIES AND WAGES – OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	3,838 [1]	3,838
(715) PURCHASED POWER	11,105	(638)[2]	10,467
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	25,942	249 [3]	26,191
(720) MATERIALS AND SUPPLIES	1,120	(160)[4]	960
(730) CONTRACTUAL SERVICES	16,413	16,214 [5]	32,627
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	0	0	0
(765) REGULATORY COMMISSION EXPENSES	0	281 [6]	281
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	0	111 [7]	111
	<u>\$ 54,580</u>	<u>\$ 19,895</u>	<u>\$ 74,475</u>

ORDER NO. PSC-96-0286-FOF-WS  
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**APPROVED RATE REDUCTION SCHEDULE**

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 4  
 DOCKET NO. 950631-WS

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

**MONTHLY WATER RATES**

<b><u>RESIDENTIAL AND GENERAL SERVICE</u></b>	<b><u>MONTHLY APPROVED RATES</u></b>	<b><u>MONTHLY APPROVED REDUCTION</u></b>
<b>BASE FACILITY CHARGE:</b>		
<b>Meter Size:</b>		
5/8"x3/4"	\$ 6.59	0.02
3/4"	9.88	0.03
1"	16.47	0.05
1-1/2"	32.95	0.09
2"	52.72	0.15
3"	105.43	0.30
4"	164.74	0.47
6"	329.48	0.94
<b>RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS</b>	\$ 1.85	0.01

APPROVED RATE REDUCTION SCHEDULE

INDIAN RIVER UTILITY, INC.  
 TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 4A  
 DOCKET NO. 950631-WS

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

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL SERVICE</u>	<u>MONTHLY APPROVED RATES</u>	<u>MONTHLY APPROVED REDUCTION</u>
<b>BASE FACILITY CHARGE:</b>		
<b>Meter Size:</b>		
ALL SIZES	\$ 6.30	0.02
<u>GALLONAGE CHARGE</u> PER 1,000 GALLONS (6,000 gallon max)	\$ 2.05	0.01
<u>GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>COMMISSION APPROVED REDUCTION</u>
<b>BASE FACILITY CHARGE:</b>		
<b>Meter Size:</b>		
5/8"x3/4"	\$ 6.30	0.02
3/4"	9.45	0.03
1"	15.74	0.05
1-1/2"	31.49	0.11
2"	50.38	0.17
3"	100.76	0.35
4"	157.44	0.55
6"	314.88	1.09
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	\$ 2.46	0.01