BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Orange County by Tangerine Water Company, Inc.	DOCKET NO. 981663-WU ORDER NO. PSC-99-1399-PAA-WU ISSUED: July 21, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST, REQUIRING CONFORMANCE WITH NARUC SYSTEM OF ACCOUNTS, DECLINING TO INITIATE A SHOW CAUSE PROCEEDING
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein approving increased rates and charges 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

Tangerine Water Company, Inc. (Tangerine or utility) is a Class C utility in Orange County, which provided water service to an average 225 connections estimated to be 234 ERCs during the test year. By Order No. 5446, issued June 8, 1972, in Docket No. C-71559-W, this Commission issued Certificate No. 96-W to Tangerine. Tangerine has had three previous staff assisted rate cases (Order No. 6529, issued February 21, 1975, in Docket No. 74645-WS; Order No. 8271, issued April 19, 1978, in Docket No. 770846-W; and Order

No. 14376, issued May 16, 1985, in Docket No. 840377-WU) and no price index or pass-through rate adjustments.

On November 20, 1998, the utility submitted an application for a staff-assisted rate case. We have selected a historical test year ending December 31, 1998. In preparation for this proceeding, our staff has audited the utility's records for compliance with Commission rules and orders and examined all components necessary for rate setting. Our engineer has also conducted a field investigation, which included a visual inspection of the water plant and water distribution facilities along with the service area. The utility's operating expenses, maps, files and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, utility plant in service, and quality of service.

We also checked with the utility's treasurer/bookkeeper and were informed that the utility is Y2K compliant and is not anticipating any computer problems in the year 2000.

Based on our staff's analysis, the utility's test year revenue is $38,340, and test year operating expense is $74,217. This results in an operating loss of $35,877 for the test year.

A customer meeting was conducted on May 5, 1999 at the Tangerine Improvement Society Building in Tangerine, Florida. 32 customers and four utility employees attended the meeting. 12 customers chose to give comments regarding the utility's quality of service, the proposed rate increase, and other issues related to the case.

QUALITY OF SERVICE

The overall quality of service provided by the utility is derived from the evaluation of three separate components of the water utility operations:

(1) Quality of utility's product (compliance with drinking water standards),
(2) Operational conditions of utility's plant or facility, and
(3) Customer satisfaction of services rendered.

Quality of Utility's Product

To assess the overall quality of service provided by the utility, the quality of the product (water) must be evaluated. This evaluation consists of a review of the utility's current compliance with Department of Environmental Protection (DEP) and Health Department standards. In Orange County, the potable water program is regulated by the St. Johns River District of the DEP. According to the DEP, the utility is currently up-to-date with all chemical analysis and all test results are satisfactory. Therefore, it appears that the utility serves water which meets or exceeds all standards for safe, potable water.

It has been determined that the utility is in a critical use area. The utility, however, did not have a Consumptive Use Permit (CUP) at the time of the engineering field investigation. It has since applied to the St. Johns Water Management District for a CUP, and the application is currently being processed.

Operational Conditions at the Plant

The operational conditions of the utility's treatment and distribution/collection systems must also be evaluated to determine the overall quality of service provided by the utility. Evaluation of these systems includes a review of the utility's compliance with DEP standards of operation as well as an analysis of proper system design. For example, among other standards of evaluation, water treatment plants and distribution systems are reviewed for compliance with permit standards and minimum operator requirements as well as standards regarding the location of wells with regard to potential sources of pollution.

The quality of the utility's plant-in-service is in a state of transition. On January 28, 1998, the 23,000 gallon hydro-pneumatic tank at the Tangerine water treatment plant exploded. The tank ruptured with such a force that it shifted off its concrete foundation and damaged all directly connected pipes and valves. All broken pipes, valves, and up-rooted controls had to be repaired before the temporary tank could be installed. The tank replacement project lasted almost a year before the plant plumbing could be retrofitted for future use and the new tank could be installed. By permission of the DEP, the utility replaced the old 23,000 gallon tank with a new 10,000 gallon tank. Being recently renovated, we find the plant plumbing to be satisfactory.

In 1987, the utility installed an auxiliary power generator in response to a DEP mandate. The power generator was installed without automatic start-up capability as allowed by Rule 62-555.320(6)(b)(3), Florida Administrative Code. The electrical wiring in the pump house is a complex, antiquated network of electrical wiring that needs to be completely restructured or eliminated. Wiring the generator for automatic start-up proved to be too extensive and costly a project for Tangerine. After proving to DEP that manual switch-over during a power outage would be reliable, the DEP allowed the utility to postpone the automatic switch-over portion of the requirement. Today, the generator must be engaged by manual controls during an emergency, which is performed by one of several individuals living in the community.

The electrical wiring and maintenance of the building which houses the primary well and pump is in serious need of upgrading. The building itself is old and needs some structural repairs (such as door and window replacement, and painting). The operator's work space inside the building is encumbered by the massive network of antiquated electric circuit and relay controls. The utility disinfects with gas chlorine that requires a chlorine alarm system, pursuant to Rule 62-555.320(5)(a)(1), Florida Administrative Code.

A pro forma allowance has been included in the rate calculation to rewire the pumphouse and to install a chlorine alarm system. The utility has 180 days from the effective date of this Order to complete these projects.

Despite obvious needs for upgrades to comply with DEP Rules, the deficiencies in question are plant-in-service issues. Plant-in-service issues of this nature have little impact on the quality of the product being served to the customers. Since the utility has been diligent in submitting its required test samples and the results of the water analysis are satisfactory, the DEP inspectors continue to give the utility satisfactory inspection reports.

Accordingly, we find the quality of the water treatment plant-in-service to be satisfactory.

Customer Satisfaction

The final component of the overall quality of service which must be assessed is the level of customer satisfaction which results from the utility's relations with its customers. A

qualitative evaluation of these relations includes a review of proper notification requirements between the utility and its customers as well as a review of action taken by the utility regarding customer complaints. For example, utility policies are reviewed in order to insure that customers have been properly notified of scheduled service interruptions.

As stated previously, a customer meeting was held on May 5, 1999, in Tangerine's service territory at the Tangerine Improvement Society. The general meeting for all customers took place at 6:00 pm. There were 32 customers from the service area and four utility representatives in attendance. Of the 32 customers at the meeting, 12 customers spoke of concerns they had with the rate case. Of the 12 customers that spoke, three customers expressed comments and concerns relating to the quality of service. Dissatisfaction with quality of service provided by the utility centered upon low water pressure and discolored water.

The utility has a core network of mains that are closely located within the community of Tangerine. These mains are six-inch PVC and are looped to provide adequate flow with sufficient pressure. Outside this core network of mains, the utility has accommodated those who have requested service by tapping into the larger mains and extending a smaller service main to meet the needs of the customer(s). Many of these service mains now serve more than one customer and are rarely looped back to a primary main. The customers' complaints --- low water pressure and discolored water --- are symptomatic of smaller mains that are not connected at both ends to a larger main. Our staff has discussed this with the President, the Vice President, and the Treasurer of the utility. The Vice President, also the chief maintenance person, has agreed that a log book would be started immediately to track and to regulate the flushing program. This would reduce the sediment and discoloration common to dead-end lines. Also, the utility has agreed to make a concentrated effort to begin looping the dead-end, smaller mains to the larger mains. This will increase flow, improve water pressure, and reduce the amount of needed flushing.

The DEP reported five complaints within the last year of low water pressure and/or sediment in the lines. One pressure complaint relates to a valve that was not opened completely when the new hydropneumatic tank was placed into service. Another complaint was due to a power outage during which there was confusion over the instructions for restoring power without the

operator. Power was restored before the pressure in the system dropped below 20 pounds per square inch (psi), as required by Rule 6262-555.320(7), Florida Administrative Code.

Another customer, Ms. Ray, filed a series of complaints, beginning on May 18, 1998. Apparently, Ms. Ray has had problems with both water pressure and sediment in the lines. The investigation and complaints continued for over one month, which included a detailed study of the pressure at Ms. Ray's home in comparison to the corresponding pressure at the plant. Ms. Ray's home is serviced by a one-inch PVC line off of a two-inch main. The one-inch line dead ends after providing service to two other homes. In order to resolve Ms. Ray's problem, the utility adjusted the pumping cycles. Later, the utility discovered a leak in the two-inch line near Ms. Ray's home. According to DEP files, these complaints are considered resolved. However, Ms. Ray informed our staff that her water pressure is still very low at times and that something needs to be done. Accordingly, the utility shall interconnect the one-inch line servicing Ms. Ray's home, looping it to another larger main. This should be completed within 180 days of the effective date of this Order as a beginning to its program of looping system lines.

In consideration of the foregoing, we find the quality of service provided by Tangerine Water Company, Inc. to its customers to be satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is shown on Schedule No. 1. Related adjustments are shown on Schedule No. 1A. 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

The water system consists of a water treatment plant and an associated distribution system. We find that the water treatment plant is 100% used and useful.

We also find that the water distribution system is 76.32% used and useful, with the exception of meter and meter installations. Meter and meter installations are 100% used and useful, since

meters are only installed when service is requested. Attachment B shows the calculations for the used and useful percentage for the distribution system.

Water Treatment Plant

The water treatment plant is a closed system operation that relies on two wells to meet instantaneous fluctuations in flow demands. Since the utility serves more than 350 people, it is required by DEP to have a second water source, pursuant to Rule 62-555.315(1), Florida Administrative Code. The total current capacity of the two wells is 575 gallons per minute (gpm). Two changes have occurred to the plant since the last rate case. First, as previously noted, the 23,000 gallon hydro tank exploded and was replaced with a smaller, 10,000 gallon tank. The other change to plant was the replacement of a 10 horsepower (hp) pump, rated at 100 gpm, on one of the two wells with a 25 hp pump, rated at 325 gpm. Even with the recently upgraded capacity, however, it is obvious that the water production would risk complete exhaustion should the community need to fight a fire. Fortunately, Tangerine is located along the banks of three lakes, and they are good alternate resources for fire fighting.

Water Distribution System

Since the last rate case, the utility has added approximately 5,425 linear feet of distribution mains. It is estimated that the utility's potential customer base today, without construction of additional lines, is 300 connections, estimated to be 321 ERCs. During the test year, the utility provided service to an average of 225 connections, estimated to be 234 ERCs. Growth over the last five years was calculated, using the linear regression method, to be 7 ERCs.

Margin Reserve

Margin Reserve is the concept whereby the Commission recognizes certain costs that the utility incurs in providing extra capacity sufficient to meet short term growth without impairing its ability to provide safe and adequate service to existing customers. Recognizing that plant facilities cannot be added on a day-to-day basis due to requirements for permits and easements, the Margin Reserve concept provides a reasonable avenue for the utility to serve new customers during the planning and construction period.

The construction period varies from utility to utility with Class C utilities typically requiring additional time to complete construction. Therefore, an 18-month period shall be used in the calculation as an average construction period. Calculations for Margin Reserve are based upon the average growth in ERCs over the last five years. Margin Reserve shall not exceed 20% of the number of ERCs served at the end of the test year.

Tangerine has shown an average yearly customer growth over the past five years of seven ERCs, which was calculated using the linear regression method. Based on this growth factor, a 22 gpm Margin Reserve for the water treatment plant and an 11 ERC Margin Reserve for the water distribution system, as shown on Attachments A and B, shall be allowed.

Average Test Year Rate Base

The average test year rate base is $85,408. The appropriate components of Tangerine's rate base include depreciable plant in service, plant held for future use, contributions-in-aid-of-construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and working capital allowance. Utility plant, depreciation, CIAC, and amortization balances were last determined as of November 30, 1984 in the utility's last staff-assisted rate case by Order No. 14376, issued May 16, 1985. Our staff used the amounts set forth in that Order as a basis for rate base components. Further adjustments are necessary to reflect test year changes. A discussion of each component follows.

Utility Plant-in-Service

The utility recorded utility plant-in-service balances of $167,963 at the end of the test year. We calculated utility plant by starting with Order No. 14376, which established utility plant of $78,163 as of November 30, 1984. We also made adjustments of: $500 to capitalize labor for installation of a computer program; $602 to adjust utility plant to our approved balance; $1,345 to include DEP required chlorine alarm; ($637) to retire the existing chlorine alarm; $2,405 to include a DEP required transfer switch; $14,159 to include DEP required electrical work; $4,650 for repair of the number one pump; $948 for a hand held computer for meter reading; and ($8,649) to reflect an averaging adjustment. Total adjustments equal $15,323. Therefore, we find that the utility plant-in-service is $183,286.

Land

The utility has a long-term land lease with the property owner, Tangerine Improvement Society. The annual lease payment equals the annual charges for water service to the Tangerine Improvement Society buildings and park facilities, which for 1998 was $186.79. We have verified that the utility included the $186.79 in test year revenues, and recorded the same amount in Account No. 640, operation and maintenance expenses.

Non-Used and Useful Plant

As previously discussed, the utility's water treatment plant was found to be 100% used and useful, and the utility's distribution system was found to be 76.32% used and useful, with the exception of Account No. 334, which was found to be 100% used and useful. In the utility's last staff assisted rate case, its distribution system was considered 100% used and useful. All lines added since that time were donated. Therefore, for bookkeeping purposes, no used and useful adjustment is necessary to the distribution lines.

Contributions-in-Aid-of-Construction

The utility books showed a CIAC balance of ($58,198) at the end of the test year. We made an averaging adjustment of $500. Therefore, we find that test year CIAC is ($57,698).

Accumulated Depreciation

The utility books reflected an accumulated depreciation balance of ($86,800) at the end of the test year. We calculated accumulated depreciation starting with balances from Order No. 14376 and used the depreciation rates set forth in that Order to calculate depreciation up to the test year. We then calculated test year depreciation expense using the rates prescribed by Rule 25-30.140, Florida Administrative Code. We also made adjustments of: $4,508 to bring the utility's figure to our approved amount; $637 to reflect the retirement of a chlorine alarm; ($79) to reflect depreciation on the pro forma chlorine alarm; ($141) to reflect depreciation on the pro forma transfer switch; ($833) to reflect depreciation on the pro forma electrical plant; ($172) to reflect depreciation on the number one pump repair; ($158) to reflect depreciation on the hand held computer; and $12,491 to

reflect an averaging adjustment. Accordingly, we find that test year accumulated depreciation is ($70,547).

Accumulated Amortization

The utility books reflected an accumulated amortization balance of $23,791 at the end of the test year. We made adjustments of: ($177) to reflect our calculated amortization of CIAC, and ($1,063) to reflect an averaging adjustment. We find that test year CIAC accumulated amortization is $22,551.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance (O&M) expense formula approach for calculating working capital allowance. Applying that formula, we find a working capital allowance of $7,816 (based on O&M of $62,531.)

Rate Base Summary

Based on the foregoing, the appropriate balance of Tangerine's test year rate base is $85,408.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, return on equity, and overall rate of return, including adjustments are shown on Schedule No. 2.

The utility's capital structure consists of common equity of $54,674 along with $5,925 of customer deposits. The utility has also provided copies of a proposed loan for pro forma plant in the amount of $20,000 at a cost of 10.25%. Using the current leverage formula approved by Order No. PSC-98-0903-FOF-WS, issued July 6, 1998, in Docket No. 980006-WS, the appropriate rate of return on common equity is 8.98% with a range of 7.98% - 9.98%.

The utility's capital structure has been reconciled with our finding on rate base for water. Applying the weighted average method to the total capital structure yields an overall rate of return of 9.08% with a range of 8.40% - 9.75%.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedules Nos. 3-A and 3-B. 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 Revenues

The utility recorded test year revenues of $45,746. These revenues were derived using a cash basis of accounting for federal income tax purposes. Our staff auditors examined billing registers and other utility records to calculate test year revenue of $38,340 using the accrual method of accounting per the uniform system of accounts. This amount includes revenues for the land lease ($186.79) with the Tangerine Improvement Society. We made an adjustment of ($7,406) to reflect the utility's test year revenues using the accrual method of accounting. Accordingly, we find that the appropriate test year revenues are $38,340.

Appropriate Amounts of Operating Expenses

The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), taxes other than income taxes, and income taxes. The utility's test year operating expenses have been reviewed and invoices and other supporting documentation have been examined. Adjustments have been made to reflect unrecorded test year expenses and to reflect our approved allowances for plant operations.

Operation and Maintenance Expenses(O & M)

The utility charged $31,707 to O & M expenses during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

Salaries and Wages - Employees

The utility recorded employee salaries and wages of $11,212 for the test year. We made an adjustment of ($500) to capitalize labor for installation of a new computer program. We prepared an

analysis of the existing employee wages along with time spent on utility functions.

The President of the utility devotes 20 hours per month to utility duties. The duties are: to insure required reports, records, statements, and certificates are properly made and filed according to the law; to co-sign all stock certificates and loans or notes; to sign all contracts approved by the board; to schedule and conduct all board and annual shareholders meetings; and to conduct other duties incident to the position. We find that an annual salary of $2,400 for the president is appropriate.

The Vice President of operations spends 20 hours per week performing utility duties. He is the chief operating officer with overall responsibility for: operating the pumping station and water distribution system; assuring that supplies are on hand and assuring that maintenance of equipment and lines are performed; extending new lines and adding, reading and replacing meters; seeing that environmental water samples and tests are taken and reported; seeing that leaks are repaired; seeing that water service is disconnected or turned off in accordance with statutes; and seeing that new customers submit applications for water service. The Vice President also performs other duties as required by law to include monitoring of the class C operator. We find that an annual salary of $15,600 for the Vice President is appropriate.

The Treasurer of the utility, who is also a C.P.A., handles the day-to-day bookkeeping and customer relations for the utility and devotes approximately 15 hours per week performing utility duties. Duties include customer billing, collection and deposits; responsibility for all funds and securities of the corporation, including customer security deposits; making, signing and endorsing all company checks; maintaining a correct book of accounts of all company business and transactions; rendering financial statements of condition as required by the Board; and preparation of corporation filings and reports as required. We find that an annual salary of $14,040 for the Treasurer is appropriate.

The Secretary of the utility has duties which include taking minutes of the board and shareholders meeting; serving of all notices of the Corporation; being the custodian of the records and seal; maintaining the stock record and transferring books as required; signing of all certificates of stock; and performing other duties incident to the office of Secretary. We find that an annual salary of $150 is appropriate for her duties.

The utility requested that we include monies for another employee position to handle regulatory matters. The utility currently has a past President of the utility, who is training the new officers in their respective duties. A timesheet submitted to us shows this person has worked an average of 12 hours per week over a period of seven months. A utility comment at the bottom of the timesheet states, "This assistance was rendered to assist the water company during a trying period with all new officers attempting to learn their duties as well as request a rate increase from the PSC and a Consumptive Use permit from the SJR Water Management District." Since these are non-recurring expenses, we do not include monies for a new employee position.

Accordingly, we find that total employee salaries and wages of $32,190 are appropriate.

Fuel for Power Production

The utility recorded $43 in this account during the test year. Since the last rate case, the utility has purchased an emergency generator, which is required by DEP. Periodic start-ups and idling are necessary for proper maintenance, which requires the utility to purchase fuel on a regular basis. We made an adjustment of $207 to reflect an annual allowance of $250 for emergency power production.

Chemicals

The utility recorded a chemical expense of $2,182 during the test year. We made an adjustment of ($112) to reflect a refund of sales tax, and ($251) to remove an out-of-test year expense. Accordingly, we find that test year chemical expense of $1,819 is appropriate.

Materials and Supplies

The utility recorded materials and supplies expenses of $2,107 for the test year. We made an adjustment of ($39) to remove non-utility expenses, and made an adjustment of ($43) to remove an out-of-period expense. We find that a materials and supplies expense of $2,025 for the test year is appropriate.

Contractual Services - Testing

The utility recorded water testing expenses of $420 for the test year. We annualized the testing costs based on the required

testing frequency. We also made an adjustment of $775 to reflect the annualized water testing cost for the test year. The required tests and frequency at which those test must be repeated are:

Required Water Testing

Test	Frequency	Annualized Cost
Microbiological	Monthly	$ 315
Lead and Copper	Biannual	$ 225
Primary Inorganics	36 months	$ 35
Secondary Inorganics	36 months	$ 30
Asbestos	1/9 years	$ 30
Nitrate and Nitrite	12 months	$ 20
Volatile Organics	qtr'ly/1st yr/36 mos. Subsequent/Annual	$ 130
Pesticides & PCB	36 months	$ 160
Radionuclides		
Group I	36 months	$ 45
Group II	36 months	$ 45
Unregulated Organics		
Group I	qtr'ly/1st yr/9yr.	$ 90
Group II	36 months	$ 20
Group III	36 months	$ 50
	Annual Cost	$ 1,195

We find that a contractual services - testing expense of $1,195 for the test year is appropriate.

Contractual Services - Other

The utility recorded contractual services - other in the amount of $818 for the test year. We made adjustments to this account to: remove $150 of unsupported repair expense; include $2,408 for repair expenses to the water lines, the auxiliary generator, and the chlorinator (amortized over five years); include $126 for 40 yards of rock for the plant grounds amortized over five years; include $237 for normal yearly repair and maintenance; include $948 for annual emergency generator maintenance; include $150 for annual line flushing; allow $600 for meter reading; allow $540 for water plant groundskeeping; and include $825 for an annual meter change-out program. The manufacturer's recommended life of a 5/8" x 3/4" meter is 17 years. The meter change-out program which we approve will allow the utility to annually replace 14 of the 230 meters through an annual replacement program. Total

adjustments amount to $5,684. Accordingly, we find that the appropriate amount for contractual services-other is $6,502.

Rents

The utility recorded $199 in the rent account for the test year, which includes $187 for the land lease with the Tangerine Improvement Society, and $12 for rental of a post office box. The utility office is located in the personal residence of the utility Treasurer. She has one room of her home set aside as office space with all the necessary office equipment and supplies. Our staff auditor made an office allocation based on the treasurer's personal federal tax deduction for operating a business in her home. The office allocation includes the use of her home as the utility's office and the use of all office equipment, such as computers, copiers, local phone service, and miscellaneous office supplies, to perform utility business. We made an adjustment of $3,000 to include annual utility office rent. Therefore, we find that rent expense for the test year is $3,199.

Transportation Expense

The utility books reflect $865 of transportation expense for the test year. In the performance of utility duties, the officers use their personal vehicles to monitor the service area, attend meetings with regulatory personnel, make bank deposits, pick up parts for repairs, run utility related errands, pick up supplies, etc. Since the service is in a remote area (twenty-five miles north of Orlando) it is estimated that an average of 100 miles per week is required in travel. In accordance with allowances for state travel, an allowance of twenty-nine cents per mile is considered reasonable and prudent. We made an adjustment of $643 to reflect an annual transportation expense of $1,508 (100 mi X 52 wks X $.29) for officers of the corporation. Accordingly, we find that an annual transportation expense of $1,508 for the test year is appropriate.

Insurance

The utility recorded insurance expense of $1,900 for the test year. We made a $455 adjustment to reflect an increase in general liability coverage to one million dollars, and made an adjustment of ($935) to remove an out-of-period expense.

In a March 10, 1999 letter to the Commission, the utility requested inclusion of a $3,758 directors/officers liability insurance policy as a pro forma expense. This policy would protect the members of the Board of Directors and management in the event of mismanagement or gross negligence. By Order PSC-97-0531-FOF-WU, issued May 9, 1997, the Commission disallowed liability insurance for directors of that water utility, stating "we find that costs for management liability insurance are not appropriate expenses to be recovered through customer rates." It should be noted that while this Proposed Agency Action Order was protested, this particular issue was not protested, and thus became stipulated. We find that there is no direct benefit for the ratepayers for this type of insurance, and it would not be prudent or reasonable to allow directors/officers liability insurance in this staff-assisted rate case. Therefore, this expense shall be disallowed, for a total test year insurance expense of $1,420.

Regulatory Commission Expense

The utility recorded $1,000 of regulatory commission expense for the test year. We made an adjustment of ($750) to reflect the staff-assisted rate case filing fee ($1,000) amortized over four years, as required by Section 367.0816, Florida Statutes. We also made an adjustment of $142 to include the utility's CPA rate case expense ($568) amortized over four years. We find that a regulatory commission expense of $392 is appropriate.

Bad Debt Expense

The utility recorded no bad debt for the test year. We find, however, that an annual allowance of $613 would be appropriate. The utility shall also initiate customer deposits and a late payment fee to reduce the amount of bad debt expense.

Miscellaneous Expense

The utility books reflect $215 of miscellaneous expenses for the test year. We made an adjustment of ($106) to remove an out-of-period expense, and made an adjustment of $80 to include the cost of a consumptive use permit amortized over five years.

The Vice President of Operations carries a cell phone, which benefits the utility since it allows him to be on call 24 hours per day for utility emergencies. Since the utility began this service, the average monthly billing has been $40.23 for the cell phone. We

made an adjustment of $483 ($40.23 x 12 months) to include emergency cell phone service for the utility. We find that test year miscellaneous expenses of $672 is appropriate.

Operation and Maintenance Expenses (O & M) Summary

Total operation and maintenance adjustments are $30,824. Accordingly, we find that operation and maintenance expenses of $62,531 are appropriate. Operation and maintenance expenses are shown on Schedule No. 3B.

Depreciation Expense (Net of Amortization of CIAC)

The utility recorded $1,562 of depreciation expense on its books for the test year. We calculated test year depreciation expense using the rates prescribed by Rule 25-30.140, Florida Administrative Code. We made adjustments of: $4,668 to conform the utility balance to our approved amount; $79 to reflect depreciation expense on the pro forma chlorine alarm; $141 to include depreciation on the DEP required transfer switch; $833 to include depreciation on the DEP required electrical work; $344 to include the average depreciation cost for the number one pump repair; $316 to include depreciation expense on the pro forma hand held computer; ($37) to reflect the retirement of the existing chlorine alarm; and ($2,126) to reflect test year amortization expense. Total adjustments amount to $4,218, resulting in depreciation expense net of CIAC amortization of $5,780 for the test year.

Taxes Other Than Income Taxes

The utility recorded taxes other than income of $5,798 for the test year. We made an adjustment of $308 to reflect regulatory assessment fees on test year revenue, made an adjustment of ($1,498) to remove out-of-period real estate taxes, and made an adjustment of $3,131 to allow for payroll taxes on salaries. Accordingly, we find that test year taxes other than income are $7,739.

Operating Revenues

Revenues have been adjusted by $47,604 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn our approved rate of return on investment.

Taxes Other Than Income Taxes

This expense has been increased by $2,142 to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Income Taxes

This utility is an 1120 corporation. However, we are not including any income tax expense because the utility has a loss carryover of $35,176 listed on its 1997 IRS tax return.

Operating Expenses Summary

The application of our adjustments to the utility's test year operating expenses results in operating expenses of $78,192. Operating expenses are shown on Schedule No. 3. Adjustments are shown on Schedule No. 3A.

REVENUE REQUIREMENT

The utility shall be allowed an annual increase in revenue of $47,604 (124.16%). This will allow the utility the opportunity to recover its expenses and earn a 9.08% return on its investment. The calculations are as follows:

	Water
Adjusted Rate Base	$ 85,408
Rate of Return	x .0908
Return on Investment	$ 7,752
Adjusted Operation Expenses	62,531
Depreciation Expense (Net)	5,780
Taxes Other Than Income Taxes	9,881
Revenue Requirement	$ 85,944
Annual Revenue Increase	$ 47,604

Percentage Increase/(Decrease) 124.16%

The revenue requirement and resulting annual increase are shown on Schedule No. 3.

RATES AND CHARGES

Although Tangerine is located in a Water Use Caution Area, the utility was not aware that it was required to have its system reviewed for a consumptive use permit. We contacted the St. Johns River Water Management District (SJRWMD) and informed them that Tangerine did not have a consumptive use permit. The SJRWMD has since advised us that a field inspection was conducted, and that the utility subsequently filed an application with the SJRWMD for a consumptive use permit.

The utility's current rate structure consists of a base facility charge and uniform gallonage charge rate structure. Under the current rate structure, the total average consumption per bill is 12,302 gallons per month (gpm). The total average consumption per bill for residential customers is 14,250 gpm. This usage level exceeds the 10,000 gpm threshold that is used to determine if a more aggressive conservation-oriented rate structure should be considered. Consequently, we initially considered the use of an inclining-block rate structure in this case to discourage high water consumption and promote conservation.

However, upon further review, we find that the magnitude of this rate increase may be sufficient to encourage conservation without the use of an inclining-block rate structure at this time. As previously discussed, the utility's rates have not been adjusted since 1985. This factor combined with the level of increase may result in a degree of rate shock for the customers. Further, the impact of the increase is amplified by the fact that the customers are billed on a quarterly basis. Our analysis indicates that a consumption reduction between 19% and 28% is possible in this case even with no change in rate structure.

In consideration of these factors, the base facility and gallonage charge rate structure shall be continued for this utility. However, implementation of an inclining-block rate structure shall be considered in the utility's next rate proceeding if the customers' consumption levels have not dropped to acceptable levels by that time.

Repression and Price Elasticity

The term "price elasticity" refers to the relationship between water use and water price. Price elasticity measures the percentage change in the quantity demanded resulting from a one percent change in price, all other factors held constant. For example, if a water price increase of one percent leads to a 0.2 percent reduction in water use, price elasticity would be -0.2. In other words, there is an inverse relationship between price and the quantity demanded - this is the first law of demand. The term "repression" refers to the expected reduction in quantity demanded resulting from an increase in price. (Conversely, the term "stimulation" refers to the expected increase in quantity demanded resulting from a decrease in price.)

Consider the following example:

Assume: A 10% increase in price
Price elasticity = -0.3
Then: Resulting price = 110%
Reduction in demand = 3% (10% x -0.3)
Resulting demand = 97%
Resulting revenue increase = 6.7%
(110% price x 97% demand)

The above example illustrates that ignoring price elasticity in rate design analysis creates the potential for both revenue instability and revenue shortfalls. Furthermore, if rate structure is substantially modified or if a large rate increase is implemented, revenue shortfalls can be especially problematic. The preliminary increase in this case, before any adjustment for repression, is approximately 124%. We find that this increase is significant enough to warrant a repression adjustment in this proceeding.

In an attempt to quantify the relationship between revenue increases and consumption impacts, we created a database of all water utilities that were granted rate increases or decreases (excluding indexes and pass-throughs) between January 1, 1990 and December 31, 1995. This database contains utility-specific information from the applicable orders, tariff pages and the utilities' annual reports for the years 1989 - 1995. A summary of the contents of the database is listed below:

Data Obtained from:

Orders

1. The dollar amount of the revenue requirement increase for the water system.
2. The utility's rate structure before and after the rate proceeding.

Annual Reports

1. The number of gallons sold for the years 1989 - 1995.
2. The number of meter equivalents for the years 1989 - 1995.

Tariff Pages

1. The effective date of the revised rates.

Resulting Calculations:

1. The revenue requirement percentage increase (decrease) for the water system.
2. The dollar amount of the revenue requirement increase (decrease) per meter equivalent.
3. The average monthly consumption per meter equivalent for the years 1989 - 1995.
4. The percentage change in the average monthly consumption per meter equivalent from the prior year for the years 1990 - 1995.

Several utilities were excluded from the analysis, typically due to the lack (or unreliability) of consumption data. Data from the remaining 67 utilities forms the basis for our analysis.

Our analysis in this case was performed using two different bases of comparison. The first basis of comparison used Tangerine's preliminary rate increase to the water system of 124.16%. This preliminary rate increase was compared to other utilities in the database which, as in Tangerine's case, underwent no change in the BFC/gallonage rate structure. We then isolated five utilities in the database which had experienced similar percentage increases in the average monthly bills. The change in average monthly consumption per meter equivalent (ME) for these five isolated utilities was (25%), (23%), (19%), (4%), and (3%). Next, we compared Tangerine's average consumption per ME to the five utilities. The utility which most closely matched Tangerine's average consumption exhibited a 19% consumption reduction. Based on this analysis, a consumption reduction of 19% would appear to be a conservative prediction of Tangerine's anticipated consumption reduction.

The second basis of comparison used Tangerine's annual revenue requirement increase, which was $168 per ME. The remaining steps using this basis of comparison follow those described in the preceding paragraph. The $168 per ME increase was compared to similar increases in annual revenue requirement per ME of other utilities in the database which underwent no change in the BFC/gallonage rate structure. This comparison produced four utilities which experienced similar increases for water. The changes in average monthly consumption per ME for these four utilities were (28%), (7%), (1%), and 5%. We believe the utility with the 5% increase in average consumption to be an anomaly, as it is illogical to conclude that a price increase would result in more usage. We then compared Tangerine's average consumption per meter equivalent to the remaining three utilities. The utility that exhibited a 28% reduction in consumption most closely matched Tangerine's average consumption. Using this basis of analysis, a 28% consumption reduction appears to be a conservative prediction of Tangerine's anticipated consumption reduction.

Based upon our analysis, it appears that in this case a consumption reduction between 19% and 28% is more likely to occur than one of the low percentage reductions seen in our sample. Moreover, although the utilities we sampled had high rate increases, none were as high as the rate increase which we approve in this case. Therefore, it is conceivable that Tangerine could experience a consumption reduction even greater than those seen in our samples. Additionally, as discussed previously, we believe that the rate increase may have an amplified impact on the customers due to the quarterly billing. Interestingly, the utilities in our sample that exhibited the 19% and 28% consumption reductions likewise have quarterly billing. All other utilities in the sample use monthly billing.

We have only implemented repression adjustments in a limited number of cases, and therefore, believe it appropriate to err on the side of caution. In consideration of the above, we find that a conservative prediction of Tangerine's anticipated consumption reduction is 19%.

Therefore, a repression adjustment of 6,741,770 gallons to water consumption is appropriate. Further, we believe it will be beneficial in future cases to monitor the effects of this rate increase on consumption. Accordingly, the utility is ordered to file, on a quarterly basis, reports detailing the number of bills rendered, the number of gallons billed, and the total revenues

billed during the quarter, with the totals shown separately for the residential and general service classes of service. These reports shall be required for a period of two years, beginning the first quarter after the revised rates go into effect.

Approved Rates

During the test year, Tangerine provided water service to approximately 225 connections estimated to be 234 Equivalent Residential Connections (ERCs). Approximately 34% (or $29,383) of the revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored ERCs. The remaining 66% (or $56,562) of the revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period. Rates have been calculated using the number of bills and the number of gallons of water billed during the test year, adjusted for repression. Schedules of the utility's existing rates and our approved rates are as follows:

Residential & General Service Water Rates

Base Facility Charge Meter Size	Existing Quarterly Rate	Commission Approved Quarterly Rate
5/8" x 3/4"	$ 12.02	$ 25.89
3/4"	18.03	38.82
1"	30.05	64.68
1-1/2"	60.10	129.39
2"	96.16	207.03
3"	N/A	414.03
4"	N/A	646.92
6"	N/A	1,293.87
Gallonage Charge Per 1,000 gallons	$ .54	$ 1.48

Multi - Residential Water Rates

	Existing Unit Quarterly Rate	Comm. Approved Quarterly Rate
Per Unit	$ 8.01	$ 17.25
Gallonage Charge Per 1,000 gallons	$ .54	$ 1.48

Using the 208 test year residential customers with an average use of 42,750 gallons/quarter per customer (14,250 gallons/month per customer), an average residential quarterly water bill comparison would be as follows:

	Average QUARTERLY Bill Using Existing Rates	Average QUARTERLY Bill Using Comm. Approved Rates	Percent Increase
Base Facility Charge	$ 12.02	$ 25.89	
Gallonage Charge	23.09	63.27	
Total	$ 35.11	$ 89.16	153.94%*

*26.77% of the increase is due to repression.

The rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, provided the customers have received notice. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this decision, that the customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate shall be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event shall the rates be effective for service rendered prior to the stamped approval date.

Statutory Rate Reduction

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four-year recovery 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 regulatory assessment fees, which is $410 annually. The reduction in revenues will result in the rates approved on Schedule No. 4.

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

Appropriate Customer Deposits

The utility's existing tariff states:

> Before rendering service, the company will require a deposit or guarantee satisfactory to the company to secure the payment of the bills; and the company shall give the customers a non-negotiable and non-transferable deposit receipt. The amount of such deposit shall be NONE or an amount necessary to cover minimum charges for service for three billing periods, whichever is greater.

Because of the vague wording of the existing tariff, the utility believed it was authorized to collect deposits in the amount equal to three billing periods. The utility started collecting deposits in 1992. This tariff became effective over 20 years ago (November 21, 1978), and it is, therefore, necessary to update the customer deposit amounts. Rule 25-30.311(1), Florida Administrative Code, states, "Each utility may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with the utilities' rules for prompt payment of bills." Rule 25-30.311(7), Florida Administrative Code, states:

> A utility may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit, in order to

> secure payment of current bills; provided, however, that the total amount of the required deposit shall not exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the utility shall base its new or additional deposit upon the average monthly billing available.

The utility's existing amounts for customer deposits shall be updated to an amount equal to the average charge for water service for one quarter plus one month. Normally, customer deposits are calculated as two times the average monthly bill. Since this utility is billing on a quarterly basis (and customers at the customer meeting voted unanimously to keep the billing quarterly), we used the average customer bill for one quarter plus one month. The extra month was added to consider the twenty day billing period and five day shut-off notice before the utility would be able to cut off service for non-payment of a bill.

Based on the foregoing, we find that a residential customer deposit of $116 for water service is appropriate. The utility shall file revised tariff sheets which are consistent with this decision. Additionally, our staff shall have administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this decision. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

Interest on Customer Deposits

The utility started collecting customer deposits in 1992. It was discovered during the audit that the utility has not paid any interest on the customer deposits it has received. Rule 25-30.311(4)(a), Florida Administrative Code, states:

> Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The utility shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the

> utility elects not to refund such a deposit after 23 months.

The utility books showed customer deposits of $5,925 for the test year. The utility shall pay interest on all customer deposits, including those collected since 1992, as required by Rule 25-30.311, Florida Administrative Code. Past due monies shall include interest calculated in accordance with Rule 25-30.360, Florida Administrative Code, and be paid within 90 days of the effective date of this Order.

Refund of Customer Deposits

Rule 25-30.311(5), Florida Administrative Code, states:

> After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits and shall, at its option, either refund or pay the higher rate of interest specified above for nonresidential deposits, providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), (b) paid with check refused by a bank, (c) been disconnected for nonpayment, or at any time, (d) tampered with the meter, or (e) used service in a fraudulent or unauthorized manner. Nothing in this rule shall prohibit the company from refunding at any time a deposit with any accrued interest.

The utility shall investigate and determine if customers with deposits being held over 23 months have established a satisfactory payment record as described above. If so, the utility shall refund those customer deposits to those customers within 90 days of the effective date of this Order.

Collection of Miscellaneous Service Charges

The utility's existing tariff provides for a reconnect fee of $5 when performed during regular working hours, and a $10 reconnect fee if performed after regular working hours. The following miscellaneous service charges are authorized:

	Preliminary Charges	
Initial Connection	$15	(Normal Business Hours)
Normal Reconnection	$15	(Normal Business Hours)
Premises Visit (in lieu of disconnection)	$10	(Normal Business Hours)
Violation Reconnection	$15	

The four types of miscellaneous service charges are:

1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

3) Violation Reconnection: This charge is to 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.

4) Premises Visit (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred (the "cost causer"), rather than on the entire ratepaying body as a whole.

Accordingly, the utility's tariff shall be revised to incorporate the charges discussed above. The utility shall file revised tariff sheets which are consistent with this decision. Our

staff is given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this decision. If revised tariff sheets are filed and approved, the miscellaneous service charges shall become effective for service rendered on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

Late Payment Fee

According to the utility, 31% of its customers consistently pay their water bills after the due date. The utility has requested it be allowed to impose a late fee of $3.75 for customer bills paid after the 20-day payment period. We have previously approved late payment charges based on the rationale that the general body of rate payers should not shoulder the burden of costs caused by those customers who do not timely pay their bills. Absent a breakdown of actual utility costs, we have normally approved a flat $3 late fee. By Order No. PSC-93-1824-FOF-SU, issued December 23, 1993, in Docket No. 920828-SU, we stated:

> The utility has requested a late fee of $5 plus 1.5 percent monthly interest on accounts delinquent for more than 20 days. However, the utility has provided no detailed, cost-based documentation that would support its request. Therefore, we find it appropriate to deny the utility's request for late fees. However, as discussed earlier, approximately 7 percent of the utility's customers do not timely pay their bills. The Commission has approved late payment charges for other utilities in the past, based on the rationale that the general body of ratepayers should not shoulder the burden of costs caused by those customers who do not timely pay their bills. In addition, a late fee provides customers with an incentive to pay their bills within the 20-day period provided in the utility's tariff. Based on the typical incremental costs associated with collecting from late-paying customers, the Commission has found that a late fee of $3 recovers those incremental collection costs. Therefore, we find it appropriate to approve a $3 late fee in this instance.

In this instance, the utility has provided us with an actual breakdown of costs as follows:

Clerical Charges		
8 minutes @ $15/hour		$2.00
Payroll taxes @ .0845		.17
Supplies & postage:		
Card & tracking sheet	.07	
Postage-card	.20	
Postage	.33	
		.60
Travel - 2 trips @ 1.5 miles/trip @ $.325/mile		.98
		$3.75

The utility's requested late payment charge of $3.75 is fair and reasonable, and shall be allowed for customer bills paid after the 20-day payment period provided in the utility's tariff. The utility shall file a revised tariff sheet which is consistent with this decision. Our staff is given administrative authority to approve the revised tariff sheet upon verification that the tariff is consistent with this decision. If a revised tariff sheet is filed and approved, the late payment fee shall become effective for service rendered on or after the stamped approval date of the revised tariff sheet, if no protest is filed.

TEMPORARY RATES IN THE EVENT OF A 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, pursuant to Section 367.0814(5), Florida Statutes, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein as temporary rates. The rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of security for both the potential refund and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of $32,760. 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 a 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 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 shall 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.

SERVICE AVAILABILITY POLICY

The utility's existing service availability policy includes a system capacity charge of $100, a tap-in fee of $100, and a main extension policy which states:

> Service is provided as requested by customers within the water service territory. Mains are installed at the expense of the water company and remain the property of the water company.

The utility has requested that the service availability policy be revised to reflect that new distribution lines be installed by way of refundable advance agreements. As defined by Rule 25-30.515, Florida Administrative Code:

> Refundable Advance means money paid or property transferred to a utility by the applicant for the installation of facilities which may not be used and useful for a period of time. The advance is made so that the proposed extension may be rendered

> economically feasible. The advance is returned to the applicant over a specified period of time in accordance with a written agreement as additional users connect to the system.

Refundable advance agreements provide that the customer requesting the new line pay the cost of the line. As new customers hook-up to that line, the original customer who paid for the line would receive a pro rata refund of the cost of the line from the new customer. The utility believes that if it is required to extend lines to all applicants, the utility could end up with large amounts of stranded investment, thus putting its financial stability at risk. The utility believes that use of refundable advance agreements would eliminate that problem. The total potential customer base of the certified territory is estimated to be 300 connections (estimated to be 321 ERCs), and growth is minimal. There are presently approximately 234 ERCs.

Rule 25-30.580(1)(b), Florida Administrative Code, provides that:

> (b) The minimum amount of contributions in aid of construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

The utility is presently 39.86% contributed. Since this amount is less than the maximum 75% of CIAC recommended by Rule 25-30.580(1)(a), Florida Administrative Code, the utility shall be allowed to fund future distribution lines through refundable advance agreements.

By Order No. 14376, the Commission approved a system capacity charge of $100 for the utility. A system capacity charge includes a portion of the cost of the plant, as well as a portion of the cost of the lines. Current Commission practice is to separate system capacity charges into a plant capacity charge and a main extension charge when calculating service availability charges. This allows the utility to charge for only a plant capacity charge when a refundable advance agreement is used. Allowing a system capacity charge and a refundable advance agreement would result in double charging on the cost of the mains. Accordingly, we find that a plant capacity charge of $64 and a main extension charge of $36 is appropriate. By Order No. 14376, the Commission also approved a $100 tap-in charge. This charge shall be retained.

The utility's service availability policy shall be revised to allow refundable advance agreements for future installation of distribution lines. Also, the existing system capacity charge of $100 shall be separated into a plant capacity charge of $64 and a main extension charge of $36. Finally, the existing tap-in fee of $100 shall remain as is. The utility shall file revised tariff sheets which are consistent with this decision. Our staff is given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this decision. If revised tariff sheets are filed and approved, the revised service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

NO SHOW CAUSE REQUIRED

Section 367.161, Florida Statutes, authorizes us to assess a penalty of not more than $5,000 per day for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. 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 continuing to charge the final rates and failing to file a motion to vacate the stay, would meet the standard for a "willful violation." In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, entitled 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., the Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Utility Records

Rule 25-30.115(1), Florida Administrative Code, states, "Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts (USOA) adopted by the National Association of Regulatory Utility Commissioners."

During our staff's audit, the auditors discovered the utility's general ledgers were being maintained on a cash basis for income tax purposes. Its general ledger accounting system does not readily reconcile to the USOA because of multiple differences in accounting methods and treatments between income tax basis and the USOA/Commission basis of accounting for utility operations. However, we were able to audit the books. Therefore, we find that a show-cause action for failure to maintain the utility books in accordance with the USOA is not warranted in this instance.

Customer Deposits

As previously discussed, the utility started collecting customer deposits in 1992. It was discovered during the audit that the utility has not paid interest on the customer deposits it has received. Rule 25-30.311(4)(a), Florida Administrative Code, states:

> "Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The utility shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the utility elects not to refund such a deposit after 23 months."

The utility books showed customer deposits of $5,925 for the test year. We find that a show cause action for failure to pay interest on customer deposits is not warranted in this case, as customers would be better served by receiving the past due interest. As previously stated, the utility shall pay all monies due customers, plus interest calculated in accordance with Rule 25-30.360, Florida Administrative Code.

Refunds

As previously stated, the utility shall investigate and determine which customers with deposits being held over 23 months have established a satisfactory payment record as described above. For those who have a satisfactory payment record, the utility shall refund the customer deposits to those customers within 90 days of the effective date of the Commission order. We find that a show cause action for not refunding customer deposits held over 23

months for those customers who have established a satisfactory payment record is not warranted.

Based upon the foregoing, we find that the utility shall not be ordered to show cause why it should not be fined for violation of Rules 25-30.115(1), 25-30.311(4)(a), and 25-30.311(5), Florida Administrative Code. However, the utility shall maintain its accounts and records in conformance with the NARUC Uniform System of Accounts. Moreover, the utility shall pay interest on all customer deposits and refund deposits of all customers who have a satisfactory payment record for 23 months.

CLOSING THE DOCKET

The utility shall install a DEP required chlorine alarm, install a DEP required transfer switch, complete all DEP required electrical work, repair the number one pump, complete the required line looping, and acquire a hand held computer for meter reading. The utility shall also pay interest on all customer deposits and investigate and determine which customers with deposits being held over 23 months have established a satisfactory payment record as described above. If no timely protest is received upon expiration of the protest period, this Order shall become final and effective upon the issuance of a Consummating Order. This docket shall remain open for an additional 180 days from the date of the Consummating Order to verify that these requirements have been completed, after which time the docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tangerine Water Company, Inc.'s application for increased water rates and charges 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 incorporated herein by reference. It is further

ORDERED that Tangerine Water Company, Inc. is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Tangerine Water Company, Inc.'s rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

ORDERED that Tangerine Water Company, Inc. shall file, on a quarterly basis, reports detailing the number of bills rendered, the number of gallons billed, and the total revenues billed during the quarter, with the totals shown separately for the residential and general service classes of service. These reports shall be required for a period of two years, beginning the first quarter after the revised rates go into effect. It is further

ORDERED that Tangerine Water Company, Inc. shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Tangerine Water Company, Inc. is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Tangerine Water Company, Inc. first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Tangerine Water Company, Inc. shall submit and have approved revised tariff pages. The revised tariff pages shall be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate and that any required security has been provided. It is further

ORDERED that, prior to its implementation of temporary rates and charges approved herein, Tangerine Water Company, Inc. shall submit and have approved a bond or letter of credit in the amount of $32,760 as a guarantee of any potential refund of revenues collected on a temporary basis. Alternatively, the utility may establish an escrow account with an independent financial institution. It is further

ORDERED that, in the event temporary rates are implemented, Tangerine Water Company, Inc. shall submit monthly reports no later

than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that Tangerine Water Company, Inc., pursuant to Section 367.0816, Florida Statutes, shall reduce its rates immediately following the expiration of the four-year recovery period by the amount of the rate case expense previously included in the rates. Tangerine Water Company, Inc. shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also 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 the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that Tangerine Water Company, Inc.'s service availability policy shall be revised to allow refundable advance agreements for future installation of distribution lines. The existing system capacity charge of $100 shall be separated into a plant capacity charge of $64 and a main extension charge of $36. The existing tap-in fee of $100 shall remain as is. Tangerine Water Company, Inc. shall file revised tariff sheets which are consistent with this decision. Our staff is given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this decision. If revised tariff sheets are filed and approved, the revised service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

ORDERED that Tangerine Water Company, Inc.'s requested late payment charge of $3.75 shall be allowed for customer bills paid after the 20-day payment period provided in the utility's tariff. Tangerine Water Company, Inc. shall file a revised tariff sheet which is consistent with this decision. Our staff is given administrative authority to approve the revised tariff sheet upon verification that the tariff is consistent with this decision. If a revised tariff sheet is filed and approved, the late payment fee shall become effective for service rendered on or after the stamped approval date of the revised tariff sheet, if no protest is filed. It is further

ORDERED that Tangerine Water Company, Inc.'s existing amounts for customer deposits shall be updated as set forth in the body of this Order. Tangerine Water Company, Inc. shall file revised tariff sheets which are consistent with this decision. Additionally, our staff shall have administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this decision. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

ORDERED that Tangerine Water Company, Inc. shall not be ordered to show cause in writing for violation of Rules 25-30.115(1), 25-30.311(4)(a), and 25-30.311(5), Florida Administrative Code. It is further

ORDERED that Tangerine Water Company, Inc. shall maintain its books and records in conformance with the 1996 NARUC Uniform System of Accounts. It is further

ORDERED that Tangerine Water Company, Inc. shall pay interest on all customer deposits and investigate and determine if customers with deposits being held over 23 months have established a satisfactory payment record as described above. If so, the utility shall refund those customer deposits to those customers within 90 days of the effective date of this Order. It is further

ORDERED that miscellaneous service charges as set forth in the body of this Order are authorized for Tangerine Water Company, Inc. Tangerine Water Company, Inc. shall file revised tariff sheets which are consistent with this decision. Our staff is given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this decision. If revised tariff sheets are filed and approved, the miscellaneous service charges shall become effective for service rendered on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

ORDERED that Tangerine Water Company, Inc. shall complete all required pro forma improvements as set forth in the body of this Order within 180 days from the effective date of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, 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" attached hereto. It is further

ORDERED that upon expiration of the protest period, the docket shall remain open for 180 days from the date of the Consummating Order to allow Commission staff to verify completion of pro forma plant improvements.

By ORDER of the Florida Public Service Commission this 21st day of July, 1999.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

DMC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 proposed herein, approving increased rates and charges, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, 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 August 11, 1999. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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.

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.

TANGERINE WATER COMPANY, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 1
DOCKET NO. 981663-WU

	TEST YEAR PER AUDIT	COMM. ADJUST. TO UTIL. BAL.		BALANCE PER COMM.
UTILITY PLANT IN SERVICE	$ 167,963	$ 15,323	A	$ 183,286
LAND/NON-DEPRECIABLE ASSETS	0	0		0
NON-USED AND USEFUL PLANT	0	0		0
CIAC	(58,198)	500	B	(57,698)
ACCUMULATED DEPRECIATION	(86,800)	16,253	C	(70,547)
AMORTIZATION OF CIAC	23,791	(1,240)	D	22,551
WORKING CAPITAL ALLOWANCE	4,399	733	E	5,132
WATER RATE BASE	$ 51,155	$ 31,569		$ 82,724

TANGERINE WATER COMPANY, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 1A
DOCKET NO. 981663-WU

		WATER
A.	UTILITY PLANT IN SERVICE	
1.	To capitalize labor for installation of computer program.	$ 500
2.	To adjust utility plant to commission approved balance.	602
3.	To include DEP required chlorine alarm.	1,345
4.	To retire existing chlorine alarm.	(637)
5.	To include DEP required transfer switch.	2,405
6.	To include DEP required electrical work.	14,159
7.	To include average cost for #1 pump repair.	4,650
8.	To include hand held computer for meter reading.	948
9.	To reflect an averaging adjustment.	(8,649)
		$ 15,323
B.	CONTRIBUTIONS IN AID OF CONSTRUCTION	
1.	To reflect an averaging adjustment.	$ 500
C.	ACCUMULATED DEPRECIATION	
1.	To reflect commission approved accumulated depreciation.	$ 4,508
2.	To reflect the retirement of chlorine alarm.	637
3.	To reflect depreciation on pro forma chlorine alarm.	(79)
4.	To include DEP required transfer switch depreciation.	(141)
5.	To include DEP required electrical work depreciation.	(833)
6.	To include average depreciation cost for #1 pump repair .	(172)
7.	To reflect depreciation on pro forma hand held computer.	(158)
8.	To reflect averaging adjustment.	12,491
		$ 16,253
D.	AMORTIZATION OF CIAC	
1.	To reflect commission approved amortization of CIAC.	$ (177)
2.	To reflect averaging adjustment.	(1,063)
		$ (1,240)
E.	WORKING CAPITAL ALLOWANCE	
1.	To reflect 1/8 of operation and maintenance expenses.	$ 733

TANGERINE WATER COMPANY, INC.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 2
DOCKET NO. 981663-WU

	PER AUDIT	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	$ 54,674	$ 0	$ 54,674	$ 1,441	$ 56,115	67.83%	8.98%	6.09%
LONG TERM DEBT	0	20,000	20,000	527	20,527	24.81%	10.25%	2.54%
CUSTOMER DEPOSITS	$ 0	$ 5,925	$ 5,925	$ 156	$ 6,081	7.35%	6.00%	0.44%
TOTAL	$ 54,674	$ 25,925	$ 80,599	$ 2,125	$ 82,724	100.00%		9.08%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.98%	9.98%
OVERALL RATE OF RETURN	8.40%	9.75%

TANGERINE WATER COMPANY, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 3
DOCKET NO. 981663-WU

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY		COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		TOTAL PER COMM.
OPERATING REVENUES	$ 45,746	$ (7,406)	A	$ 38,340	$ 21,580	E	$ 59,920
					56.29%		
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	$ 31,707	$ 9,346	B	$ 41,053	$ 0		$ 41,053
DEPRECIATION (NET)	1,562	4,218	C	5,780	0		5,780
AMORTIZATION	0	0		0	0		0
TAXES OTHER THAN INCOME	5,798	(1,190)	D	4,608	971	F	5,579
INCOME TAXES	0	0		0	0		0
TOTAL OPERATING EXPENSES	$ 39,067	$ 12,374		$ 51,441	$ 971		$ 52,412
OPERATING INCOME/(LOSS)	$ 6,679			$ (13,101)			$ 7,508
WATER RATE BASE	$ 51,155			$ 82,724			$ 82,724
RATE OF RETURN	13.06%			-15.84%			9.08%

TANGERINE WATER COMPANY, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 3A
PAGE 1 OF 2
DOCKET NO. 981663-WU

		WATER
A.	OPERATING REVENUES	
1.	To reflect revenues using the accrual method of accounting.	$ (7,406)
B.	OPERATION AND MAINTENANCE EXPENSES	
1.	(601) Salaries and Wages - Employees	
	a. To capitalize labor for new billing system.	$ (500)
	b. To increase salaries to commission approved amounts.	0
		$ (500)
2.	(616) Fuel for Power Production	
	a. To increase to commission approved amount.	$ 207
3.	(618) Chemicals	
	a. To adjust for refund of sales tax.	$ (112)
	b. To remove out of test year expense	(251)
		$ (363)
4.	(620) Materials and Supplies	
	a. To remove non-utility expenses.	$ (39)
	b. To remove out of period expense.	(43)
		$ (82)
5.	(635)Contractual Services - Testing	
	a. To allow for all DEP required water testing.	$ 775
6.	(636) Contractual Services - Other	
	a. To remove unsupported repair expense.	$ (150)
	b. To reflect repair expenses amortized over five years.	2,408
	c. To include 40 yards of rock for plant grounds amortized over 5 years.	126
	d. To include normal yearly repair and maintenance.	237
	e. To include annual maintenance on emergency generator.	948
	f. To include line flushing expense.	150
	g. To include expense for meter reading.	600
	h. To allow for water plant grounds keeping.	540
	i. To include meter change-out program.	825
		$ 5,684
7.	(640) Rent	
	a. To include commission approved office rent.	$ 3,000
8.	(650) Transportation Expense	
	a. To include commission approved transportation expense.	$ 643
9.	(655) Insurance Expense	
	a. To increase general liability coverage to $1M.	$ 455
	b. To remove out of period expense.	(935)
		$ (480)
10.	(665) Regulatory Commission Expenses	
	a. To reflect $1,000 rate case filing fee amortized over 4 years.	$ (750)
	b. To include CPA's rate case expense.	142
		$ (608)
11.	(670) Bad Debt Expense	
	a. To allow commission approved bad debt expense.	$ 613
12.	(675) Miscellaneous Expenses	
	a. To remove out of period expense.	$ (106)
	b. To include 5 year amortized consumptive use permit fee.	80
	c. To allow emergency pager service.	483
		$ 457
	TOTAL O & M ADJUSTMENTS	$ 9,346

TANGERINE WATER COMPANY, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 3A
PAGE 2 OF 2
DOCKET NO. 981663-WU

		WATER
C.	DEPRECIATION EXPENSE	
1.	To reflect commission approved test year depreciation expense.	$ 4,668
2.	To reflect depreciation expense on pro forma chlorine alarm.	79
3.	To include DEP required transfer switch depreciation.	141
4.	To include DEP required electrical work depreciation.	833
5.	To include average depreciation cost for #1 pump repair .	344
6.	To include depreciation expense on pro forma computer unit.	316
7.	To retire existing chlorine alarm.	(37)
8.	To reflect commission approved test year amortization expense.	(2,126)
		$ 4,218
D.	TAXES OTHER THAN INCOME	
1.	To reflect regulatory assessment fees on commission approved test year revenue.	$ 308
2.	To remove out of period real estate taxes.	(1,498)
3.	To allow for payroll taxes on commission approved salaries.	0
		$ (1,190)
E.	OPERATING REVENUES	
1.	To reflect increase in revenue required to cover expenses and allow recommended rate of return.	$ 21,580
F.	TAXES OTHER THAN INCOME	
1.	To reflect regulatory assessment fee at 4.5% on increase in revenue.	$ 971

TANGERINE WATER COMPANY, INC.
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 3B
DOCKET NO. 981663-WU

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	$ 11,212	$ (500)[1]	$ 10,712
(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	7,826	0	7,826
(616) FUEL FOR POWER PRODUCTION	43	207 [2]	250
(618) CHEMICALS	2,182	(363)[3]	1,819
(620) MATERIALS AND SUPPLIES	2,107	(82)[4]	2,025
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	2,920	0	2,920
(635) CONTRACTUAL SERVICES - TESTING	420	775 [5]	1,195
(636) CONTRACTUAL SERVICES - OTHER	818	5,684 [6]	6,502
(640) RENTS	199	3,000 [7]	3,199
(650) TRANSPORTATION EXPENSE	865	643 [8]	1,508
(655) INSURANCE EXPENSE	1,900	(480)[9]	1,420
(665) REGULATORY COMMISSION EXPENSE	1,000	(608)[10]	392
(670) BAD DEBT EXPENSE	0	613 [11]	613
(675) MISCELLANEOUS EXPENSES	215	457 [12]	672
	$ 31,707	$ 9,346	$ 41,053

TANGERINE WATER COMPANY, INC.
SCHEDULE OF RATE CASE EXPENSE RATE
REDUCTION AFTER FOUR YEARS
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 4
DOCKET NO. 981663-WU

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE	COMMISSION APPROVED RATES	RATE DECREASE
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	$ 7.78	$ 0.02
3/4"	11.67	0.02
1"	19.44	0.04
1-1/2"	38.88	0.08
2"	62.22	0.13
3"	124.43	0.26
4"	194.42	0.40
6"	388.84	0.81
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	$ 0.96	$ 0.00

ATTACHMENT A

WATER TREATMENT PLANT — USED AND USEFUL DATA

Docket No. 981663-WU

Utility: Tangerine Water Company — Date 02/19/99

1) Capacity of Plant = 575 GPM *
2) Maximum Daily Flow
   (1.1 X 2 X 230 avg. customers) = 506 GPM *
3) Average Daily Flow
   (1.1 X 230 avg. customers) = 253 GPM *
4) Fire Flow Capacity = 500 GPM *

5) Margin Reserve (not to exceed 20% of Average GPM):

   a) Average number of customers(ERCs) = 234
   b) Average Customer Growth in ERCs for most Recent 5 Years = 7
   c) Construction Time for Additional Capacity = 1.5 Years

$$\text{Margin Reserve} = 5b \times 5c \times \left(\frac{2}{5a}\right) = 22 \text{ GPM } *$$

6) Excessive Unaccounted for Water = none GPM *

   a) Total Amount -0- GPM = N/A % of Av. GPM Flow
   b) Reasonable Amount -0- GPM = N/A % of Av. GPM Flow

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{2 + 4 + 5 - 6}{1}\right] = 100 \%$$ Used and Useful

* This is a closed system. To evaluate its readiness to serve on a gallon per minute (GPM) basis is more appropriate.

** This system would be 100% used and useful with or without a Margin Reserve

Robert T. Davis - Engineer

WATER DISTRIBUTION SYSTEM

ATTACHMENT B
USED AND USEFUL DATA

Docket No. 981663-WU

Utility: Tangerine Water Company Date 02/19/99

1) Capacity 321 ERCs (Number of potential customers without expansion)

2) Average number of TEST YEAR Connections 246 ERCs

3) Margin Reserve (Not to exceed 20% of present ERCs)

a) Average yearly customer growth in ERCs for most recent 5 Years 7 ERCs

b) Construction Time for Additional Capacity 1.5 Years

(3a) x (3b) = 11 ERCs Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = 76.32\ \%$$ Used and Useful

** The water distribution system U&U without margin reserve = 72.89%

Robert T. Davis - Engineer