

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for) DOCKET NO. 940687-WU
increased water rates in Brevard) ORDER NO. PSC-95-0039-FOF-WU
County by FLORIDA CITIES WATER) ISSUED: January 10, 1995
COMPANY (Barefoot Bay Division).)
_____)

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING INCREASED WATER RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein 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

Florida Cities Water Company, Barefoot Bay Division, (FCWC or utility) is a Class B utility providing water and wastewater service for a predominately residential area in Barefoot Bay, Florida. The utility's Barefoot Bay Division was serving approximately 4,480 water customers as of June 30, 1994, and is located in an area that has been designated by the St. Johns River Water Management District (SJRWD) as a critical use area.

On August 2, 1994, the Barefoot Bay Division filed an application for approval of interim and final water rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. This application did not include the Utility's wastewater system. The utility satisfied the Minimum Filing Requirements (MFRs) for a general rate increase, and August 2, 1994, was declared as the official date of filing, pursuant to Section 367.083, Florida Statutes. The utility petitioned the Commission process its case

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FPCO-REGISTRATION/REPORTING

under Proposed Agency Action (PAA) procedures outlined in Section 367.081(8), Florida Statutes.

Within its filing, FCWC states that a rate increase is necessary because they are earning less than a fair rate of return on their investment. The last general rate increase granted by the Commission by Order No. PSC-92-0563-FOF-WS, issued June 24, 1992. Index and pass-through increases were last granted in June, 1994. The utility's test year is the twelve month period ended June 30, 1994. For this period, the utility recorded total revenues of \$667,367 and an operating loss of \$18,924 for its water system.

FCWC is requesting the Commission grant them a "fair and reasonable" rate of return of 8.64%. In order to earn this higher return, the utility will need to increase its water revenues on an interim and permanent basis by 16.7%, so as to produce additional operating revenues in the amount of \$114,466 based on the test year. The utility requested that this increase be approved on both an interim and a permanent basis.

On October 11, 1994, we issued Order No. PSC-94-1237-FOF-WU, suspending proposed rates and granting interim rates subject to refund. Interim rates were designed to produce water revenues of \$777,686, which represented an increase of \$93,842.

Staff conducted a customer meeting at the Barefoot Bay Community Center on November 2, 1994. Approximately 25 customers were in attendance.

QUALITY OF SERVICE

In accordance with Rule 25-30.433, Florida Administrative Code, the Commission, in order to determine the overall quality of service provided by a utility, shall evaluate three separate components of water utility operations. These components are: (1) quality of the utility's product; (2) the operational conditions of the utility's plant and facilities; and (3) the utility's attempt to address customer satisfaction. The rule also states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and County Health Department over the preceding three year period shall be considered. DEP and health department officials' input as well as customer comments shall also be considered.

FCWC has several service areas in Florida, this one being on the east coast, just south of Melbourne. It is located in the SJRWMD, and is therefore deemed a water use caution area. A Water Use Caution Area is defined as an area in which the water supplies

have become critical or are anticipated to become critical within the next 20 years. The consumptive use permit issued by the SJRWMD on February 8, 1994, delineates numerous conditions for irrigation restrictions, ground water withdrawals, well monitoring and metering, and conservation.

Due to the raw water quality at Barefoot Bay, treatment is necessary and the utility has a lime softening plant to accomplish this task. During the test year, the utility installed a new lime slurry pump and out building, rebuilt the lime slaker, replaced the filter media, and some other smaller miscellaneous projects at the water plant.

Quality of the Product

According to DEP, the utility is meeting the state and federal standards for primary and secondary standards. An inspection of the plant and related facilities was conducted in June, 1994, by DEP. Results of that inspection will be addressed in the Operational Conditions section of this Order.

No customer complained of their water quality. Reviewing the complaint log filed with the MFRs, there are some complaints about high chlorine, sediment in the water and some discoloration. In each case, the log shows the company personnel visited the customer's residence, sampled the water and/or performed some testing, and in most cases, flushed the lines. These actions solved the complaint in every instance.

Operational Conditions

DEP conducted a sanitary survey in June, 1994. It found the utility to be in satisfactory condition, with a few items needing attention. The utility responded within two weeks noting that the corrections mentioned had all been resolved. One observation made is that two wells no longer have the necessary setback from potential pollution sources (due to rule changes at DEP over the years). DEP currently accepts the conditions at this system based on records on file including monthly operating reports, satisfactory chlorine residuals, and satisfactory bacteriological testing results. If future well test data shows any problem, the DEP will re-evaluate the conditions.

Based upon the data in the DEP's survey, and the record keeping of the utility, we find that the operational conditions are satisfactory.

Customer Satisfaction

As mentioned above, no customers spoke concerning quality of service at the customer meeting in Barefoot Bay. Reviewing the complaint log submitted with the filing shows every complaint attended to by company personnel and followed through to resolution. Two customers wrote to the Commission about the water quality. One stated that the water must be filtered before drinking, and the other stated that most customers have a water filter because the water tastes unpalatable. Several customers wrote to protest the rate increase. No customers commented about service inadequacies.

After reviewing the data in this case, we conclude the quality of service provided by the utility is satisfactory.

RATE BASE

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

Used and Useful

This water system has seven active wells. Another well, Well #9, is indicated as a new well on the SJRWMD consumptive use permit. Water is lime softened, chlorinated for disinfection, and ammoniated for trihalomethane control. A total of .800 million gallons per day (mgd) of finished water storage is provided.

We reviewed the flow data contained in the MFRs and conclude that when considering the average of the five day maximum flows of .876 mgd plus an allowance for fire flow, the plant is 100% used and useful. The plant was installed to provide service to the entire service area in Barefoot Bay, which now is essentially built out.

In its MFRs, the utility states that all distribution lines are advanced or contributed. As stated above, the service area is essentially built out. Based on the foregoing, we conclude that the distribution system is 100% used and useful.

Margin Reserve

It has been the practice of this Commission to include a margin reserve in the used and useful calculation when a utility is experiencing growth, and has unused capacity. The water treatment plant and distribution system are already 100% used and useful. As noted above, the service area is essentially built out. There are just over 4400 metered connections, and the annual increase since 1992 has been approximately 20 connections per year. What growth exists is very small. Based on the foregoing, we find it appropriate that no margin reserve be included.

Working Capital

Pursuant to Rule 25-30.433, Florida Administrative Code, the utility has used the formula method (1/8th of operation and maintenance expense) for calculating working capital. The requested working capital allowance for Barefoot Bay is \$69,683. We are adjusting operating and maintenance expenses which will be discussed later in the Order. Based on the adjusted balances of operation and maintenance expenses, the appropriate working capital provision for Barefoot Bay is \$68,858.

Test Year Rate Base

Using a simple average with our proposed adjustments, we find it appropriate that the average rate base for the utility is \$1,200,472.

COST OF CAPITAL

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

Return on Equity

Based upon the components of the adjusted capital structure, the equity ratio for FCWC is 35.43%. Using the current leverage formula approved in Order No. PSC-94-1051-FOF-WS, issued on August 29, 1994, the appropriate return on equity is 11.34%. The appropriate range for the return on equity is 10.34% to 12.34%.

Cost of Capital

The rate of return is based on application of Commission practice. Based upon the adjustments discussed previously, we find it appropriate that an overall cost of capital is 8.75%, with a range of 8.45% to 9.05%.

NET OPERATING INCOME

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

Contractual Services - Other

Prior to December 1993, Consolidated Water Services, Inc. (CWSI), a subsidiary of Avatar, Inc., provided accounting services for FCWC. In December 1993, CWSI was dissolved. During the dissolution, eight employees from CWSI were transferred to Florida Cities. At the beginning of 1994, FCWC began recording the eight employees on its payroll, however, the utility failed to remove a \$2,483 allocation to Barefoot Bay associated with the services previously performed by CWSI from Contractual Services - Other. Since these expenses are non-recurring, we find it appropriate that \$2,483 be removed from Contractual Services-Other.

Contractual Services - Legal

For the test year ended June 30, 1994, the utility reported legal expenses of \$8,593. The total Contractual Services - Legal expenses reported at year-end 1993 were \$5,045. The difference between the amounts, only six months apart, results in an increase of 70%. In its MFRs, the utility is required to explain the difference between the current test year and the level allowed by the Commission in its last rate case. For any increases above the growth rate of customers and inflation during the same time frame, the utility is required to provide an explanation. In the utility's rate case, using a test year ended August 31, 1991, FCWC was allowed \$958. The current requested legal fees represent an increase of 797% over the last allowed level. In its MFRs, the utility explained the increase as "Due to CIAC Gross-up Docket No. 921240-WS and Research for Pending Certificated Area Expansion".

We requested supporting documentation of the requested legal fees. Of the total request, \$3,833 related to CIAC gross-up and

certificate expansion costs directly charged to the Barefoot Bay Water Division. The remaining \$4,760 related to other intercompany allocations from the parent. The utility described these allocations as charges related to the review of new legislation effecting regulated water companies. The utility also stated that it believes these legal expenses are annually recurring due to increasing legislation effecting water companies in order to be properly informed as a regulated utility.

We then requested invoices supporting the gross amount of legal fees which were allocated by the parent. Of the total balance of \$86,216, about half of these charges were from local law firms dealing with such issues as pretreatment requirements, reuse legislation, multi-county jurisdiction, DEP rules, and other water related policies, rules and legislation. The remaining charges related to fees billed from Weil, Gotshal & Manges, a New York based law firm. The attached invoices from this firm had no supporting documentation other than "For professional services rendered for the month of ... in connection with the following matters: Florida Cities Water."

After reviewing all documents supporting the direct legal fees charged to the utility and the intercompany allocated charges from the local law firms, we believe that these represent reasonable charges. However, the documentation supporting the allocated charges from Weil, Gotshal & Manges does not provide enough information to make a determination as to the reasonableness of these legal fees. Overall, we conclude that the total amount of test year legal fees are unusually high and an adjustment appears necessary.

Based on our review of the utility's invoices, we noted some charges that were non-recurring. Specifically, the direct charges for CIAC gross-up, as well as the allocated fees related to post-retirement benefits. Although, due to the nature of legal fees, any given type of charge may or may not recur every year. Nevertheless, if adjustments were made to remove the above charges, we still believe that the remaining balance is higher than the average occurring balance.

Based on the historical amounts, we are not convinced that this test year expense represents the on-going level of legal fees. Although the utility believes this level of legal expenses is normal and recurring due to increasing legislation, this type of legislation is not new and has been recurring regularly over the last several years. As such, there should not have been such a dramatic increase in the test year. Therefore, we have taken an average over the past two years and the test year. We believe this

will allow a reasonable level of contractual services - legal fees on a going-forward basis. In the twelve-month year ended 1992, the Barefoot Bay Division's legal fees were \$2,439. In the twelve-month year ended 1993, its legal fees totalled \$5,045, and in the test year ended June 30, 1994, its legal fees were \$8,593. The average of these three amounts equals \$5,359.

In ratemaking proceedings, the Commission has the discretion to remove items which are non-recurring in nature from the test year computation, as well as amounts which exceed the average occurring balance. Such action has been taken by the Commission previously and is supported by Florida Bridge Co. v. Bevis, 363 So. 2d 799, 801 (Fla. 1978), wherein the Court held that such treatment of legal fees is clearly within the Commission's authority. Based on the above, we find it appropriate that \$5,359 is a reasonable allowance for legal fees. Therefore, legal fees shall be reduced by \$3,234 to reflect a normal, recurring level.

Rate Case Expense

The utility requested \$69,821 in rate case expense amortized over four years to yield an annual expense of \$17,455. The utility was requested to supply the Commission with current rate case expense, supporting documentation, and an estimate to complete the PAA proceeding. The utility's current rate case expense and estimate to complete the PAA proceeding produced a revised rate case expense of \$41,004. Our analysis determined the revised rate case expense to be reasonable and prudent. Therefore, we find it appropriate that \$41,004 in rate case expense shall be amortized over four years for an annual expense of \$10,251. This results in a decrease in the utility's requested rate case expense of \$28,817, an annual reduction of \$7,204.

Test Year Operating Income

Based on the adjustments discussed previously, we find it appropriate that the test year operating income before any provision for increased revenues shall be \$39,850.

REVENUE REQUIREMENT

Based upon our review of the utility's application and the adjustments discussed herein, the appropriate annual revenue requirement for the water system is an increase of \$109,506 or 16.01 percent. This will allow the Barefoot Bay Division to collect revenues of \$793,350. These revenue requirements will allow the utility to recover its operating expenses and the opportunity to earn 8.75 percent return on its investment.

RATES AND CHARGES

The final rates for the water system are designed to produce annual revenues of \$793,350. The utility's rates prior to the filing, the currently approved interim rates, the requested final rates, and approved final rates are shown on Schedule No. 4.

Effective Date

The approved rates will be effective for service rendered on or after the stamped effective date of the tariff sheets provided the customers have received notice. The utility shall file and have staff's approval of revised tariff sheets and a proposed customer notice letter, pursuant to Rule 25-22.0407(10), Florida Administrative Code, prior to implementing the new rates. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

Refund of Interim Revenues

By Order No. PSC-94-1237-FOF-WU, issued on October 11, 1994, we suspended the utility's proposed rates and approved interim water rates were approved subject to refund, pursuant to Section 367.082, Florida Statutes. The interim increase resulted in annual revenues of \$777,686, an increase of \$93,842 or 13.72%

According to Section 367.082, Florida Statutes, any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed.

In this proceeding, the test period for establishment of interim and final rates was the historical twelve months ended June 30, 1994. The approved interim rates did not include any provisions for proforma consideration of increased operating expenses or increased plant. The interim increase was designed to allow recovery of actual interest costs, and the utility's requested equity cost, which was lower than the cost rate allowed by statute.

To establish the proper refund amount, we calculated a revised interim revenue requirement utilizing the same data used to establish final rates. We included proforma plant since it was in service by October 1994, which is during the interim collection period. However, rate case expense was excluded because it was not an actual expense during the interim collection period. Using

these principles, we calculated the revenue requirement for the interim collection period to be \$782,460. This revenue level exceeds the interim revenues (\$777,686) granted in Order No. PSC-94-1237-FOF-WU. Based on our calculations, we find that no interim refund is necessary.

Statutory Four-Year Rate Reduction

Section 367.0816, Florida Statutes, requires that the rate case expense be apportioned for recovery over the period of four years. The statute further requires that the rates of the utility be reduced immediately by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

The water rates shall be reduced to remove \$17,352 as shown on Schedule No. 5. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees. The utility shall file revised tariffs 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 reason for the reduction.

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

BOOKS AND RECORDS

Rule 25-30.140(4)(a), Florida Administrative Code, states that "All Class A and B utilities shall maintain depreciation rates and reserve activity by account as prescribed by this Commission." Although the utility computes depreciation expense by primary account, it maintains the depreciation reserve account in total for each water and wastewater division of FCWC and Poinciana Utilities, Inc. (PUI). For rate case purposes, the utility merely allocates the total expense by utility plant in service.

In Order No. PSC-94-1168-FOF-WS, issued September 26, 1994, PUI was granted a one-year period to implement this accounting treatment for its accumulated depreciation account. As of November 28, 1994, PUI has completed its study of depreciation and the reserve account, and can now account for accumulated depreciation on a primary account basis. Although the utility requested a one-year phase-in, it has accomplished this task within two months.

We requested that FCWC/PUI provide a time table for all of the remaining divisions, including estimated completion dates. Pursuant to a facsimile transmittal received November 28, 1994, the utility has submitted the following completion dates:

Barefoot Bay Water	1/31/95
Barefoot Bay Wastewater	2/31/95
Golden Gate Water	5/15/95
Golden Gate Wastewater	5/31/95
Ft. Myers Water-North	6/30/95
Ft. Myers Water-South	7/31/95
Ft. Myers Wastewater-North	8/30/95
Ft. Myers Wastewater-South	11/31/95

The utility believes that "this time table can be followed unless there are significant unforeseen events such as other PSC requested projects/dockets." Although we are in agreement with the projected time table, we believe that the utility should be able to comply with this plan regardless of any unforeseen events. If for any reason the projections cannot be achieved, the utility shall notify us in writing as soon as it is aware that a deadline might be missed.

If a protest is not received within 21 days of issuance of the Proposed Agency Action order, the order will become final, and the docket may be closed upon the utility's filing of and staff's approval of revised tariff sheets. Further, in the event a timely protest is not received, the corporate undertaking may be released.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Florida Cities Water Company, Barefoot Bay Division's application for increased water rates is approved as set forth in the body of this Order. It is further

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

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for services rendered on or after the stamped effective date of the

tariff sheets provided the customers have received notice. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, Florida Cities Water Company, Barefoot Bay Division shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the sheets are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that all provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at her 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

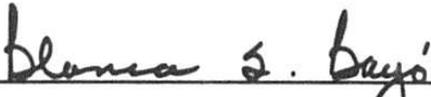
ORDERED that Florida Cities Water Company, Barefoot Bay Division shall correct material deficiencies in its books and records by November 31, 1995, and shall further maintain the books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.155, Florida Administrative Code. It is further

ORDERED that if no timely protest is received from a substantially affected person, the corporate undertaking may be released. It is further

ORDERED that this docket shall be closed if no timely protest is received from a substantially affected person, and upon the utility's filing and staff's approval of revised tariff sheets and the customer notice.

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By ORDER of the Florida Public Service Commission, this 10th
day of January, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

MSN

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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 31, 1995.

In the absence of such a petition, this order shall become effective on the day 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.

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

FLORIDA CITIES WATER COMPANY - BAREFOOT BAY				SCHEDULE NO. 1-A		
SCHEDULE OF WATER RATE BASE				DOCKET NO. 940687-WU		
TEST YEAR ENDED 6/30/94						
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 4,351,887	\$ 91,412	\$ 4,443,299	0	\$ 4,443,299	
2 LAND	1,056	0	1,056	0	1,056	
3 CONSTRUCTION WORK IN PROGRESS	16,323	(16,323)	0	0	0	
4 ACCUMULATED DEPRECIATION	(1,071,326)	(2,122)	(1,073,448)	0	(1,073,448)	
5 CIAC	(2,960,556)	0	(2,960,556)	0	(2,960,556)	
6 AMORTIZATION OF CIAC	783,002	2,836	785,838	0	785,838	
7 ALLOCATION OF GENERAL OFFICE	0	21,675	21,675	0	21,675	
8 ADVANCES FOR CONSTRUCTION	(86,250)	0	(86,250)	0	(86,250)	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	69,057	626	69,683	(827)	68,858	
RATE BASE	\$ 1,103,193	\$ 98,104	\$ 1,201,297	(825)	\$ 1,200,472	
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FLORIDA CITIES WATER COMPANY - BAREFOOT BAY ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 6/30/94	SCHEDULE NO. 1-B DOCKET NO. 940687-WU PAGE 1 OF 1
EXPLANATION	WATER
(1) <u>WORKING CAPITAL</u> a) Adjustment to agree with recommended operating expenses	\$ <u> </u> (825)

FLORIDA CITIES WATER COMPANY - BAREFOOT BAY CAPITAL STRUCTURE TEST YEAR ENDED 6/30/94						SCHEDULE NO. 2 DOCKET NO. 940687-WU				
DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION	
1 LONG TERM DEBT	\$ 28,240,625	41.29%	9.39%	3.88%	\$ (27,744,899)	\$ 495,726	41.29%	9.39%	3.88%	
2 SHORT-TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 PREFERRED STOCK	9,000,000	13.16%	9.00%	1.18%	(8,842,017)	157,983	13.16%	9.00%	1.18%	
4 COMMON EQUITY	20,435,972	29.88%	10.97%	3.28%	(20,077,246)	358,726	29.88%	11.34%	3.39%	
5 CUSTOMER DEPOSITS	375,265	0.55%	6.00%	0.03%	(368,678)	6,587	0.55%	6.00%	0.03%	
7 DEFERRED ITC'S - WTD. COST	1,848,881	2.70%	9.87%	0.27%	(1,816,426)	32,455	2.70%	10.02%	0.27%	
8 DEFERRED INCOME TAXES	6,488,103	12.41%	0.00%	0.00%	(8,339,106)	148,997	12.41%	0.00%	0.00%	
9 TOTAL CAPITAL	\$ 68,388,846	100.00%		8.64%	\$ (67,188,373)	\$ 1,200,473	100.00%		8.75%	
RANGE OF REASONABLENESS							LOW	HIGH		
RETURN ON EQUITY							10.34%	12.34%		
OVERALL RATE OF RETURN							8.45%	9.05%		

FLORIDA CITIES WATER COMPANY – BAREFOOT BAY				SCHEDULE NO. 3-A			
STATEMENT OF WATER OPERATIONS				DOCKET NO. 940687-WU			
TEST YEAR ENDED 6/30/94							
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 667,367	\$ 130,943	\$ 798,310	\$(114,466)	\$ 683,844	\$ 109,506	793,350
OPERATING EXPENSES:						16.01%	
2 OPERATION AND MAINTENANCE	\$ 552,458	\$ 5,008	\$ 557,466	\$(6,601)	\$ 550,865	\$	550,865
3 DEPRECIATION	58,025	(4,828)	53,197	0	53,197		53,197
4 AMORTIZATION	1,322	0	1,322	0	1,322		1,322
5 TAXES OTHER THAN INCOME	65,846	6,211	72,057	(5,151)	66,906	4,928	71,834
6 INCOME TAXES	8,640	1,836	10,476	(38,772)	(28,296)	39,353	11,057
7 TOTAL OPERATING EXPENSES	\$ 686,291	\$ 8,227	\$ 694,518	\$(50,524)	\$ 643,994	\$ 44,280	688,275
8 OPERATING INCOME	\$ (18,924)	\$ 122,716	\$ 103,792	\$(63,942)	\$ 39,850	\$ 65,225	105,075
9 RATE BASE	\$ 1,103,193		\$ 1,201,297		\$ 1,200,472		\$ 1,200,472
RATE OF RETURN	- 1.72%		8.64%		3.32%		8.75%

FLORIDA CITIES WATER COMPANY – BAREFOOT BAY ADJUSTMENTS TO OPERATING STATEMENTS TEST YEAR ENDED 6/30/94		SCHEDULE NO. 3-B DOCKET NO. 940687-WU PAGE 1 OF 1
EXPLANATION	WATER	
(1) <u>OPERATING REVENUES</u>		
a) Reverse utility's proposed revenue increase	\$	<u>(114,466)</u>
(2) <u>OPERATION & MAINTENANCE EXPENSES</u>		
a) To reduce rate case expenses		(7,204)
b) To include rate case expenses from prior order		6,320
c) To reduce Contractual Services Other		(2,483)
d) To reduce Contractual Services – Legal		(3,234)
	\$	<u>(6,601)</u>
(3) <u>TAXES OTHER THAN INCOME TAXES</u>		
a) Regulatory assessment fees related to revenue adjustment	\$	<u>(5,151)</u>
(4) <u>INCOME TAXES</u>		
a) Income taxes associated with adjusted test year income	\$	<u>(38,772)</u>
(5) <u>OPERATING REVENUES</u>		
a) Adjustment to reflect recommended revenue requirement	\$	<u>109,506</u>
(6) <u>TAXES OTHER THAN INCOME TAXES</u>		
a) Regulatory assessment taxes on additional revenues	\$	<u>4,928</u>
(7) <u>INCOME TAXES</u>		
a) Income taxes related to recommended income amount	\$	<u>39,353</u>

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UTILITY: FLORIDA CITIES WATER CO.
 SYSTEM: BAREFOOT BAY DIVISION
 DOCKET NO. 940687-WU
 TEST YEAR: YEAR ENDED: JUNE 30, 1994

Schedule No. 4

RATE SCHEDULE

Water

Monthly Rates

<u>RESIDENTIAL & GENERAL SERVICE</u>	<u>Original</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
Meter Size:				
5/8"x3/4"	\$6.15	\$7.00	\$7.53	\$7.47
3/4"	\$9.23	\$10.51	\$11.30	\$11.20
1"	\$15.39	\$17.52	\$18.83	\$18.66
1-1/2"	\$30.78	\$35.04	\$37.65	\$37.33
2"	\$49.25	\$56.06	\$60.24	\$59.72
3"	\$98.50	\$112.12	\$120.48	\$119.44
4"	\$153.90	\$175.18	\$188.25	\$186.63
6"	\$307.81	\$350.38	\$376.50	\$373.26
Gallonge Charge per 1,000 G., (no maximum)	1.88	2.14	\$2.10	\$2.09

UTILITY: FLORIDA CITIES WATER COMPANY
 SYSTEM: BAREFOOT BAY DIVISION
 DOCKET NO. 940687-WU

Schedule No. 5

RATE SCHEDULE

Schedule of Rate Decrease After Expiration of
 Amortization Period for Rate Case Expense

Water

Monthly Rates

<u>Residential, Multi-Family, and General Service</u>	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
Base Facility Charge (meter size):		
5/8"x3/4"	\$7.47	\$0.16
3/4"	\$11.20	\$0.25
1"	18.66	\$0.41
1-1/2"	\$37.33	\$0.82
2"	\$59.72	\$1.31
3"	\$119.44	\$2.63
4"	\$186.63	\$4.11
6"	\$373.26	\$8.22
Gallonage Charge, per 1,000 gallons	\$2.09	\$0.05