

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff assisted) DOCKET NO. 900683-WU
rate case in Columbia County by) ORDER NO. 24415
COLLEGE MANOR WATER COMPANY) ISSUED: 4/22/91
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
GERALD L. GUNTER
MICHAEL MCK. WILSON

FINAL ORDER GRANTING TEMPORARY
RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES,
REQUIRING UTILITY TO KEEP ITS BOOKS
AND RECORDS IN COMPLIANCE WITH COMMISSION RULES,
ACKNOWLEDGING RESTRUCTURING OF UTILITY OWNERSHIP,
AND APPROVING CHANGE IN NAME OF UTILITY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates in event of protest, are preliminary in nature, and as such, 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

College Manor Water Company (College Manor or utility) is a Class "C" water utility whose service area is located east of Lake City in Columbia County, Florida. The utility serves single family residences, mobile homes, and one four-unit apartment building, approximately 40 connections in all.

On August 9, 1990, College Manor applied for the instant staff-assisted rate case and paid the appropriate filing fee. That

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RECORDS/REGISTRATION

date was established as the official date of filing. For the purpose of evaluating the utility's request, we have selected the twelve-month period ending September 30, 1990, as the test period.

QUALITY OF SERVICE

During the November 7, 1990, field investigation, it was observed that the plant and distribution system were operating satisfactorily. We did, however, note several minor operating deficiencies which the utility indicated it would cure as soon as possible. In addition to the field investigation, the Department of Environmental Regulation (DER) was contacted for the purpose of discovering the utility's compliance with that agency's regulatory standards. DER stated that there were no outstanding fines, orders, violations, or complaints against the utility. Moreover, this Commission has no outstanding complaints against College Manor.

On January 24, 1991, our staff conducted a customer meeting in the utility's service area. No customers attended the meeting. The utility owner, who has an excellent rapport with her customers, stated that she had discussed the rate increase with many of the customers prior to the meeting, which would seem to explain the lack of attendance.

Based on the foregoing, we find that the quality of service provided by this utility is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1-A, and our adjustments are itemized on Schedule No. 1-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.

Used and Useful

By Order No. 16958, issued December 16, 1986, this Commission established the used and useful levels for both the water plant and distribution system to be 100%. Since that time the utility has made a few additions and replacements, but none to significantly

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change its capacity to serve. Therefore, we find that the plant and distribution system are 100% used and useful.

Plant-in-Service

In its application, the utility lists \$17,968 in water utility plant for 1989. However, the utility has no documentation to corroborate this figure because it does not maintain any books or records relating to plant-in-service. We were able to reconstruct a set of company books from the utility's federal tax returns and its annual reports filed with the Commission. The beginning balances in the annual reports did not agree with the prior years' ending balances. To further complicate matters, when the utility was incorporated in 1987, the balance sheet items were restated and the beginning balances bore no resemblance to the prior years' ending balances. We believe that the best way to arrive at a reasonable figure for plant-in-service is simply to take the plant balance shown in Order No. 16958 and update it for documented plant additions.

In Order No. 16958, we found that the proper balance for utility plant-in-service as of April 30, 1986, was \$16,400. The utility's 1986 annual report shows that it made \$4,108 in additions, but the owner does not know if these additions were made before the 1986 rate case or if they were included in the April 30, 1986 balance. Since the utility has no supporting documentation for these 1986 additions, we shall not include the \$4,108 to the plant-in-service.

The utility presented various proofs that it made \$2,668 in plant additions in 1987, \$300 in 1988, and \$5,892 in 1989. However, the utility could only provide reliable documentation for a portion of these additions. For instance, the 1987 additions consisted of improvements and repairs to the aerator and pump. The utility was unable to provide documentation for \$141 of the total. Although the owner stated that she had made a \$1,200 payment to a contractor, she was unable to produce an invoice or canceled check. The only evidence the owner provided for \$785 of the total was a memo, but, again, no invoice or canceled check. The remaining \$542 was properly supported by invoices. Therefore, in consideration of the foregoing, we shall allow only the supported portion of the 1987 total, or \$542, as plant-in-service.

Since the utility was unable to provide any documentation for the \$300 in additions for 1988, we disallow that amount from rate base. In contrast, since the utility was able to provide supporting documentation that it expended \$5,892 in 1989 for meters, we have allowed this amount as plant-in-service. Based upon our review of the data provided, we find that the utility plant balance as of September 30, 1990, is \$22,834. We have increased the year-end balance to reflect the cost of the utility's installation of water meters during the test year. Upon making an averaging adjustment, we find that the appropriate test year average balance of plant-in-service is \$19,887.

Proforma Plant

The utility presented estimates for two additional plant items which must be installed. The first was a \$200 estimate for installation of a pump motor. At the time of our decision in this case, this work had been done, but the invoice had not yet been received. We shall include the \$200 in rate base as a pro forma item. It is our policy to increase accumulated depreciation by one year's depreciation on pro forma plant which is included in rate base. Therefore, we have increased accumulated depreciation by \$9.

The other estimate was for \$7,424 to install an emergency back-up well. We do not believe that a new well is necessary to provide emergency back-up; an emergency generator should be sufficient. Therefore, we shall not allow the \$7,424 as pro forma plant.

Land

At the time of the audit, title to the land upon which the utility facilities are located was vested in the utility owner in her individual capacity. In February 1991, the utility owner transferred the land to the utility corporation. We are therefore satisfied that the utility has complied with our policy requirement that it own or have a long-term lease for the land upon which utility facilities are located.

In its application for staff assistance, the utility did not include a cost for land, and land cost was not included in the utility's last rate case. However, the utility's 1989 annual report and 1989 tax return both include a \$5,000 cost for land.

The utility's annual reports only began showing land cost since 1987, when the utility was incorporated.

The utility land was originally purchased by the utility owner's parents in 1945 for approximately \$600 an acre. The College Manor subdivision was platted on July 27, 1962. There was no specific dedication for utility land indicated on the plat map. On June 30, 1965, the utility land was transferred to the current owner. The documentary stamps suggest a transfer price of \$100, but because the transfer was between related parties we must determine a reasonable valuation of the fair market value at the time the land was dedicated to public use, approximately in 1963.

The utility owner has said that at the time the area was developed, a standard lot was sold for approximately \$500. The standard lot she referred to was 125 feet by 60 feet in size. The utility lot is approximately 210 feet by 40 feet. Furthermore, the property was first assessed as a separate lot for taxes in 1966 at a value of \$300. Since the utility's lot is larger than the standard sized lot and since property appraisals for tax purposes are often lower than fair market value, we conclude that \$500 is a reasonable estimate of the value of the land at the time it was first dedicated to public service and therefore include that value in rate base.

Accumulated Depreciation

In its application, the utility lists a \$2,831 balance for accumulated depreciation. The balance for accumulated depreciation in the last rate case was \$7,561 for the year ended April 30, 1986. We have updated the accumulated depreciation balance from the last rate case using the 3.1% composite depreciation rate used therein. To calculate depreciation for the test year, we have adjusted the depreciation rate to the component depreciation rates prescribed by Chapter 25-30.140, Florida Administrative Code. Upon applying the proper depreciation rate, we calculated that \$10,073 is the proper balance of year-end accumulated depreciation. After making an averaging adjustment, we find that \$9,705 is the proper amount of average test year accumulated depreciation.

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

The utility did not report any CIAC in its application for this rate case. Order No. 16958, issued in the prior rate case,

established a CIAC balance of \$10,860 as of April 30, 1986. We shall therefore bring this balance forward. The utility owner states that no further connections have been made to the system since the last rate case and that the utility has not received any tap-in fees, contributions of lines, or any other CIAC. Our review of the service area showed no obvious additions as of the prior rate case. Therefore, in consideration of the foregoing we find that the average test year balance of CIAC remains at \$10,860.

Amortization of CIAC

By the same methodology we used to calculate the accumulated depreciation balance, we have calculated a year-end balance for accumulated amortization of CIAC of \$6,494. We then adjusted this balance to arrive at test year average balance, \$6,326.

Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirement of this utility. In a later section of this Order, we find that the proper amount of test year operating and maintenance expense is \$8,859. Therefore, we have included one-eighth of that amount, \$1,107, in rate base as the utility's working capital allowance.

Test Year Rate Base

In consideration of the foregoing, we find that test year rate base is \$7,447.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2.

Return on Equity

The utility has not maintained any records relating to its capital structure. When the utility owner loans the utility money or pays in capital, no written records are made. Because no evidence exists which would indicate that any part of the utility's capital structure is debt, with or without a stated interest rate, we conclude that the capital structure has no debt, only equity.

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Using the leverage graph established by Order No. 23318, issued August 7, 1990, we find that the appropriate return on equity for this utility is 11.50%. As is our policy, the utility is allowed to earn within the range of 10.50% to 12.50%.

Overall Rate of Return

In the utility's prior rate case, we did not include customer deposits in the capital structure. However, the utility's tariff provides for customer deposits, and the utility currently collects deposits from new customers. The utility owner stated that after one year of good credit, the deposit is returned to the customer. If a customer moves before the deposit is returned, the current balance due is netted against the customer's deposit and the remainder is refunded to the customer. We were unable to audit the customer balances due to the lack of physical records. What records were available were incomplete. We were, however, able to determine from the cash disbursements that several deposits were refunded during the test year.

We do not think that the balance of customer deposits is material or would have a significant impact on the overall rate of return were we to include it in the capital structure. The utility is not in a high growth area, and while there is some turnover in existing residences, we do not believe that there is a large balance of customer deposits. Therefore, we find that the capital structure is 100% equity, and the overall rate of return is 11.50%, with a range of 10.50% to 12.50%.

NET OPERATING INCOME

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

We traced the deposits shown in the utility's cash receipts journal to bank statements. However, some of the deposits shown in

the bank statements were not shown in the cash receipts journal, and the utility owner could not identify the nature of the deposits. Upon reviewing the deposits shown in the cash receipts journal, we discovered that some of what were supposed to be payments for service were several months in arrears, some deposits were partial payments, and some were not utility in nature. We believe that it is more accurate to estimate revenues based on the approved tariff applied to each unit receiving service during the test year. Based on the number of bills during the test year and the current authorized water rate, we calculate that annualized test year revenues should be \$7,780.

The utility is providing free utility service to one customer in return for the customer's assistance in maintaining the water plant site. We have imputed as if received revenues attributable to this customer. During the field inspection, an illegal tap-in was discovered. Upon being told of the tap-in, the utility owner estimated that this customer has been receiving free service for approximately 12 to 15 years. The utility owner has an oral agreement with the customer for a \$50 per month charge for the next twelve months for the service illegally received. However, since this customer is in the process of selling the residence, the settlement may not be collected. Nonetheless, we have imputed revenues associated with this residence and included them as test year revenues.

Upon making the above adjustments, we find that the appropriate amount of annualized test year revenues is \$8,184.

Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances. A summary of our adjustments follows.

Salaries and Wages--Employees. The utility has recently installed water meters, and, since we herein approve metered water rates, the utility must implement a metered billing system. In anticipation of the utility's incurring meter reading expenses, we shall increase test year salaries expense to account for increased labor costs. The utility served approximately 40 customers during the test year, so it should be able to read all of the meters in

about three hours. Allowing \$5 per hour labor for three hours a month, twelve months a year, we have increased this expense by \$180.

Salaries and Wages--Officers. The only compensation that the utility owner received was payment of her health insurance, \$2,472 in the test year. The owner provides certified operation of the plant and emergency standby 24 hours a day. She manages the utility and performs repairs and maintenance on the system. If contracted out, certified operation alone would run in the excess of \$200 monthly. We think it prudent to increase test year officers' salaries by \$528. If we do not allow the utility a realistic expense for operations, the utility may be faced with the inability to hire qualified operation and maintenance personnel, if needed. We think that the total test year allowance for the officer's salary, \$3,000, is reasonable.

Purchased Power. The utility's test year purchased power expense was \$1,880. We believe that this is a reasonable expense for a utility of this size.

Chemicals. The utility's test year chemical expense was \$687. We find this to be a reasonable annual allowance for chemical expense for a utility of this size.

Materials and Supplies. The utility's test year expense for materials and supplies was \$1,072. Considering the size of the system, we think that this expense is reasonable. However, since we believe that the utility facilities should be painted once every three years, which will cost approximately \$300, we shall increase test year materials and supplies expense by \$100, which represents \$300 amortized over a three year period.

Contractual Services. During the test year the utility paid \$195 for water testing. This amount of test year expense, however, does not include any expense for or amortization of the tests required by DER pursuant to Chapter 17-22.105, Florida Administrative Code, which are required on a three or four year basis. Because the utility will definitely be incurring costs for these tests, we shall allow it to recover an amortized amount based on the frequency of the test and its cost. Primary and Secondary Analyses must be done every three years at a cost of approximately \$300, radionuclides analysis must be done every four years at a cost of approximately \$50, and VOC/SOC analyses must be done every

three years at a cost of approximately \$700. The annual amortized cost for these tests is \$346, so we have increased test year contractual services expense by that amount.

Rents. The utility's records do not indicate that it paid any rent expense. However, in its last rate case, the utility was allowed a \$300 rent expense. We think it reasonable to allow the utility to recover an amount for costs related to the space dedicated to utility administrative work. So as to recognize cost increases since the last rate case, we shall allow the utility to recover \$350 in rent expense.

Transportation. The utility did not record transportation expense for the test year. The utility owner uses her personal vehicle to haul chlorine containers, tools, water samples, and for other utility business. In the prior rate case we allowed \$300 for transportation expense. The owner estimated her annual transportation expense to be \$438, or 1,718 miles at 25.5¢ per mile. While we think it reasonable that this expense would increase since the last rate case, we believe that \$350 is an adequate allowance. This amount represents an increase for higher fuel costs and approximates a 20¢ per mile expense. Therefore, we find that the appropriate allowance for test year transportation expense is \$350.

Regulatory Commission Expense. The utility's records show a test year regulatory commission expense of \$150, the filing fee for this case. Pursuant to Section 367.0816, Florida Statutes, we shall amortize this amount over four years. Thus, we have reduced the recorded amount by \$113.

Miscellaneous Expense. The utility's records shows \$994 in miscellaneous expenses. This amount includes \$500 which the utility owner loaned to a friend, which we have removed. The total also includes \$25 for flowers sent on the death of a customer. Commission policy is that expenditures of this type are not recoverable from the ratepayers, and, therefore, we have reduced miscellaneous expenses by \$25. The remaining \$469 consists of \$460 for yard work and \$9 for freight charges. We find these expenditures to be reasonable.

Office Supplies and Expense. The utility spent \$192 for test year office supplies and expense during the test year. We find that this expense is reasonable for a utility of this size.

In consideration of the foregoing, we find that the appropriate amount for test year O & M expenses is \$8,859.

Depreciation Expense (Net of Amortization)

Using the rates prescribed by Chapter 25-30.140, Florida Administrative Code, we calculated that depreciation expense on test year plant was \$871. Using a composite rate developed in the last rate case, we calculated that the amortization of CIAC totalled \$337. Using the same depreciation rates on the proforma plant, we find that depreciation expense should be increased by \$9. In consideration of the foregoing, we find that the appropriate amount of depreciation expense net of amortized CIAC is \$543.

Taxes Other Than Income Taxes

The utility's records reflect payment of \$81 in test year regulatory assessment fees (RAFs). We have adjusted this expense to reflect the higher 4.5 percent RAFs rate which is due for revenues collected after June 30, 1990.

Income Taxes

As previously stated, the utility was incorporated in 1987. The utility's 1987, 1988 and 1989 tax returns all show tax losses. It is too early to review a tax return for 1990, but based on the prior years' returns and the expenses reflected in the rate case, we expect that the 1990 return will also show a tax loss. The net tax loss through 1990 and a portion of 1991 should yield sufficient tax loss carryovers that the utility will not pay income taxes in the near future. Because it appears that the utility will not be paying income taxes, we shall not allow it to recover any income tax expense.

Test Year Operating Income (Loss)

Based on the previous adjustments, we find that the utility has a \$1,603 test year operating loss.

Revenue Requirement

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the appropriate annual revenue requirement for this utility is \$10,760.

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This revenue requirement represents an annual increase in revenue of \$2,576 (31.5%). This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 11.50% return on its investment.

RATES AND CHARGES

Monthly Rates

The utility currently employs a flat rate structure. Our preference, however, is for utilities to use the base facility charge (BFC) rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge. Accordingly, we find that the utility's rate structure should be changed to the BFC rate structure.

We have calculated new rates for the utility which are designed to allow it to achieve the revenue requirement approved herein. We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates and the rates which we hereby approve are set forth below for comparison.

Water

Monthly Rates

Residential

Current

Flat Rate

\$ 16.84

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Approved

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 10.03
3/4"	15.01
1"	24.53
1-1/2"	48.68
2"	77.67
3"	154.97
4"	241.93
6"	483.48

Gallorage Charge

Per 1,000 gallons \$ 1.21

General Service

Current

Flat Rate \$ 16.53

Approved

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 10.03
3/4"	15.01
1"	24.53
1-1/2"	48.68
2"	77.67
3"	154.97
4"	241.93
6"	483.48

Gallorage Charge

Per 1,000 gallons \$ 1.21

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The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

We remind the utility that Rule 25-30.135(2), Florida Administrative Code, states that no utility may modify or revise its rates until the utility files and receives approval from the Commission for any such modification or revision. In addition, the utility must abide by its tariffs for all of its customers.

Miscellaneous Service Charges

Currently, the utility's tariff has miscellaneous service charges as follows:

	<u>WATER</u>	
Initial Connection	\$ 5.00	\$ 7.00
Normal Reconnection	\$ 5.00	\$ 7.00
Violation Reconnection	\$ 24.00	\$ 30.00
Premises Visit (in lieu of disconnection)	\$ 10.00	N/A

The miscellaneous service charges set forth below, which we hereby approve, are designed to defray the costs associated with each of the services provided and place the responsibility of the costs on the person creating it rather than on the ratepaying body as a whole.

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

For clarification a description of each type of service follows:

(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 Charge (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 and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The charges approved above shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Service Availability Charges

Rule 25-30.580, Florida Administrative Code, states that a utility's service availability policy must be designed such that the maximum amount of contributions-in-aid-of-construction, net of amortization, does not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. The rule also states that the minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such

facilities and plant that are represented by the water transmission and distribution system.

The utility has been collecting a \$240 per connection service availability charge since its inception in 1962. Only ten more connections can be added to the system, but connections in the near future are unlikely. The utility expects to add plant to provide emergency back-up, but it does not have a contract for this work and is not certain of the specific work which needs to be done.

The current percentage of net CIAC to net plant for this utility is 35 percent. We do not believe that the current \$240 charge will bring the utility into compliance with the guideline levels of CIAC. Establishing the correct charge is difficult due to the uncertain plant additions and the infrequent new connections. The level of CIAC increases each year due to the yearly depreciation of plant even though no new customers pay service availability charges.

During the test year, the utility installed meters. We therefore believe that the service availability charge should, at a minimum, be increased to include the cost of the meter installation. By our calculations, if the utility charges a \$400 capacity fee and one customer connects each year, assuming minimal additions to plant, the utility should reach a 75 percent contribution level in eight to ten years. Therefore, we find that the appropriate service availability charge is \$400 per connection.

The charges approved above shall be effective for connections made on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Amortization of Rate Case Expense

Section 367.0816, Florida Statutes, states in pertinent part,

The amount of rate case expense determined by the commission . . . to be recovered through . . . rate[s]

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shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate[s] . . . shall be reduced immediately by the amount of rate case expense previously included in rates.

The only rate case expense incurred by the utility for this case is the \$150 filing fee it paid. Pursuant to the above-quoted section of Chapter 367, we calculate that for \$150 to be recovered over four years, \$38 must be recovered annually. However, since that annual amount does not reflect the RAFs the utility must pay on the revenue attributable to rate case expense recovery, we have grossed-up the annual amount to reflect the RAFs and, upon so doing, find that the appropriate annual recovery of rate case expense is \$40 per year for four years.

At the end of four years, the utility's rates should be reduced to reflect the \$40 reduction to its annual revenue requirement. Based on existing circumstances, the effect of this revenue reduction will be a \$.04 reduction in the water base facility charge. 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 a pass-through rate adjustment, separate data shall be filed for each rate change.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water rates. A timely protest could delay what may prove to be a justified rate increase pending the completion of a formal hearing and issuance of a final order, thus resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund, provided that the utility furnishes adequate security for a potential refund through a bond, letter of credit, or escrow account.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$2,000. If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution

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pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting. The escrow account is established by the direction of this Commission for the purpose set forth above. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

The utility must keep an accurate and detailed account of all monies received as a result of its implementing the temporary rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month that the temporary rates are in effect, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

ACKNOWLEDGMENT OF RESTRUCTURING

When the utility was incorporated in 1987, the utility name was changed to College Manor Water Company, Inc. No notice was given to the Commission regarding the change in the utility's name or the change in the form of ownership. Strictly speaking, a transfer of assets from one entity to another has taken place without our prior approval. However, we do not believe that the restructuring of this utility rises to the level of the type of transfer envisioned by Section 367.071, Florida Statutes, because the sole shareholder of the utility corporation is the proprietor we knew of before. Therefore, we will acknowledge the change in the utility name and the change in the form of ownership. Within thirty days of the date of this Order, the utility shall return Certificate No. 392-W so that the Commission may reissue it in the name of College Manor Water Company, Inc. The utility shall also submit revised tariff pages reflecting College Manor Water Company, Inc., as its name.

The above notwithstanding, the utility is put on notice that this Commission must be advised of any future changes in the utility's ownership prior to their occurrence.

NONCOMPLIANCE WITH ACCOUNTING RULES

As is indicated above, the utility has failed to keep its books and records in conformity with our rules. Rule 25-30.115, Florida Administrative Code, states "water and sewer utilities shall, effective January 1, 1986, maintain its accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners." The utility does not maintain a general ledger, plant ledger, or operating ledger. Because of the utility's noncompliance, it was very difficult for us to categorize transactions and trace transactions throughout the system.

Rule 25-30.110(1)(a), Florida Administrative Code, states "each utility shall preserve its records in accordance with the 'Regulations to Govern the Preservation of Records of Electric, Gas and Water Utilities' as issued by the National Association of Regulatory Utility Commissions." The utility does not maintain all supporting documentation to support the additions to plant, net operating income and capital structure. Because of the utility's noncompliance, it was impossible for us to verify all the claimed additions to the system, capital structure and operating expenses.

Rule 25-30.311(3), Florida Administrative Code, states "each utility having on hand customer deposits from customers shall keep records to show: (a) the name of each customer making such deposit; (b) the premises occupied by the customer when the deposit was made; (c) the date and amount of deposit; and (d) a record of each transaction concerning such deposit." The pertinent records maintained by the utility are incomplete and in some cases are non-existent. The lack of these records made it impossible for us to audit the customer deposit account.

Rule 25-30.140(8)(a), Florida Administrative Code, states "adequate records to account for CIAC must be maintained by the utility." The audit report for the prior rate case showed that for the twelve months ended April 30, 1986, the utility had no CIAC records. In the current case, the utility provided a statement that no additions to CIAC have been received since the last rate case. Because of the utility's noncompliance with the CIAC records rule, it was not possible for us to audit the CIAC account.

Finally, the utility owner has commingled utility transactions with personal transactions. This commingling complicated the audit

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process and inevitably leads to inaccurate annual reports. The volume of non-utility transactions has decreased since the last rate case; however, we believe that it should be eliminated entirely. Now that the utility is separately incorporated, it should be easier for the owner to separate the utility transactions.

Because the utility is so small, we do not think that one rule violation, by itself, would be a serious violation. However, when we consider all of the above violations together, we find an overall lack of accounting controls. The utility owner has the expertise to maintain these records. She prepares tax returns and should be able to understand the importance of well-maintained records. Therefore, we hereby order the utility to initiate an accounting system in accordance with the NARUC Uniform System of Accounts, to keep adequate documentation to support the entries on the books and records, and to keep records of customer deposits and CIAC.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of College Manor Water Company for an increase in its water rates in Columbia County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the body of this Order and in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

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ORDERED that College Manor Water Company is authorized to charge the new rates and charges set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, College Manor Water Company shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

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

ORDERED that within thirty days of the date of this Order, the utility shall return its certificate, Certificate No. 392-W, so that College Manor Water Company, Inc., may be entered on the certificate as its official name. It is further

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ORDERED that College Manor Water Company, Inc., shall bring its books and records into compliance with all of this Commission's accounting rules. It is further

ORDERED that this docket will be closed if no timely protest is received from a substantially affected person.

By ORDER of the Florida Public Service Commission, this 22nd
of APRIL, 1991.

STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)

MF

by: Kay J. [Signature]
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions taken herein, except for the granting of temporary rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the

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action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 13, 1991. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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 sewer 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.

COLLEGE MANOR WATER COMPANY, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED SEPTEMBER 30, 1990

SCHEDULE NO. 1-A
 DOCKET NO. 900683-WU

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	(A)	(B)	(C)	(D)	(C)
COMPONENT	AVERAGE TEST YEAR PER UTILITY	ADJUSTMENTS TO THE TEST YEAR	ADJUSTED TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR
1					
2					
3 UTILITY PLANT IN SERVICE	\$ 29,367	\$ (9,480)	\$ 19,887	\$ 200	\$ 20,087
4 LAND	0	500	500		500
5 C.W.I.P.	0	0	0		0
6 NON-USED AND USEFUL COMPONENTS	0	0	0		0
7 C.I.A.C.	(10,860)	0	(10,860)		(10,860)
8 ACCUMULATED DEPRECIATION	(7,561)	(2,144)	(9,705)	(9)	(9,714)
9 AMORTIZATION OF C.I.A.C.	5,007	1,319	6,326		6,326
10 ADVANCES FOR CONSTRUCTION	0	0	0		0
11 WORKING CAPITAL ALLOWANCE	0	1,107	1,107		1,107
12					
13 RATE BASE	\$ 15,953	\$ (8,697)	\$ 7,256	\$ 191	\$ 7,447
14					

COLLEGE MANOR WATER COMPANY, INC.
 EXPLANATION OF THE ADJUSTMENTS TO
 RATE BASE SCHEDULE NO. 1-A

DOCKET NO. 900683-WU
 SCHEDULE 1-B
 PAGE 1 OF 1

ADJUSTMENT -----	WATER -----
1 UTILITY PLANT IN SERVICE	
2 -----	
3 1. To remove undocumented plant.	\$ (6,534)
4	
5 2. To reflect the average test year balance.	(2,946)
6 -----	
7 TOTAL ADJUSTMENTS TO UTILITY PLANT	\$ (9,480)
8 -----	
9 LAND	
10 -----	
11 1. To include a reasonable cost for land.	\$ 500
12 -----	
13	
14 ACCUMULATED DEPRECIATION	
15 -----	
16 1. To reflect additions to accumulated	
17 depreciation since the last rate case.	\$ (2,512)
18	
19 2. To reflect the average test year balance.	368
20 -----	
21 TOTAL ADJUSTMENTS TO ACCUMULATED DEPRECIATION	\$ (2,144)
22 -----	
23 AMORTIZATION OF C.I.A.C.	
24 -----	
25 1. To reflect additions to accumulated	
26 amortization since the last rate case.	\$ 1,487
27	
28 2. To reflect the average test year balance.	(168)
29 -----	
30 TOTAL ADJUSTMENTS TO AMORTIZATION OF CIAC	\$ 1,319
31 -----	
32 WORKING CAPITAL ALLOWANCE	
33 -----	
34 1. To record the working capital allowance	
35 using the formula method.	\$ 1,107
36 -----	
37 PRO FORMA PLANT	
38 -----	
39 1. To allow projected plant improvement.	\$ 200
40 -----	
41 PRO FORMA ACCUMULATED DEPRECIATION	
42 -----	
43 1. To reflect accum. deprec. on proj. plant.	\$ (9)
44 -----	

COLLEGE MANOR WATER COMPANY, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED SEPTEMBER 30, 1990

SCHEDULE NO. 2
 DOCKET NO. 900683-WU

ORDER NO. 24415
 DOCKET NO. 900683-WU
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	AVERAGE TEST YEAR	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YR	PRO RATA ADJUST- MENTS	ADJ BALANCE	WEIGHT	COST	WEIGHTD COST
1								
2								
3	LONG-TERM DEBT	0	0	0	0	0.00%	11.55%	0.00%
4	SHORT-TERM DEBT	0	0	0	0	0.00%	16.80%	0.00%
5	CUSTOMER DEPOSITS	0	0	0	0	0.00%	0.00%	0.00%
6	COMMON EQUITY	0	15,953	15,953	(8,506)	7,447	100.00%	11.50%
7	ITC'S	0	0	0	0	0.00%	0.00%	0.00%
8	DEFERRED INCOME TAX	0	0	0	0	0.00%	0.00%	0.00%
9	OTHER CAPITAL	0	0	0	0	0.00%	0.00%	0.00%
10								
11								
12	TOTAL	0	15,953	15,953	(8,506)	7,447	100.00%	11.50%
13								
14								
15								
16								
17								
18								
19								
20								

	RANGE OF REASONABLENESS:	HIGH	LOW
	EQUITY	12.50%	10.50%
	OVERALL RATE OF RETURN	12.50%	10.50%

COLLEGE MANOR WATER COMPANY, INC.
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED SEPTEMBER 30, 1990

SCHEDULE NO. 3-A
 DOCKET NO. 900683-WU

ORDER NO. 24415
 DOCKET NO. 900683-WU
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	(A)	(B)	(C)	(D)	(E)
DESCRIPTION	AVERAGE TEST YEAR PER UTILITY	ADJUSTMENTS TO THE TEST YEAR	ADJUSTED TEST YEAR	CONSTRUCTED ADJUSTMENTS	CONSTRUCTED TEST YEAR
1					
2					
3 OPERATING REVENUES	\$ 7,780	\$ 404	\$ 8,184	\$ 2,576	\$ 10,760
4 OPERATING EXPENSES:					
5 OPERATION & MAINTENANCE	\$ 7,643	\$ 1,216	\$ 8,859	\$	\$ 8,859
6 DEPRECIATION	0	543	543		543
7 AMORTIZATION	0	0	0		0
8 TAXES OTHER THAN INCOME	81	303	384	116	500
9 INCOME TAXES	0	0	0	0	0
10					
11 TOTAL OPERATING EXPENSES	\$ 7,724	\$ 2,063	\$ 9,787	\$ 116	\$ 9,902
12					
13 OPERATING INCOME	\$ 56	\$ (1,659)	\$ (1,603)	\$ 2,460	\$ 857
14					
15 RATE OF RETURN	0.35%		-22.09%		11.51%
16					

COLLEGE MANOR WATER COMPANY, INC.
EXPLANATION OF THE ADJUSTMENTS TO
OPERATING STATEMENT NO. 3-A

DOCKET NO. 900683-WU
SCHEDULE 3-B
PAGE 1 OF 2

ADJUSTMENT	WATER
-----	-----
1 OPERATING REVENUES	
2 -----	
3 1. To impute revenues for nonpaying customer.	\$ 202
4	
5 2. To impute revenues for illegal tap.	202
6	
7 TOTAL ADJUSTMENTS TO OPERATING REVENUES	\$ 404
8 -----	-----
9	
10 OPERATION AND MAINTENANCE	
11 -----	
12 1. To amortize filing fee over four years.	\$ (113)
13	
14 2. To remove loan to associate	
15 as non-utility.	(500)
16	
17 3. To remove expense for flowers	
18 as non-utility.	(25)
19	
20 4. To allow amortization of DER testing.	346
21	
22 5. To adjust operator compensation.	528
23	
24 6. To allow \$15 per month for meter reading.	180
25	
26 7. To allow transportation expense.	350
27	
28 8. To allow the amortization of the	
29 painting expense.	100
30	
31 9. To allow rent expense.	350
32 -----	-----
33 TOTAL ADJUSTMENTS TO OPERATION	
34 AND MAINTENANCE	\$ 1,216
35 -----	-----
36	
37	
38	
39	
40	
41	
42	

COLLEGE MANOR WATER COMPANY, INC.
EXPLANATION OF THE ADJUSTMENTS TO
OPERATING STATEMENTS NO. 3-A AND 3-B

DOCKET NO. 900683-WU
SCHEDULE 3-B
PAGE 2 OF 2

ADJUSTMENT	WATER
-----	-----
1 DEPRECIATION	
2 -----	
3 1. To reflect depreciation expense	
4 on test year plant.	\$ 871
5	
6 2. To reflect amortization	
7 on test year CIAC.	(337)
8	
9 3. To include depreciation expense	
10 on pro forma plant.	9
11	-----
12 TOTAL ADJUSTMENTS TO DEPRECIATION	\$ 543
13	-----
14	
15 TAXES OTHER THAN INCOME	
16 -----	
17 1. To reflect regulatory assessment	
18 fees on test year revenues.	\$ 287
19	
20 2. To include real estate taxes on the land.	16
21	-----
22 TOTAL ADJUSTMENTS TO TAXES OTHER THAN INCOME	\$ 303
23	-----
24	
25 OPERATING REVENUES	
26 -----	
27 To reflect recommended increase (decrease)	
28 to allow a fair rate of return.	\$ 2,576
29	-----
30	
31 TAXES OTHER THAN INCOME	
32 -----	
33 To reflect regulatory assessment	
34 fees on revenue change.	\$ 116
35	-----

COLLEGE MANOR WATER COMPANY, INC.
WATER OPERATION & MAINTENANCE EXPENSES
TEST YEAR ENDED SEPTEMBER 30, 1990

SCHEDULE NO. 4
DOCKET NO. 900683-WU

ACCT NO.	ACCOUNT TITLE	(A) UTILITY BALANCE PER BOOKS	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR
601	SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 180	\$ 180
603	SALARIES AND WAGES - OFFICERS	0		0
604	EMPLOYEE PENSIONS & BENEFITS	2,472	528	3,000
615	PURCHASED POWER	1,880		1,880
618	CHEMICALS	687		687
620	MATERIALS AND SUPPLIES	1,072	100	1,172
630	CONTRACTUAL SERVICES	195	346	541
640	RENTS	0	350	350
650	TRANSPORTATION EXPENSES	0	350	350
655	INSURANCE	0		0
665	REGULATORY COMMISSION EXPENSE	150	(113)	38
668	OTHER REGULATORY EXPENSE	0		0
675	MISCELLANEOUS EXPENSES	994	(525)	469
680	OFFICE SUPPLIES & EXPENSE	192		192
	TOTAL	\$ 7,642	\$ 1,216	\$ 8,858