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DIVISION OF WATER & WASTEWATER
CHARLES H. HILL
DIRECTOR
(850) 413-6900

Public Service Commission

July 1, 1998

Mr. Matthew A. Potter, CPA
Dixie Groves Estates, Inc.
P.O. Box 845
New Port Richey, Florida 34656-0845

Re: Request for Emergency Interim Rates within a Staff Assisted Rate Case (SARC) for Dixie Groves Estates, Inc. in Pasco County, Docket No. 980726-WU

Dear Mr. Potter:

We have reviewed the utility's 1995, 1996, and 1997 annual reports along with other information provided by you to determine the feasibility of emergency interim rates in this SARC. When an analysis is done to determine if a utility is eligible for emergency interim rates, staff reviews operation and maintenance expenses along with taxes other than income. Commission policy has been to review only necessary day-to-day operating expenses and taxes in emergency interim rates, and only where there is immediate and urgent need in very unique circumstances, such as receivership or emergency interconnection. Depreciation, amortization, and return on capital are not considered in the analysis.

ACF _____
AFA _____
APP _____
CAF _____
CMU _____
STR _____
EAG _____
E _____
VRS _____

Staff's analysis shows a \$30,088 cash shortfall when using the information obtained from the utility's 1997 annual report. As mentioned above, these figures do not include depreciation, amortization, or return on capital. Of the \$30,088 cash shortfall, over 72% (\$21,752) of it is related to salaries and benefits of the owners or relatives, none of which was present prior to 1996. An analysis of operation and maintenance expenses shows 16.42% (\$4,941) of the shortfall was attributed to purchases of utility plant which should have been capitalized instead of expensed. A review of tests required by the Department of Environmental Protection and Southwest Florida Water Management District show a number of tests which needed to be amortized based on their required frequency, and not all expensed in one year. All tests were annualized by staff which reduced the amount of contractual services-testing from \$4,811 to \$3,621. Chemical expense was annualized due to the amount of aqua mag now required. The chemical expense account was increased by \$2,528 to include six 32 gallon barrels of aqua mag per year as your letter indicated was needed. These analyses do not prohibit the allowance or disallowance of costs from inclusion within the SARC, only that they should not be allowed for emergency interim rates.

DOCUMENT NO.
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Mr. Matthew A. Potter, CPA

Page 2


July 1, 1998

The utility's last rate case (Docket No. 800712-W) was processed 18 years ago. Our analysis shows that the utility will experience an estimated cash shortfall of \$4,733. It appears the present cash shortfall has been caused by the utility not filing for timely rate relief. Although repairs and replacements have been made to utility plant, it should be expected in the normal course of utility operations, and no unique circumstance is evident. Based on our analysis, staff would not be able to request emergency rates within the scope of the utility's staff assisted rate case.

For your information, I am enclosing a copy of Order No. PSC-96-1284-FOF-WS, issued October 15, 1996, in which the Commission denied a staff recommendation for emergency rates for a utility which was in the process of a SARC. They expressed their position that emergency rates should be allowed only within a receivership situation or when the utility can prove extreme circumstances and dire need. I am also enclosing a copy of staff's worksheet used in the analysis.

Since we cannot make a recommendation to the Commission for emergency rates in this case, the next step would be to send us a letter requesting withdrawal of your request for emergency rates. Otherwise, staff will have to go to Agenda and recommend formal denial of your request for emergency rates. If you have any questions, please feel free to contact Mr. Robert Casey at (850)413-6974.

Sincerely,


Charles H. Hill
Director

RJC

cc: Division of Water and Wastewater (Willis, Rendell, Casey, Edwards)
Division of Legal Services (Reyes)
Division of Records and Reporting (File)

DIXIE GROVES ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSES AND TAXES
 OTHER THAN INCOME FOR EMERGENCY RATES

SCHEDULE NO. 3C
 DOCKET NO. 980728-WU

	1995 PER UTIL.	1996 PER UTIL.	1997 PER UTIL.	STAFF ADJUST.	TOTAL PER STAFF
GROSS REVENUE	\$ 25,300	\$ 25,337	\$ 26,429	\$ 0	\$ 26,429
OPERATION AND MAINTENANCE EXPENSES					
(601) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 9,375	\$ 14,400	\$ (14,400) (1)	\$ 0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	2,340	(2,340) (1)	0
(615) PURCHASED POWER	1,623	1,848	1,929	0	1,929
(618) CHEMICALS	1,664	711	630	2,628 (2)	3,058
(630) CONTRACTUAL SERVICES - BILLING	17,015	13,661	28,993	(8,381) (3)	18,612
(635) CONTRACTUAL SERVICES - TESTING	0	0	0	0	0
(640) RENTS	0	600	600	0	600
(655) INSURANCE EXPENSE	1,178	1,234	1,567	0	1,567
(670) BAD DEBT EXPENSE	0	0	162	0	162
	\$ 22,712	\$ 30,112	\$ 62,163	\$ (23,793)	\$ 28,370
TAXES OTHER THAN INCOME					
STATE AD VALOREM TAXES	\$ 0	\$ 0	\$ 19	\$ 0	\$ 19
LOCAL PROPERTY TAX	308	1,688	1,377	0	1,377
FEDERAL INCOME TAX	0	0	1,562	(1,562) (1)	0
STATE INCOME TAX	0	0	0	0	0
REGULATORY ASSESSMENT FEE	1,039	1,140	1,189	0	1,189
CORPORATE RENEWAL	200	200	165	0	165
INTANGIBLE	26	46	42	0	42
PAYROLL	0	134	0	0	0
LICENSE	0	19	0	0	0
	\$ 1,573	\$ 3,227	\$ 4,354	\$ (1,562)	\$ 2,792
ESTIMATED CASH FLOW	\$ 1,015	\$ (8,002)	\$ (30,088)		\$ (4,733)

Notes:

- Salaries, benefits, and payroll taxes of owners and relatives removed (\$21,752).
- Aqua mag cost annualized added \$2,528.
- (a) Accounting fee of owner removed (\$2,250)
 (b) DEP and SWFWMD required testing annualized (\$1,190)
 (c) Utility plant which should have been capitalized removed (\$4,941)