

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate
increase in Duval, Nassau, and
St. Johns Counties by United
Water Florida Inc.

DOCKET NO. 960451-WS
ORDER NO. PSC-97-1146-FOF-WS
ISSUED: SEPTEMBER 30, 1997

The following Commissioners participated in the disposition of
this matter:

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

ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR
RECONSIDERATION AND AMENDING ORDER NO. PSC-97-0618-FOF-WS

BY THE COMMISSION:

BACKGROUND

United Water Florida Inc. (UWF or utility), is a Class A utility providing water and wastewater service to approximately 27,000 customers in Duval, Nassau, and St. Johns Counties. UWF is located in a critical use area as designated by the St. Johns River Water Management District. Prior to May 1995, UWF was known as Jacksonville Suburban Utilities Corporation, a wholly owned subsidiary of General Waterworks Corporation (GWC), now known as United Waterworks Inc. (UWW).

On July 30, 1996, the utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081, 367.0816, and 367.082, Florida Statutes. The utility satisfied the minimum filing requirements (MFRs) for a rate increase on September 3, 1996. The utility requested that the case be scheduled for a formal hearing rather than processed under our proposed agency action procedures.

On October 29, 1996, the Office of Public Counsel (OPC) filed a Notice of Intervention in this proceeding. We acknowledged the intervention of OPC by Order No. PSC-96-1341-FOF-WS, issued November 8, 1996, in this docket.

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FPSC-RECORDS/REPORTING

UWF's request for interim rate relief was designed to increase annual water revenues by \$1,148,966 (16.77%), and annual wastewater revenues by \$1,073,950 (7.87%). By Order No. PSC-96-1388-FOF-WS, issued November 19, 1996, in this docket, we suspended the proposed permanent rates and approved interim increases in annual revenues of \$725,015 (10.47%) for water, and \$238,030 (1.69%) for wastewater, subject to refund with interest.

UWF's request for permanent water and wastewater rates was based on a projected test year ended December 31, 1997, utilizing an intermediate test year ended December 31, 1996, and a base year ended December 31, 1995. The utility requested to increase its annual water revenues by \$3.3 million and its annual wastewater revenues by \$5.1 million. The request was projected to increase the utility's annual water and wastewater revenues by approximately 46% and 33%, respectively.

On January 26 and 27, 1997, the technical and customer hearings were held at the Prime Osborne Convention Center in Jacksonville, Florida. Three customer hearings were held on those days. Approximately 100 customers attended, and 27 customers testified in opposition to the rate increase.

Post hearing briefs were filed on February 26, 1997. This matter was presented for final determination at the May 6, 1997, agenda conference. By Order No. PSC-97-0618-FOF-WS, issued May 30, 1997 (Final Order), we approved final water and wastewater rates and charges for UWF.

MOTION FOR RECONSIDERATION

On June 16, 1997, UWF timely filed a Motion for Reconsideration of our Final Order. OPC filed a timely response to the motion on June 25, 1997. For informational purposes, we note that on July 14, 1997, UWF filed a reply to OPC's response to the motion. However, because Rule 25-22.060, Florida Administrative Code, does not authorize such a pleading, we do not address UWF's reply herein.

Rule 25-22.060(1)(a), Florida Administrative Code, permits a party who is adversely affected by an order of this Commission to file a motion for reconsideration of that order. The standard for determining whether reconsideration is appropriate is set forth in Diamond Cab Company of Miami v. King, 146 So. 2d 889 (Fla. 1962). In Diamond Cab, the Florida Supreme Court declared that the purpose of a petition for reconsideration is to bring to an agency's attention a point of fact or law which was overlooked or which the agency failed to consider when it rendered its order. In Stewart

Bonded Warehouse, Inc. v. Bevis, 294 So. 2d 315 (Fla. 1974), the Court held that a petition for reconsideration should be based upon specific factual matters set forth in the record and susceptible to review. See also Pingree v. Quaintance, 394 So. 2d 161 (Fla. 1st DCA 1981). We have applied this standard in our review of UWF's motion.

Amortization of Acquisition Adjustments

Amortization Commencement Date

OPC pointed to the direct testimony of witness Larkin in recommending, in its post-hearing brief, that the amount of acquisition adjustment requested by UWF to be included in rate base should be reduced to reflect the fact that UWF should have begun amortizing the acquisition adjustments on its books at least by the dates the acquisition adjustments were recorded, which dates were prior to the instant rate case. By our Final Order, we agreed with OPC that UWF should have previously begun amortizing the acquisition adjustments which it included in rate base in the instant proceeding.

In its motion, UWF attempts to utilize the definition of amortization appearing in the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA) as justification for not having begun amortization of the acquisition adjustments prior to the current rate case. UWF quotes the definition of amortization as "the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized." (NARUC USOA, p. 9, Definitions.) UWF argues that it has not benefitted from the acquisition adjustment because the acquisition adjustment has not yet been included in rate base, upon which it is allowed to earn a return.

In its response, OPC interprets the above-quoted definition of amortization clearly to mean that the life of the assets acquired by UWF in each of the acquisitions begins for UWF on the date that UWF acquired the assets. Moreover, witness Larkin testified that in theory, UWF paid more than the book value for the systems because, in its eyes, the system was worth more than the book value, and the return was higher than the book value of the system reflected. The fact that UWF paid more than the book values for the systems indicates that UWF is earning a return on those systems. Witness Larkin concluded that UWF has, in fact, received benefits resulting from its acquisition of the systems by way of the receipt of revenues from the acquired systems' customers.

We agree with OPC on this point. It is as of the date of the acquisition that UWF begins to receive the benefits associated with its purchase. For example, as noted by OPC, soon after the date of the acquisitions, UWF began receiving revenues from the customers who were served by the systems acquired. Thus, UWF began earning a return on the assets acquired soon after the date of the acquisition.

In addition to OPC's observations, we note that the utility has been receiving benefits from the acquisition adjustments by including them in its reported rate base. This has allowed the utility to report higher earnings without exceeding its last authorized rate of return, a factor considered in our review of the utility's annual reports and when implementing index adjustments.

UWF had ample opportunity to explore this issue fully with OPC witness Larkin at the hearing. We addressed this issue in our decision, as reflected by the Final Order. In so doing, we relied on the testimony of witness Larkin and our decision was thus based on competent substantial evidence. UWF has not shown that we have overlooked or failed to consider a point of fact or law when we rendered our decision. We therefore deny UWF's request that we reconsider our decision to adjust rate base for amortization of the acquisition adjustments since they were recorded.

Nevertheless, UWF correctly points out that we erred by using the Proposed Agency Action (PAA) order by which the Commission recognized the acquisition adjustment, PAA Order No. PSC-93-1819-FOF-WS, as the date that amortization should start for the Ponte Vedra acquisition adjustment. Under this approach, UWF would have had to begin amortizing the acquisition adjustment for Ponte Vedra starting on December 22, 1993. However, that PAA order was protested. The final order, Order No. PSC-95-0502-FOF-WS, issued April 24, 1995, resolved the protest but reduced the acquisition adjustment by half. Therefore, the use of the issuance date of the PAA order as the beginning date of amortization incorrectly results in sixteen months of amortization of an acquisition adjustment before the final acquisition adjustment amount was determined. Therefore, we agree with UWF that the amortization should start after the final order was issued. To correct this error, we hereby grant UWF's request for reconsideration of the amount of amortization to be accumulated prior to the test year for the Ponte Vedra acquisition. We hereby find that this correction changes the total amount of accumulated amortization of the acquisition adjustments to \$167,947 for the water operation and to \$317,096 for the wastewater operation. This decreases accumulated amortization, which increases rate base, by \$42,035 for the water operation and by \$96,407 for the wastewater operation from the amounts reflected

in Order No. PSC-97-0618-FOF-WS. This correction does not change test year amortization, as shown in Order No. PSC-97-0618-FOF-WS.

Amortization Period

By our Final Order, we found that UWF shall reflect amortization of the acquisition adjustments accumulated from the date the acquisition adjustments were authorized over the utility's previously authorized amortization period of twenty years.

UWF has requested reconsideration of our decision to show amortization of the approved acquisition adjustments from the date that this Commission approved the acquisition of the system and its related acquisition adjustment. The utility contends that in the Final Order, we do not refer to any rule which establishes a specific period or a specific rate for the amortization of acquisition adjustments. The utility further contends that we overlooked the point that the only rule providing guidance in the area is Rule 25-30.115, Florida Administrative Code, which requires water and wastewater utilities to maintain their accounts and records in conformity with the 1984 NARUC USOA. The 1984 NARUC USOA provides, in part, in the instruction to Account No. 114, Utility Plant Acquisition Adjustments, that "[t]he amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct."

The utility further contends that we overlooked that the record contains no evidence that the Commission has ever authorized UWF to amortize the acquisition adjustments, or established a generic amortization period or rate for UWF's acquisition adjustments. In UWF's last rate case, no generic amortization period or rate was established. Instead, the Commission found that an acquisition adjustment had been approved in a prior rate proceeding, by Order No. 6575. Order No. 10531, issued January 20, 1982, in Docket No. 810071-WS at 4. Nevertheless, the Commission did not establish an amortization period or rate by Order No. 6575. Rather, the twenty year amortization period for the acquisition adjustment at issue in Order No. 6575 (the Southern Utilities acquisition adjustment) was calculated by dividing the total amounts to be amortized set forth by Order No. 6575 by one-half of the two year adjustment shown on one of the schedules to Order No. 10531. See Exhibit 23 at 8-9. UWF argues that the Commission did not order UWF to use a twenty year period or a 5% rate of amortization for future acquisition adjustments by either of those orders. The orders are silent on this point. The utility contends that if the Commission had intended to establish a specific amortization period or rate for all future acquisition adjustments

of UWF, then it would have done so by those orders. Furthermore, none of the transfer orders directed UWF to begin amortizing the acquisition adjustments or provided a date for the commencement of such amortization. Nor did the transfer orders suggest any period for or rate of amortization.

In its response, OPC characterizes the main basis of the utility's motion to be that the Commission has not authorized specific amortization periods for each of the separate acquisition adjustments in question, and that the 1984 NARUC USOA provides that amounts recorded in the acquisition adjustment account with respect to each property acquisition shall be amortized or otherwise disposed of as the Commission may approve or direct. OPC argues that the motion fails to acknowledge that the Commission has approved each of the acquisition adjustments in question. While the decisions approving the acquisition adjustments may not have delineated specific amortization periods, the utility should have been fully aware that it is the Commission's practice to require utilities to amortize acquisition adjustments and that the Commission had required amortization of previous acquisition adjustments for UWF. OPC witness Larkin testified that the utility's acquisition adjustments should be amortized in accordance with Commission policy because the acquisitions relate to a system that is providing service to customers; the purchase or the payment of an acquisition adjustment is related to service as it is provided; and the utility has no opposition to the recording of the acquisition adjustments.

OPC points out that as additional support for reflecting an accumulated amortization offset to the acquisition adjustments, witness Larkin also testified that UWF should have begun amortizing the acquisition adjustments on its books the date they were recorded on the books, similar to the treatment of depreciation expense on plant assets. OPC argues that there is no reason to distinguish between the amortization of acquisition adjustments and the depreciation of plant assets when determining the date on which the amortization or depreciation should begin. Public utilities in Florida do not, and are not permitted to delay depreciation of new plant assets until the first rate case proceeding following the purchase or construction of the new plant. UWF did not wait until the current case to begin the depreciation of the assets it acquired in each of the systems purchased. OPC concludes that the amortization of acquisition adjustments must be treated accordingly for both fairness and consistency, particularly when the acquisition has been approved by the Commission.

We find that we did not overlook rule guidance with respect to amortization of acquisition adjustments in this case. No party

referred to Commission rules which address amortization. The utility is correct that our rules are silent on the amortization period for acquisition adjustments. The utility relied on the NARUC USOA for guidance on this issue and OPC relied on previous orders for precedent.

UWF is also correct that in the previous orders, the Commission did not expressly determine the period that these acquisition adjustments were to be amortized. As noted by UWF, during the last rate proceeding, the utility used the amortization period previously calculated for the acquisition adjustment at issue in Order No. 6575. No issue was raised to discredit this rate in the instant proceeding. We heard these arguments at the hearing and did not overlook them. Instead, we relied on the testimony of OPC witness Larkin and thereby based our decision on competent, substantial evidence. The utility has not shown us that in so doing, we made any mistake of fact or law. We therefore deny UWF's request that we reconsider our decision concerning the prior amortization period for acquisition adjustments.

However, we do note UWF's argument that we misinterpreted witness McGuire's testimony at page 27 of the Final Order, by finding that he admitted that an amortization period of 20 years (5%) has been in effect since the utility's last general rate filing. Upon closer examination of the transcript, we find that UWF is correct on this point. The witness did not admit that the Commission had established an amortization period for all of UWF's acquisition adjustments. Rather, witness McGuire testified that the Commission had used an amortization period of twenty years to amortize a specific acquisition adjustment in the utility's last rate case, namely for the acquisition of the Southern Utilities Company. Order No. PSC-97-0618-FOF-WS is hereby amended accordingly, to correct this misinterpretation. Nevertheless, this does not cause us to alter our decision on this issue.

Other Postretirement Employee Benefits

By Order No. PSC-97-0618-FOF-WS, we determined that UWF's rate base should be reduced by \$415,080 and \$737,920 for water and wastewater, respectively, to reflect the utility's accumulated unfunded liability associated with Other Postretirement Employee Benefits (OPEBs).

In its motion, UWF argues that we overlooked or failed to consider the purpose of Rule 25-14.012, Florida Administrative Code, and also have failed to consider the information contained in Exhibit 15 with regard to the payments and expenses in 1995 and 1996.

As UWF states in its motion, companies are not required to fully fund the annual OPEB expenses, which results in an unfunded liability. According to UWF, the Commission adopted Rule 25-14.012, Florida Administrative Code, to deal with utility companies which collect rates that cover the annual OPEB expenses without completely funding the expenses in the same year. Thus, rate base is reduced to offset the utility's cost free source of funds resulting from the unfunded liability.

The utility argues that we mechanically applied the rule in making our decision without regard to the purpose of the rule; namely, to offset a utility's possession of a cost free funding source. UWF believes that we inappropriately applied the rule in this proceeding because the utility has not received rate recovery of its 1995 and 1996 OPEB expenses, and therefore, a cost free funding source does not exist. According to UWF's interpretation, when the rule is applied appropriately, it acts to reduce rate base by removing the funds which a utility company has received from its customers but has not paid in expenses, or the unfunded liability. We disagree with UWF's interpretation of Rule 25-14.012, Florida Administrative Code. We find that an unfunded liability will exist for any utility that does not fund 100% of its annual OPEB expenses, regardless of whether the utility receives rate recovery for those expenses.

In its motion, UWF points out an excerpt from an order from the Division of Administrative Hearings which states that "any unfunded accumulated post-retirement benefit expense allowed by the Commission reduces the utility's rate base so no return is earned on that amount." Citizens of the State of Florida v. Public Service Commission, 15 FALR 1776, 1783 (1993). According to UWF, since the Commission has not allowed rate recovery for the utility's OPEB expenses for 1995 and 1996, likewise, its rate base should not be reduced by any unfunded liability related to the expenses in those years. We disagree, and in so doing note that that order also states that "if a specific OPEB expense for retirees is disallowed by the Commission (e.g., dental coverage for retirees) the utility does not recover that expense in its rate base. Concomitantly, the disallowed expense does not become a reduction to rate base." Id. at 1783-1784 (emphasis added). We find that this language refers to the disallowance of a specific component of a utility's OPEB expense, as opposed to the expense for an entire year. In the instant case, we did not make adjustments to disallow specific components of UWF's OPEB expenses. Conversely, recovery of the expenses for 1995 and 1996 was not requested until the utility filed its brief. Thus, we did not disallow these expenses, as the request for recovery was not entered into the record of evidence.

As discussed in our Final Order, UWF proposed in its brief to amortize the expenses and unfunded OPEB liability amounts for 1995 and 1996 over a fifteen year period, and to reduce rate base by the 1997 unfunded amount plus the amortized portion for the prior years, with a proportional adjustment to increase OPEB expenses for the test year. In its motion for reconsideration, UWF reiterated its request to amortize the prior years' expenses and unfunded liability amounts over a fifteen year period. In addition, the utility proposed that we should establish a regulatory asset for the annual OPEB expenses for 1995 and 1996, and a regulatory liability for the 1995 and 1996 unfunded OPEB liability, in accordance with the 1996 NARUC USOA. However, pursuant to Order No. PSC-97-0890-FOF-WS, issued July 29, 1997, in Docket No. 970522-WS, by which we adopted the amendments to Rule 25-30.115, Florida Administrative Code, the 1996 version of the USOA is not effective until January 1, 1998.

In its response to the utility's motion, OPC argues in favor of our decision regarding OPEBs. According to OPC, our decision is consistent with Rule 25-14.012, Florida Administrative Code, and with the evidence presented in this case. OPC points out that UWF did not request rate recovery of its 1995 and 1996 OPEB costs until the utility filed its brief. OPC argues that the utility could have requested recovery of these costs initially, or at an earlier point in the proceeding, which would have allowed the parties affected by this issue to sufficiently review, analyze, and address the issue before the Commission. Accordingly, OPC maintains that the utility's delayed request for recovery of these costs should be denied.

With regard to UWF's request for approval of the creation of a regulatory asset for its 1995 and 1996 OPEB expenses and the creation of a regulatory liability for its unfunded liability for those same years, OPC argued that this treatment is inappropriate and not in compliance with Rule 25-14.012(2), Florida Administrative Code, which states, in part, that "Deferral Accounting under Statement of Financial Accounting Standards No. 71 (Accounting for the Effects of Certain Types of Regulation, December 1982) shall not be used to account for the costs of postretirement benefits other than pensions without prior Commission approval." As OPC has pointed out, the utility did not request prior approval from the Commission to defer and amortize the 1995 and 1996 OPEB expenses, or the unfunded liability.

In its response to the utility's motion, OPC also argues that our adjustment to reduce rate base by UWF's accumulated unfunded OPEB liability balance as of December 31, 1997, is appropriate and in compliance with the terminology of Rule 25-14.012(3), Florida

Administrative Code, which states, in part, that "each utility's unfunded accumulated postretirement benefit obligation shall be treated as a reduction to rate base in rate proceedings." As OPC points out, the rule does not indicate that the rate base reduction must be limited to the amounts which the utility has collected from ratepayers. In addition, OPC takes the position that it is reasonable to assume that when we made our decision to reduce rate base by UWF's accumulated unfunded OPEB liability, we were thoroughly aware of the rule and the purpose and intent of the rule. Finally, according to OPC, our decision with regards to OPEB costs is appropriate in that the adjustment is in compliance with Rule 25-14.012, Florida Administrative Code, and takes into consideration the evidence presented in the case.

We agree with OPC on this issue. With regard to UWF's assertion that we overlooked or failed to consider the purpose of Rule 25-14.012, Florida Administrative Code, we find that the rule stands on its own merit. We find that we appropriately applied the language of the rule to the evidence available to us from the record of this proceeding. Similarly, with regard to UWF's assertion that we failed to consider the 1995 and 1996 OPEB payments and expenses, as we stated in the Final Order, we do not believe that the evidence in the record supports recovery of the OPEB expenses prior to the test year. In addition, the utility's request to treat these costs as deferred items and to amortize them over fifteen years is not supported by the record. Accordingly, no mistake of fact or law has been made in this regard. Therefore, we hereby deny the utility's motion for reconsideration of this issue.

Cost Rate of Investment Tax Credits (ITCs)

By Order No. PSC-97-0618-FOF-WS, at 37 and 76, we determined that the appropriate cost rate for ITCs included in the utility's capital structure is zero and that there shall be no amortization of the ITCs to cost of service. UWF contends that we erred in making these determinations. The utility argues that the staff auditor made an adjustment to alter the ITC cost rate, but did not change it to zero. The utility also argues that the ITC cost rate in the utility's last rate case order was not zero. Moreover, UWF contends that the affidavit filed by the utility as late filed Exhibit No. 51 indicates that an election for ratable flow through, or Option 2, was made. Finally, the utility argues that, on audit, the Internal Revenue Service (IRS) did not find a normalization violation.

In its response to UWF's motion, OPC agrees with our decision regarding the ITCs and the assignment of a zero cost rate to this capital. OPC argues that if a utility cannot support its contention that it elected to treat ITCs as capital with a cost equal to the overall rate of return, as required by the Internal Revenue Code, then, by default, it becomes zero cost capital. OPC argues that UWF's motion asks the Commission to ignore the fact that UWF was unable to prove that it made the appropriate election. OPC states that we should not assume that the auditors actually concluded that the rate making effects of ITCs complied with the election made by the utility. According to OPC, the Commission cannot surmise what the IRS auditors did or did not do. Moreover, OPC argues that we must examine the evidence in the record, which evidence includes late filed Exhibit No. 51, and which OPC believes does not form a sufficient basis upon which to award the utility at the expense of the rate payers.

By Order No. PSC-97-0618-FOF-WS, at page 35, we listed and separately addressed the portions of the record in this proceeding that concern ITCs. Thus, we find that we clearly did consider all pertinent evidence of record in this proceeding on this issue. Indeed, on page 36 of the Order, we found late-filed Exhibit No. 51, the affidavit, and witness McGuire's testimony to be less than persuasive. And on page 37 of the Order, we found that the record in this proceeding does not support the use of a weighted cost rate for the ITCs. It appears to us that by its motion, the utility merely reargues its position, which is not appropriate in a motion for reconsideration.

With regard to UWF's contention that the ITC cost rate in its last rate case order was not zero, we note that the order issued in the utility's last rate case was not officially recognized or otherwise made a part of the record of this proceeding. Thus, we find this to be a new argument, based on information which falls outside of the record, and that it is not an appropriate basis for reconsideration.

The burden of proof in a Commission proceeding is always on the utility or other party seeking a change in rates. Florida Power Corp. v. Cresse, 413 So. 2d 1187 (Fla. 1982). The utility failed to carry its burden of proof on this issue and should not be permitted to benefit from that failure. See Gulf Power Co. v. FPSC, 453 So. 2d 799 (Fla. 1984). We find that we did not misapprehend or overlook any law or factual evidence of record in our initial decision. We therefore find it appropriate to deny UWF's motion for reconsideration of the cost rate and treatment of ITC amortization.

Parent Debt Adjustment

By Order No. PSC-97-0618-FOF-WS, at page 78, we deemed it appropriate to make a parent debt adjustment. The utility believes that we erred in reaching this determination. UWF argues that witness McGuire indicated that no debt of United Water Resources (UWR) supports equity of UWW or UWF. Therefore, UWF contends that there is no evidence that any debt of UWR is invested in UWW or UWF. Further, UWF believes that it meets the standard set in General Telephone Co. v. FPSC, 446 So. 2d 1063, 1069 (Fla. 1984), which holds that there is a rebuttable presumption to the parent debt rule, Rule 25-14.004, Florida Administrative Code.

In its response to UWF's motion, OPC states that the evidence supports this adjustment. OPC believes that, in support of its motion, UWF is restating witness McGuire's assertion that no debt of UWR is used to fund the equity of either UWW or UWF. OPC argues that the flow of funds from parent to subsidiary to subsidiary is clear, in that UWR invests in UWW and UWW invests in UWF. OPC further states that if there is any debt at all in a parent company's capital structure, then that debt, as part of the capital, automatically flows from parent to subsidiary to subsidiary via the parent company's investment in those subsidiaries. OPC believes that UWF failed to meet its burden of proof in that it did not present clear evidence that demonstrated that no UWR debt ultimately flows through to benefit UWF.

In Order No. PSC-97-0618-FOF-WS, at pages 76 through 78, we discuss the record in this proceeding related to this issue and the reasons why the record failed to persuade us not to make a parent debt adjustment. We find that we clearly did consider all pertinent evidence of record in this proceeding which relates to the parent debt adjustment, and that the utility is merely rearguing its position, which is not appropriate in a motion for reconsideration. Because we find that we did not misapprehend or overlook any law or factual evidence of record in making our initial decision regarding a parent debt adjustment, we hereby deny UWF's motion for reconsideration of the parent debt adjustment.

Revenue Requirement

In order to reflect the change made above to the total accumulated amortization of the acquisition adjustments for the test year, we hereby approve the following revised revenue requirement:

	<u>\$ Increase</u>	<u>% Increase</u>	<u>Revenue Requirement</u>
Water	\$5,770	0.06%	\$9,653,958
Wastewater	\$12,633	0.07%	\$17,976,172
Total	\$18,403	0.07%	\$27,630,132

The revenue requirement is a summation measure that is dependent upon the approved provisions for rate base, cost of capital, and operating expenses. We find that the revised water revenue requirement is \$9,653,958 and the revised wastewater revenue requirement is \$17,976,172. The operating income statement, which reflects the revenue requirement calculation, is attached as Schedule No. 3-B and the adjustments are shown on Schedule No. 3-C. These schedules are incorporated herein by reference.

The water revenue requirement approved by Order No. PSC-97-0618-FOF-WS was \$9,648,188, which represented an increase of \$2,361,740 (32.41%) over test year revenues. The wastewater revenue requirement approved by Order No. PSC-97-0618-FOF-WS was \$17,963,539, which represented an increase of \$2,289,757 (14.61%) over test year revenues. This represents an increase of \$5,770 (0.06%) for water operations and \$12,633 (0.07%) for wastewater operations over the amounts which we previously approved by our Final Order.

Rates

The permanent rates requested by the utility were designed to produce revenues of \$10,631,396 for the water service and \$20,786,382 for the wastewater service. The requested revenues represented an increase of \$3,344,948 or 45.9% for water service and \$5,112,600 or 32.6% for wastewater service.

Given our above revision to the utility's revenue requirement, we find it appropriate to approve final rates which are designed to produce annual revenues of \$9,567,058 for water service, which is an increase of \$5,770 or .06% from the water rates which we

approved by the Final Order, and \$17,976,172 for wastewater service, which is an increase of \$12,633 or .07% from the wastewater rates approved by the Final Order. These approved increases exclude miscellaneous service revenues. The rate structure shall be consistent with that approved by the Final Order.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the appropriate rates and the reason for the increase, pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within ten days after the date of the notice.

A comparison of the utility's rates as of December 31, 1995, current rates, the approved interim rates, UWF's requested rates, the rates approved by the Final Order, and the revised final rates as approved herein are shown on Schedules Nos. 4A and 4B, which are incorporated herein by reference.

Four-Year Rate Reduction

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of rate case expense previously authorized in the rates. The reduction shall reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which is \$43,310 for water and \$76,996 for wastewater. We hereby find that the removal of rate case expense grossed-up for regulatory assessment fees results in the reduction of rates as shown on Schedules Nos. 5A and 5B, which are incorporated herein by reference. Our approved rate decreases, after expiration of the amortization period for rate case expense, are shown on these schedules.

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 proposed customer notices setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for

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the reduction in the rates due to the removal of amortized rate case expense.

Docket Closure

Because no further action is necessary, provided the utility has submitted proper revised tariff sheets and has provided adequate customer notice as set forth herein, this docket shall be closed thirty-two days after issuance of this Order, to allow the time for filing an appeal to run, or, if a party files a notice of appeal, upon resolution thereof by the appellate court.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that United Water Florida Inc.'s, Motion for Reconsideration of Order No. PSC-97-0618-FOF-WS is hereby granted in part and denied in part, as set forth in the body of this Order. It is further

ORDERED that Order No. PSC-97-0618-FOF-WS is hereby amended 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 to this Order are incorporated herein by reference. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets provided the customers have received notice. It is further

ORDERED that, prior to the implementation of the rates approved herein, United Water Florida Inc., shall submit a proposed customer notice explaining the changed rates and the reasons therefor. It is further

ORDERED that, prior to the implementation of the rates approved herein, United Water Florida Inc., shall submit and have approved, revised tariff sheets. The revised tariff sheets will be approved upon our staff's verification that they are consistent with our decision and that the proposed customer notice is adequate. It is further

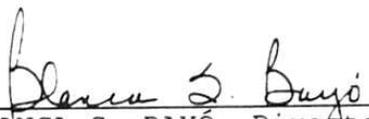
ORDERED that the rates approved herein shall be reduced at the end of the four-year rate case expense amortization period. United Water Florida Inc., shall file revised tariff sheets no later than

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DOCKET NO. 960451-WS
PAGE 16

one month prior to the actual date of the reduction and shall also file a customer notice setting forth the lower rates and the reason for the reductions. It is further

ORDERED that, provided the utility has submitted proper revised tariff sheets and has provided adequate customer notice as set forth herein, this docket shall be closed thirty-two days after issuance of this Order, to allow the time for filing an appeal to run, or, if a party files a notice of appeal, upon resolution thereof by the appellate court.

By ORDER of the Florida Public Service Commission this 30th day of September, 1997.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF 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.

Any party adversely affected by the Commission's final action in this matter may request 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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.

UNITED WATER FLORIDA, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED 12/31/97

SCHEDULE NO. 1-A
 DOCKET NO. 960451-WS

ORDER NO. PSC-97-1146-FOF-WS
 DOCKET NO. 960451-WS
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COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 58,804,319	\$ 0	\$ 58,804,319	\$ (6,037,517)	\$ 52,766,802
2 LAND & LAND RIGHTS	592,766	0	592,766	338,878	931,644
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(11,134,009)	0	(11,134,009)	2,095,173	(9,038,836)
5 CIAC	(24,872,010)	0	(24,872,010)	1,753,885	(23,118,125)
6 AMORTIZATION OF CIAC	5,896,677	0	5,896,677	(410,735)	5,485,942
7 ACQUISITION ADJUSTMENTS	594,326	0	594,326	0	594,326
8 ACQUISITION ADJUSTMENTS-AMORTIZATION	(22,287)	0	(22,287)	(145,660)	(167,947)
9 ADVANCES FOR CONSTRUCTION	(152,370)	0	(152,370)	0	(152,370)
10 UNFUNDED POST-RETIRE. BENEFITS	0	0	0	(415,080)	(415,080)
11 WORKING CAPITAL ALLOWANCE	335,842	0	335,842	14,588	350,430
12 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
RATE BASE	\$ 30,043,254	\$ 0	\$ 30,043,254	\$ (2,806,468)	\$ 27,236,786

UNITED WATER FLORIDA, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED 12/31/97

SCHEDULE NO. 1-B
 DOCKET NO. 960451-WS

ORDER NO. PSC-97-1146-FOF-WS
 DOCKET NO. 960451-WS
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COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$104,093,544	\$ 0	\$104,093,544	\$(10,862,156)	\$ 93,231,388
2 LAND	1,018,304	0	1,018,304	311,679	1,329,983
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(21,915,180)	0	(21,915,180)	1,839,010	(20,076,170)
5 CIAC	(36,007,229)	0	(36,007,229)	(782,417)	(36,789,646)
6 AMORTIZATION OF CIAC	11,400,971	0	11,400,971	(275,456)	11,125,515
7 ACQUISITION ADJUSTMENTS	867,986	0	867,986	0	867,986
8 ACQUISITION ADJUSTMENTS-AMORTIZATION	(32,549)	0	(32,549)	(284,547)	(317,096)
9 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
10 UNFUNDED POST-RETIRE. BENEFITS	0	0	0	(737,920)	(737,920)
11 WORKING CAPITAL ALLOWANCE	651,929	0	651,929	28,318	680,247
12 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
RATE BASE	\$ 60,077,776	\$ 0	\$ 60,077,776	\$(10,763,489)	\$ 49,314,287

UNITED WATER FLORIDA, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED 12/31/97

SCHEDULE NO. 1-C

EXPLANATION	WATER	WASTEWATER
COMMISSION ADJUSTMENTS:		
UTILITY PLANT IN SERVICE		
(1) Revised capital additions	\$ (5,951,658)	\$ (10,685,901)
(2) Excess AFUDC	(40,986)	(173,706)
(3) Property held for future use	(23,776)	0
(4) Removal of merger costs	<u>(21,097)</u>	<u>(2,549)</u>
Total Adjustment	\$ <u>(6,037,517)</u>	\$ <u>(10,862,156)</u>
LAND & LAND RIGHTS		
(1) Revised capital additions	\$ 330,102	\$ 1,487,379
(2) Property held for future use	<u>8,776</u>	<u>(1,175,700)</u>
Total Adjustment	\$ <u>338,878</u>	\$ <u>311,679</u>
ACCUMULATED DEPRECIATION		
(1) Revised capital additions	\$ 2,092,929	\$ 1,831,144
(2) Excess AFUDC	1,502	7,770
(3) Removal of merger costs	<u>742</u>	<u>96</u>
Total Adjustment	\$ <u>2,095,173</u>	\$ <u>1,839,010</u>
CIAC		
Revised capital additions	\$ <u>1,753,885</u>	\$ <u>(782,417)</u>
AMORTIZATION OF CIAC		
Revised capital additions	\$ <u>(410,735)</u>	\$ <u>(275,456)</u>
ACQUISITION ADJUSTMENTS-AMORTIZATION		
Accumulated amortization from date recorded	\$ <u>(145,660)</u>	\$ <u>(284,547)</u>
UNFUNDED POST-RETIREMENT BENEFITS		
To reflect accumulated unfunded OPEB liability	\$ <u>(415,080)</u>	\$ <u>(737,920)</u>
ALLOWANCE FOR WORKING CAPITAL		
Unamortized Tank Painting Expense	\$ <u>14,588</u>	\$ <u>28,318</u>

UNITED WATER FLORIDA, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/97

SCHEDULE NO. 2
 DOCKET NO. 960451-WS

ORDER NO. PSC-97-1146-FOF-WS
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COMPONENT	TOTAL CAPITAL	UTILITY UPDATE	SPECIFIC ADJUSTMENTS	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY PROJECTED YEAR END 1997								
1 LONG TERM DEBT	\$ 0	\$ 0	\$ 0	\$ 47,756,413	\$ 47,756,413	52.99%	8.72%	4.62%
2 SHORT-TERM DEBT	0	0	0	575,384	575,384	0.64%	6.55%	0.04%
3 PREFERRED STOCK	0	0	0	178,925	178,925	0.20%	5.00%	0.01%
4 COMMON EQUITY	91,785,632	0	0	(52,268,372)	39,517,260	43.85%	11.70%	5.13%
5 CUSTOMER DEPOSITS	7,900	0	0	(323)	7,577	0.01%	6.00%	0.00%
6 DEFERRED INCOME TAXES	1,246,518	0	0	(51,032)	1,195,486	1.33%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COS	927,976	0	0	(37,991)	889,985	0.99%	10.04%	0.09%
8	<u>\$ 93,968,026</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,846,996)</u>	<u>\$ 90,121,030</u>	<u>100.00%</u>		<u>9.89%</u>
PER COMMISSION PROJECTED AVERAGE 1997								
9 LONG TERM DEBT	\$ 47,756,413	\$(15,487,598)	\$ 0	\$ 7,984,185	\$ 40,253,000	52.58%	8.55%	4.50%
10 SHORT-TERM DEBT	575,384	(284,331)	0	71,918	362,971	0.47%	6.41%	0.03%
11 PREFERRED STOCK	178,925	(58,026)	0	27,255	148,154	0.19%	5.00%	0.01%
12 COMMON EQUITY	39,517,260	(12,815,565)	0	6,610,365	33,312,060	43.52%	11.57%	5.03%
13 CUSTOMER DEPOSITS	7,577	1,556	(1,233)	0	7,900	0.01%	7.00%	0.00%
14 DEFERRED INCOME TAXES	1,195,486	(214,731)	222,195	0	1,202,950	1.57%	0.00%	0.00%
15 DEFERRED ITC	889,985	374,053	0	0	1,264,038	1.65%	0.00%	0.00%
16	<u>\$ 90,121,030</u>	<u>\$(28,484,642)</u>	<u>220,962</u>	<u>\$ 14,693,723</u>	<u>\$ 76,551,073</u>	<u>100.00%</u>		<u>9.57%</u>

RANGE OF REASONABLENESS	LOW	MID	HIGH
RETURN ON EQUITY	10.57%	11.57%	12.57%
OVERALL RATE OF RETURN	9.14%	9.57%	10.01%

UNITED WATER FLORIDA, INC.
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED 12/31/97

SCHEDULE NO. 3-A
DOCKET NO. 960451-WS

ORDER NO. PSC-97-1146-FOF-WS
DOCKET NO. 960451-WS
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	7,286,448	\$ 3,344,948	\$ 10,631,396	\$ (3,344,948)	\$ 7,286,448	\$ 2,367,510	\$ 9,653,958
OPERATING EXPENSES:						32,494	
2 OPERATION AND MAINTENANCE	4,227,097	\$ 21,256	\$ 4,248,353	\$ (265,079)	\$ 3,983,274	\$ 15,152	\$ 3,998,426
3 DEPRECIATION	1,323,173	0	1,323,173	(272,036)	1,051,137		1,051,137
4 AMORTIZATION	22,799	0	22,799	6,918	29,717		29,717
5 TAXES OTHER THAN INCOME	955,123	150,523	1,105,646	(206,546)	899,100	106,538	1,005,638
6 INCOME TAXES	(233,917)	1,194,064	960,147	(842,769)	117,378	845,103	962,481
7 TOTAL OPERATING EXPENSES	6,294,275	\$ 1,365,843	\$ 7,660,118	\$ (1,579,512)	\$ 6,080,606	\$ 966,793	\$ 7,047,399
8 OPERATING INCOME	992,173	\$ 1,979,105	\$ 2,971,278	\$ (1,765,436)	\$ 1,205,842	\$ 1,400,717	\$ 2,606,559
9 RATE BASE	30,043,254		\$ 30,043,254		\$ 27,236,786		\$ 27,236,786
10 RATE OF RETURN	1.30%		2.89%		4.41%		9.57%

UNITED WATER FLORIDA, INC.
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED 12/31/97

SCHEDULE NO. 3-B
 DOCKET NO. 960451-WS

ORDER NO. PSC-97-1146-FOF-WS
 DOCKET NO. 960451-WS
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	15,673,782	\$ 5,112,600	\$ 20,786,382	\$ (5,112,600)	\$ 15,673,782	\$ 2,302,390	\$ 17,976,172
OPERATING EXPENSES:						14.69%	
2 OPERATION AND MAINTENANCE	7,955,590	\$ 32,489	\$ 7,988,079	\$ (51,939)	\$ 7,936,140	\$ 14,735	\$ 7,950,875
3 DEPRECIATION	2,955,113	0	2,955,113	(623,594)	2,331,519		2,331,519
4 AMORTIZATION	29,610	0	29,610	13,789	43,399		43,399
5 TAXES OTHER THAN INCOME	1,727,434	230,067	1,957,501	(321,318)	1,636,183	103,608	1,739,791
6 INCOME TAXES	89,315	1,825,071	1,914,386	(1,545,032)	369,354	821,857	1,191,211
7 TOTAL OPERATING EXPENSES	12,757,062	\$ 2,087,627	\$ 14,844,689	\$ (2,528,094)	\$ 12,316,595	\$ 940,200	\$ 13,256,795
8 OPERATING INCOME	2,916,720	\$ 3,024,973	\$ 5,941,693	\$ (2,584,506)	\$ 3,357,187	\$ 1,362,190	\$ 4,719,377
9 RATE BASE	60,077,776		\$ 60,077,776		\$ 49,314,287		\$ 49,314,287
10 RATE OF RETURN	4.85%		9.89%		6.81%		9.57%

UNITED WATER FLORIDA, INC.
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED 12/31/97

SCHEDULE NO. 3-C
PAGE 1 OF 2

EXPLANATION	WATER	WASTEWATER
COMMISSION ADJUSTMENTS:		
OPERATING REVENUES		
Projected revenue increase	\$ (3,344,948)	\$ (5,112,600)
OPERATION AND MAINTENANCE		
(1) Reduction due to unaccounted for water	\$ (22,044)	\$ 0
(2) Removal of salaries and wages	(63,653)	(113,160)
(3) Reclassification of expenses to various O&M accounts incorrectly recorded in salaries	(48)	56,647
(4) Adjustments to insurance expenses associated with removal of test year salaries	(19,532)	(34,724)
(5) Adjustments to OPEB expenses associated with removal of test year salaries	(5,342)	(9,496)
(6) To reflect level of participants for test year	(4,018)	(7,144)
(7) To remove deferred debits associated with the Sunray acquisition	(7,726)	0
(8) To reflect additional purchased power savings associated with Vision 2000	(5,283)	(9,392)
(9) To remove deferred moving expenses	(4,489)	(7,981)
(10) To remove contributions & dues	(3,844)	(6,236)
(11) To remove public relations expenses	(16,851)	(29,958)
(12) To reflect current rate case expenses	2,661	4,731
(13) Removal of merger costs	(3,141)	(5,597)
(14) Reallocation of rent expense	(53,876)	53,876
(15) Reallocation of investor relations expenses	(57,390)	57,390
(16) Removal of lobbying expenses	(503)	(895)
Total Adjustment	<u>\$ (265,079)</u>	<u>\$ (51,939)</u>
DEPRECIATION		
(1) Excess AFUDC	\$ (1,334)	\$ (6,901)
(2) Revised capital additions.	(270,063)	(616,629)
(3) Removal of merger costs	(639)	(64)
Total Adjustment	<u>\$ (272,036)</u>	<u>\$ (623,594)</u>

UNITED WATER FLORIDA, INC.
 ADJUSTMENTS TO OPERATING STATEMENTS
 TEST YEAR ENDED 12/31/97

SCHEDULE NO. 3-C
 PAGE 2 OF 2

EXPLANATION	WATER	WASTEWATER
COMMISSION ADJUSTMENTS:		
AMORTIZATION		
Test year amortization of Acquisition Adjustments	\$ <u>6,918</u>	\$ <u>13,789</u>
TAXES OTHER THAN INCOME TAXES		
(1) Projected revenue increase	\$ (150,523)	\$ (230,067)
(2) Revised capital additions.	(50,053)	(80,637)
(3) Remove taxes associated with payroll adjustments	<u>(5,970)</u>	<u>(10,614)</u>
Total Adjustment	\$ <u>(206,546)</u>	\$ <u>(321,318)</u>
INCOME TAXES		
(1) Income taxes calculated based on Commission adjusted test year	\$ (804,203)	\$ (1,475,206)
(2) Parent Debt Adjustment	<u>(38,566)</u>	<u>(69,826)</u>
Total Adjustment	\$ <u>(842,769)</u>	\$ <u>(1,545,032)</u>
ADJUSTMENTS FOR REVENUE INCREASE (DECREASE):		
OPERATING REVENUES	\$ <u>2,367,510</u>	\$ <u>2,302,390</u>
BAD DEBT EXPENSE	\$ <u>15,152</u>	\$ <u>14,735</u>
TAXES OTHER THAN INCOME TAXES	\$ <u>106,538</u>	\$ <u>103,608</u>
INCOME TAXES	\$ <u>845,103</u>	\$ <u>821,857</u>

UNITED WATER FLORIDA, INC.
 COUNTIES: DUVAL, NASSAU AND ST. JOHNS
 DOCKET NO. 960451-WS
 TEST YEAR ENDED: DECEMBER 31, 1997

Schedule 4A

Rate Schedule

Water Rates

	Test Year Rates as of 12/31/95	Current	Commission Approved Interim	Utility Requested Final	Rates per Order PSC 97-0618	Commission Approved Final
Residential Service - Billed Quarterly						
Base Facility Charge						
Meter Size						
5/8"	\$14 40	\$14 62	\$15 93	\$20 52	\$17 38	\$17 39
3/4"	\$20 19	\$20 50	\$22 33	\$28 78	\$25 15	\$25 16
1"	\$31 73	\$32 22	\$35 10	\$45 23	\$44 61	\$44 63
1-1/2"	\$72 15	\$73 26	\$79 81	\$102 85	\$100 37	\$100 43
2"	\$141 50	\$143 68	\$156 51	\$201 71	\$178 43	\$178 54
Gallage Charge, per 1,000 Gallons	\$1 00	\$1 03	\$1 11	\$1 45	\$1 35	\$1 36
Gallage Charge, per 100 cubic feet	\$0 75	\$0 77	\$0 83	\$1 08	\$1 01	\$1 01

General Service - Billed Monthly

Base Facility Charge						
Meter Size						
5/8"	\$6 69	\$6 79	\$7 40	\$9 53	\$8 08	\$8 08
3/4"	\$8 62	\$8 75	\$9 53	\$13 79	\$11 68	\$11 69
1"	\$12 46	\$12 65	\$13 78	\$24 46	\$20 72	\$20 74
1-1/2"	\$25 96	\$26 36	\$28 71	\$55 03	\$46 63	\$46 66
2"	\$49 06	\$49 82	\$54 27	\$97 88	\$82 89	\$82 94
3"	\$129 93	\$131 93	\$143 72	\$220 19	\$186 56	\$186 68
4"	\$334 10	\$339 26	\$369 55	\$391 35	\$331 58	\$331 78
6"	\$376 46	\$382 27	\$416 40	\$880 75	\$746 15	\$746 60
8"	\$4,193 60	\$4,258 31	\$4,638 54	\$1,565 40	\$1,326 20	\$1,327 01
10"	n/a	n/a	n/a	n/a	\$2,072 86	\$2,074 11
12"	n/a	n/a	n/a	n/a	\$2,984 59	\$2,986 40
Gallage Charge, per 1,000 Gallons	\$1 00	\$1 03	\$1 11	\$1 45	\$1 35	\$1 36
Gallage Charge, per 100 cubic feet	\$0 75	\$0 77	\$0 83	\$1 08	\$1 01	\$1 01

Private Fire Protection - Billed Monthly

Base Facility Charge						
Meter Size						
2"	\$13 11	\$13 31	\$14 50	\$6 87	\$6 91	\$6 91
3"	\$23 38	\$23 74	\$25 86	\$15 45	\$15 55	\$15 56
4"	\$34 88	\$35 42	\$38 58	\$27 47	\$27 63	\$27 65
6"	\$66 96	\$67 99	\$74 06	\$61 84	\$62 18	\$62 22
8"	\$105 46	\$107 09	\$116 65	\$109 91	\$110 52	\$110 58
10"	\$150 32	\$152 64	\$166 27	\$171 79	\$172 74	\$172 84
12"	\$214 26	\$217 57	\$236 99	\$247 35	\$248 72	\$248 87

Typical Residential Bills - Billed Quarterly

5/8" meter						
10,000 Gallons	\$24 40	\$24 92	\$26 99	\$35 02	\$30 88	\$30 99
20,000 Gallons	\$34 40	\$35 22	\$38 05	\$49 52	\$44 38	\$44 59
30,000 Gallons	\$44 40	\$45 52	\$49 11	\$64 02	\$57 88	\$58 19

UNITED WATER FLORIDA, INC.
 COUNTIES: DUVAL, NASSAU AND ST. JOHNS
 DOCKET NO. 960451-WS
 TEST YEAR ENDED: DECEMBER 31, 1997

Schedule 4B

Rate Schedule

Wastewater Rates

	Test Year Rates as of 12/31/95	Current	Commission Approved Interim	Utility Requested Final	Rates per Order PSC 97-0618	Commission Approved Final
Residential Service - Billed Quarterly						
Base Facility Charge:						
Meter Size:						
Per Single Family Residential Structure	\$27.29	\$27.57	\$27.75	\$36.62	\$33.98	\$34.01
Unmetered Accounts	\$87.17	\$88.07	\$88.64	\$116.99	\$108.55	\$108.63
Gallage Charge, per 1,000 Gallons	\$2.97	\$3.00	\$3.02	\$3.98	\$3.34	\$3.34
Gallage Charge, per 100 cubic feet	\$2.22	\$2.24	\$2.26	\$2.98	\$2.50	\$2.50
General Service - Billed Monthly						
Base Facility Charge:						
Meter Size:						
5/8"	\$10.37	\$10.48	\$10.55	\$13.92	\$12.91	\$12.92
3/4"	\$14.35	\$14.50	\$14.59	\$20.14	\$18.68	\$18.69
1"	\$23.05	\$23.29	\$23.44	\$35.72	\$33.14	\$33.16
1-1/2"	\$52.65	\$53.19	\$53.54	\$80.38	\$74.56	\$74.61
2"	\$103.39	\$104.45	\$105.14	\$142.89	\$132.55	\$132.64
3"	\$281.05	\$283.94	\$285.80	\$321.58	\$298.32	\$298.53
4"	\$729.33	\$736.83	\$741.66	\$571.54	\$530.20	\$530.57
6"	\$822.38	\$830.84	\$836.28	\$1,286.16	\$1,193.12	\$1,193.95
8"	\$9,204.79	\$9,299.45	\$9,360.35	\$2,286.01	\$2,120.65	\$2,122.13
Unmetered Accounts	\$30.30	\$30.61	\$30.81	\$40.25	\$37.73	\$37.76
Gallage Charge, per 1,000 Gallons	\$2.97	\$3.00	\$3.02	\$3.98	\$4.01	\$4.01
Gallage Charge, per 100 cubic feet	\$2.22	\$2.24	\$2.26	\$2.98	\$3.00	\$3.00
Jacksonville University - Billed Monthly						
Base Facility Charge:						
Meter Size:						
3"	\$281.05	\$283.94	\$285.80	\$377.17	\$298.32	\$298.53
4"	\$729.33	\$736.83	\$741.66	\$978.76	\$530.20	\$530.57
6"	\$822.38	\$830.84	\$836.28	\$1,103.64	\$1,193.12	\$1,193.95
Gallage Charge, per 1,000 Gallons	\$3.69	\$3.73	\$3.75	\$4.95	\$4.13	\$4.13
Gallage Charge, per 100 cubic feet	\$2.77	\$2.80	\$2.82	\$3.72	\$3.09	\$3.09
Typical Residential Bills - Billed Quarterly						
5/8" meter						
10,000 Gallons	\$56.99	\$57.57	\$57.95	\$76.42	\$67.38	\$67.41
20,000 Gallons	\$86.69	\$87.57	\$88.16	\$116.22	\$100.78	\$100.81
27,000 Gallons (Gallage Cap)	\$116.39	\$117.57	\$118.36	\$156.02	\$124.16	\$124.19
(Previous Gallage Cap - 30,000)						

UNITED WATER FLORIDA, INC.
 COUNTIES: DUVAL, NASSAU AND ST. JOHNS
 DOCKET NO. 960451-WS
 TEST YEAR ENDED: DECEMBER 31, 1997

Schedule No. 5A

RATE SCHEDULE

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

WATER

Monthly Rates

Residential Service - Billed Quarterly

	Commission Approved Final	Commission Approved Rate Decrease
Base Facility Charge:		
Meter Size:		
5/8"	\$17.39	\$0.08
3/4"	\$25.16	\$0.11
1"	\$44.63	\$0.20
1-1/2"	\$100.43	\$0.45
2"	\$178.54	\$0.81
Gallage Charge, per 1,000 Gallons	\$1.36	\$0.01
Gallage Charge, per 100 cubic feet	\$1.01	\$0.00

General Service - Billed Monthly

	Commission Approved Final	Commission Approved Rate Decrease
Base Facility Charge:		
Meter Size:		
5/8"	\$8.08	\$0.04
3/4"	\$11.69	\$0.05
1"	\$20.74	\$0.09
1-1/2"	\$46.66	\$0.21
2"	\$82.94	\$0.38
3"	\$186.68	\$0.85
4"	\$331.78	\$1.50
6"	\$746.60	\$3.38
8"	\$1,327.01	\$6.01
10"	\$2,074.11	\$9.39
12"	\$2,986.40	\$13.52
Gallage Charge, per 1,000 Gallons	\$1.36	\$0.01
Gallage Charge, per 100 cubic feet	\$1.01	\$0.00

Private Fire Protection - Billed Monthly

	Commission Approved Final	Commission Approved Rate Decrease
Base Facility Charge:		
Meter Size:		
2"	\$6.91	\$0.03
3"	\$15.56	\$0.07
4"	\$27.65	\$0.13
6"	\$62.22	\$0.28
8"	\$110.58	\$0.50
10"	\$172.34	\$0.78
12"	\$248.87	\$1.13

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UNITED WATER FLORIDA, INC.
 COUNTIES: DUVAL, NASSAU AND ST. JOHNS
 DOCKET NO. 960451-WS
 TEST YEAR ENDED: DECEMBER 31, 1997

Schedule No. 5B

RATE SCHEDULE

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

WASTEWATER

Monthly Rates

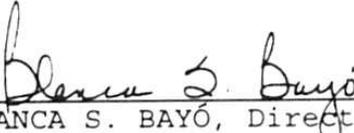
	Commission Approved Final	Commission Approved Rate Decrease
<u>Residential Service - Billed Quarterly</u>		
Base Facility Charge		
Meter Size		
Per Single Family Residential Structure	\$34.01	\$0.15
Unmetered Accounts	\$108.63	\$0.47
Gallage Charge, per 1,000 Gallons	\$3.34	\$0.01
Gallage Charge, per 100 cubic feet	\$2.50	\$0.01
<u>General Service - Billed Monthly</u>		
Base Facility Charge		
Meter Size		
5/8"	\$12.92	\$0.06
3/4"	\$18.69	\$0.08
1"	\$33.16	\$0.14
1-1/2"	\$74.61	\$0.32
2"	\$132.64	\$0.57
3"	\$298.53	\$1.28
4"	\$530.57	\$2.27
6"	\$1,193.95	\$5.11
8"	\$2,122.13	\$9.09
Unmetered Accounts	\$37.76	\$0.16
Gallage Charge, per 1,000 Gallons	\$4.01	\$0.02
Gallage Charge, per 100 cubic feet	\$3.00	\$0.01
<u>Jacksonville University - Billed Monthly</u>		
Base Facility Charge:		
Meter Size:		
3"	\$298.53	\$1.28
4"	\$530.57	\$2.27
6"	\$1,193.95	\$5.11
Gallage Charge, per 1,000 Gallons	\$4.13	\$0.02
Gallage Charge, per 100 cubic feet	\$3.09	\$0.01

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one month prior to the actual date of the reduction and shall also file a customer notice setting forth the lower rates and the reason for the reductions. It is further

ORDERED that, provided the utility has submitted proper revised tariff sheets and has provided adequate customer notice as set forth herein, this docket shall be closed thirty-two days after issuance of this Order, to allow the time for filing an appeal to run, or, if a party files a notice of appeal, upon resolution thereof by the appellate court.

By ORDER of the Florida Public Service Commission this 30th day of September, 1997.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF 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.

Any party adversely affected by the Commission's final action in this matter may request 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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.