

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding to increase base facility charges and gallorage rates for water service by Betmar Utilities, Inc. In Pasco County.

DOCKET NO. 970521-WS
ORDER NO. PSC-97-1547-FOF-WS
ISSUED: DECEMBER 10, 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

NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING IN PART AND DENYING IN PART
APPLICATION FOR LIMITED PROCEEDING
AND APPROVING NEW RATES

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

Betmar Utilities, Inc. (Betmar or utility) is a Class B utility that provides water and wastewater service in Pasco County. Betmar serves approximately 1,600 water and 1,000 wastewater customers. In 1996, the water and wastewater systems had revenues totaling \$197,101 and \$225,630, respectively. The utility serves an area that has been designated by the Southwest Florida Water Management District as a water use caution area.

DOCUMENT NO.
12635-91
12/10/97

LIMITED PROCEEDING

On May 1, 1997, Betmar filed an application, pursuant to Section 367.0822, Florida Statutes, for a limited proceeding to increase its base facility charge and gallonage charge for water. The requested increase in water rates is based upon the Florida Department of Environmental Protection's (DEP) requirements that Betmar increase the hours that the water treatment plant operator is on duty and that it modify certain portions of its water supply and treatment facilities. Additionally, Betmar requests that it be allowed to increase its base facility charge and decrease its gallonage charge for wastewater in order to correct a calculation error inadvertently made by staff in its last rate case (Docket No. 941258-WS) and to provide for an emergency standby generator.

On November 27, 1996, Betmar entered into a Consent Order (No. 96-2199) with DEP. The Consent Order required that Betmar modify its water supply and treatment facilities. Pursuant to the Consent Order, Betmar was required to do the following: have a certified licensed operator contracted for five (5) days per week and one weekend visit, disconnect well No. 5 permanently from the potable water system, install approved chlorine weighing devices and have an auxiliary power source with an automatic start-up device.

On June 26, 1997, a customer meeting was held at the Zephyrhills City Council Chambers. There were approximately 180 customers in attendance, of which 22 spoke as witnesses. The customers expressed their concerns about the timing of the customer meeting. There was a consensus of opinion among the customers that the customer meeting should be held in the winter time when more of the customers could attend. It appears that during the summer months, approximately three quarters of the Betmar customers reside in the northern part of the country. In addition, there was some discussion regarding concerns the customers have on the issue of backflow prevention devices. However, it was explained that this proceeding was limited in scope to only address the issues regarding the limited proceeding application. Commission staff issued a letter dated July 9, 1997, to the Betmar customers' counsel, Mr. McAlvanah, stating that the DEP, not the PSC, has been authorized by legislative mandate to regulate the use of backflow prevention devices. Furthermore, staff's letter stated that if the customers wished to take further action, that they should pursue

the matter either with DEP or through filing a complaint with a court of appropriate jurisdiction.

During the course of this limited proceeding, the utility was asked to respond to several data requests. Upon our analysis and consideration of this additional information, our findings are set forth as follows.

Emergency Water Generators

DEP Consent Order No. 96-2199, issued November 27, 1996, required Betmar to install an emergency water generator, as required by Rule 62-555.320(6), Florida Administrative Code, so that water service would not be interrupted in the event of a power failure. Furthermore, in order to continue its wastewater operations in the event of a power failure, Betmar has requested, with DEP's approval, that an emergency generator for its wastewater lift stations be allowed. By letter dated June 19, 1997, DEP informed Betmar that Rule 62-604.400(2)(a), Florida Administrative Code, requires the utility to have the capability to provide emergency power in case of outages for its wastewater lift stations.

In the application, Betmar is requesting that it be allowed to lease the two generators. According to Betmar, a lease arrangement gives the utility more flexibility in the future to seek less costly alternative arrangements to meet Rule 62-555.320(6), Florida Administrative Code. Rule 62-555.320(6), Florida Administrative Code, states:

A utility's auxiliary power requirements may be met by providing a connection to at least two independent power lines, or an interconnection to at least one other public water supply system that has sufficient reserve capacity, or in place auxiliary power.

Based on the utility's response to our data requests, an additional independent power line is not available for the water plant and both Pasco County and the City of Zephyrhills will not provide emergency water supply. Therefore, the utility was left with only the option of installing auxiliary power to meet the requirements of Rule 62-55.320(6), Florida Administrative Code. Based on the

potential benefit to customers and DEP rules, we find that the generators are a prudent investment for the utility.

Betmar is currently leasing the generators from Environmental Specialists Group, Inc. (ESG). The lease for the 100 KW generator was executed on January 22, 1997 and the 60 KW generator lease was executed on March 19, 1996. Both leases were signed by Mrs. Jackie Turco of ESG. ESG is owned by Ms. Jackie Turco, who is president of ESG and also Mr. Turco's wife. Mr. Turco is employed as an associate of ESG, and acts as general manager of Betmar through a management contract with the utility. Betmar is owned by Ms. Eve Turco, daughter of Mr. Turco. Thus, ESG and the utility are closely related by its officers.

After reviewing Betmar's application, we had concerns why Betmar chose to execute short-term leases for the two generators instead of purchasing them. Both generators were leased for a period of 48 months. In addition, we had concerns why ESG was chosen to act as the lessor. According to Betmar, ESG has a better credit rating than Betmar and therefore it was easier for ESG to lease the equipment than Betmar. ESG is charging Betmar the same monthly amount that it is paying to the lease company plus a \$100 application fee.

After reviewing the utility's application and its responses to our data requests, we find it would have been more cost beneficial to the utility and its customers if the two generators were purchased and not leased, as shown on Schedule No. 2. We do not agree with the utility's statement that leasing this type of equipment is better in the long run than purchasing. Emergency generators are used for a very limited purpose and are probably not going to be out-dated in the near future. Furthermore, we do not believe at this time that circumstances will change that will allow the utility to meet the requirements of Rule 62-555.320(6), Florida Administrative Code, in a less costly way. Therefore, we find it would have been more prudent for the utility to choose the less costly option of purchasing the generators instead of leasing them. According to our calculation, the utility could have purchased the 100 KW water generator and 60 KW wastewater generator at an annual increase in the revenue requirement of \$8,366 and \$4,709, respectively. As shown on Schedule No. 2, the 100 KW water generator and the 60 KW wastewater generator could have been

purchased at a total price of \$48,300 and \$19,305, respectively. After calculating the sales tax, accumulated depreciation, rate of return, income tax allowance and depreciation expense on the purchase price, the total annual increase to the utility's revenue requirement is \$8,038 less than the utility's annual lease expense for the 100 KW generator and \$1,979 less than the utility's annual lease expense for the 60 KW wastewater generator. Therefore, we find that it would have been more prudent for the utility to purchase the generators than to lease them. In addition, we find that the methodology used to determine the appropriate income tax expense allowance for the additional equipment shall also be used in calculating the appropriate income tax expense allowance associated with both generators. This calculation is shown on Schedule No. 2.

According to the utility's response to our data requests, the two generators, if purchased, would be recorded on the utility's books as a cash purchase. Based on the foregoing, we find that the two generators should have been purchased by Betmar at a cost of \$48,300 for the 100 KW water generator and \$19,305 for the 60 KW wastewater generator, as shown on Schedule No. 2. Therefore, the utility's annual lease expense of \$16,404 for the 100 KW water generator and \$6,688 for the 60 KW wastewater generator is disallowed. The utility shall be allowed to recover an increase in revenue requirements of \$8,366 for water and \$4,709 for wastewater.

The utility has also requested liability insurance on both generators. The annual premium for the 100 KW generator is \$175 and the annual premium for the 60 KW generator is \$710. According to the utility, due to the increased exposure of a mobile generator, the liability insurance on the 60 KW wastewater generator is significantly higher than that of the permanently located 100 KW water generator. After reviewing the insurance statement, we find that the liability insurance for both generators is approved.

During the November 18, 1997 Agenda Conference, the Commission discussed whether a service maintenance agreement should be approved for the 60 KW wastewater generator. The utility requested that if the 60 KW wastewater generator is purchased, instead of leased, that it should be allowed an annual service maintenance agreement. Given this generator will be mounted on a trailer, we

agree with the utility that a service contract agreement would be in the best interest of its customers and the utility. After further review of the utility's response to our second data request, the utility had submitted a service maintenance agreement in the amount of \$1,365 per year from Cummins Southeastern Power, Inc. This agreement stated that the company will service the generator four times a year. In addition, the service company will provide 24 hour emergency service availability and a five-year comprehensive warranty. Because we find that a service contract agreement would be in the best interest of the customers and the utility, we therefore find it appropriate to approve \$1,365 per year for the service maintenance agreement for the 60 KW generator.

Operating Expense of Water Treatment Plant Operator

According to the DEP Consent Order issued November 27, 1996, Betmar has had inadequate operator coverage in excess of two years. Therefore, Betmar was ordered to have within 5 days of the effective date of the Consent Order proof that a certified licensed operator has been contracted for five days per week and one weekend visit. In addition, the operator must maintain adequate and accurate records of the potable water system for DEP review.

On June 17, 1996, Betmar entered into a contract with a licensed operator to perform five weekly visits with one weekend visit, maintain an operational log and prepare monthly reports. The contract was for \$400 a month. However, the monthly contract with the previous operator was canceled at a reduction of \$100 a month. Therefore, the additional annual amount of the new contract that Betmar is requesting is for \$3,600 or \$300 per month. By letter dated June 12, 1997, DEP informed Betmar that all conditions of the Consent Order have been satisfied.

After reviewing Betmar's last rate case, Docket No. 941280-WS, we analyzed Betmar's request for additional salary associated with plant operation. According to Order No. PSC-95-1437-FOF-WS, issued on November 27, 1996, Betmar was allowed a \$54,000 compensation package for management duties which is paid to ESG. During the utility's last rate case in the above referenced docket, we issued data requests concerning the justification of the services provided by ESG. The utility's response states:

ESG provides to Betmar Utilities, Inc. the utility manager, **a Class Double A licensed operator** and a state licensed professional engineer.

(Emphasis added). Therefore, we find that the licensed plant operator's fee of \$4,800 is disallowed since an operator was included as part of this \$54,000 management package paid to ESG.

Betmar has been allowed recovery of \$54,000 annually for a management package that, among other things, should have included a utility manager, licensed operator and professional engineer. However, the utility's water treatment plant has been operating in excess of two years without a licensed operator. Therefore, we find that any amount paid for a licensed operator that should have been employed two years ago shall be paid through the annual management fee of \$54,000 paid to ESG. Therefore, Betmar's request to increase the expense associated with the water treatment plant operator is denied.

Expenses Associated with DEP Consent Order

According to the utility's application, Betmar is requesting the following increased expenses associated with the water testing, DEP permit application and the modification of the water supply and treatment facilities which were required by the DEP Consent Order:

	<u>TOTAL</u>	<u>ANNUAL</u>
Additional Water Testing	\$ 3,200	\$ 1,067
Additional Equipment	\$ 3,632	\$ 606
Engineering Costs	\$ 2,566	\$ 1,283
Legal Costs (Consent Order)	\$ 1,245	\$ 623
Permit Application Fee	\$ 300	\$ 150
Total	\$10,943	\$ 3,729

Additional Water Testing

By letter dated February 4, 1997, DEP ordered Betmar to perform compliance monitoring of its drinking water. DEP required that all water quality analyses be performed by a laboratory certified by the Department of Health and Rehabilitative Services.

Exhibit F of the utility's filing contained an invoice from Flowers Chemical Laboratories stating that it could do the required three-year testing pursuant to Rule 62-550.518, Florida Administrative Code, for \$3,200. Although the utility did not provide evidence of other bids, we find this to be a reasonable charge for three years of extensive water testing and therefore the charge is approved.

The utility has indicated in its filing that the amount of \$3,200 for water testing should be amortized over three years. Given the testing will be required for three years, we find that this is the appropriate amortization period for the water testing, as shown on Schedule No. 1.

Additional Equipment

According to the Consent Order, Betmar was required to install approved chlorine weighing devices required by Rule 62-555.320, Florida Administrative Code. For justification of the additional equipment, Betmar submitted in Exhibit I of the utility's filing, an invoice from Locke Well and Pump Company for \$3,632. After reviewing the invoice, we find that this is a reasonable amount for Betmar to pay for the alarm switches, cylinder scales and installation costs. The utility has also indicated in its filing that this amount for additional equipment should be included in plant-in-service and should be depreciated.

After further analysis of the utility's income tax expense allowance calculation for the additional equipment, it appears the utility used an incorrect methodology and income tax expansion factor percentage. As shown on Schedule No. 2, the utility calculated the income tax expense allowance by applying the income tax rate of 15 percent, not the expansion factor, to the total allowable return on the additional equipment. In doing this calculation, the utility used its overall weighted cost of capital to determine the allowable return amount. The appropriate income tax expense allowance for the additional equipment is calculated by taking the net cost of the additional equipment and multiplying it by the utility's return on common equity. This amount is then multiplied by the expansion factor of 17.64 percent, not the income tax rate, to determine the appropriate income tax expense allowance. This calculation is shown in more detail on Schedule

No. 2. Therefore, we find it appropriate to approve the total annual expense of \$647 for the additional equipment, as shown on Schedule No. 2.

Engineering Costs and Permit Application

Pursuant to the Consent Order, DEP determined Betmar had modified the water treatment system by the addition of a high/low vacuum alarm system and the addition of a sequestant agent (Aqua Mag) system for corrosion control without a permit. Therefore, Betmar contracted Towson-Rogars Engineering, Inc., to modify the DEP permit to include the Aqua Mag system, the high/low vacuum alarm, the automatic dialer and the installation of the emergency generator.

Betmar requested recovery of \$2,566 for engineering expenses associated with the DEP permit modification. However, by letter dated October 23, 1996, Towson-Rogars Engineering, Inc., indicated that \$800 of the total amount was included even though it may not be needed. Therefore, given Betmar filed this application on May 1, 1997, we have determined that those services were not performed since the utility did not submit additional updated invoices associated with that \$800. Therefore, we find it appropriate to allow \$1,766 for the total engineering expenses, which is a reduction of \$800 from the utility's request.

The utility has indicated in its filing that the amount for engineering expenses should be amortized over two years. However, we have determined that the amortization of these non-recurring expenses shall be in accordance with Rule 25-30.433(9), Florida Administrative Code. Rule 25-30.433(9), Florida Administrative Code, states:

All non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified.

The utility did not provide justification for a shorter period of time. Therefore, the engineering expenses shall be amortized over 5 years in accordance with this rule. In addition, we find that the DEP permit application fee of \$300 shall also be amortized over 5 years.

Legal Costs (Consent Order)

The utility has requested recovery of \$1,245 for legal costs related to the DEP Consent Order. We have some concern allowing recovery of legal fees associated with the DEP Consent Order. Pursuant to the Consent Order, Betmar was fined in the amount of \$6,900 for violations of DEP rules. The Consent Order stated Betmar had inadequate operator coverage in excess of two years, operated a corrosion control system without a permit, unapproved cross connections, several structural deficiencies and inadequate chlorine weighing devices.

Although we are approving some costs associated with the modification of the plant as required by the Consent Order, we are reluctant to allow recovery of legal fees associated with contesting the allegations of the Consent Order. The burden of proof in a Commission proceeding is always on a utility seeking a rate increase. Florida Power Corp. v. Creese, 413 So. 2d, 1187, 1191 (Fla. 1982). Even if the legal fees were found prudent, we find that the utility has failed to meet its burden in that it failed to file supporting documentation to justify its requested legal expenses associated with the Consent Order. The utility's justification contained in its responses to our first data request was as follows:

The legal costs of \$1,245, shown in Section III, Pages 110-117 of the Limited Proceeding Application, are legitimate utility expenses which were incurred in connection with the Department of Environmental Protection Consent Order. As such, they are appropriate for recovery in this proceeding.

Based on the above, we find that the legal fees associated with the Consent Order were not justified. Therefore, the \$1,245 for legal fees related to the DEP Consent Order are hereby denied.

Summary

Based on the foregoing, we find that the utility shall recover the following expenses associated with the water testing, DEP permit application and the modification of the water supply and treatment facilities:

	<u>TOTAL</u>	<u>ANNUAL</u>
Additional Water Testing	\$ 3,200	\$ 1,067
Additional Equipment	\$ 3,632	\$ 647
Engineering Costs	\$ 1,766	\$ 353
Legal Costs (Consent Order)	\$ 0	\$ 0
Permit Application Fee	<u>\$ 300</u>	<u>\$ 60</u>
Total	\$ 8,898	\$ 2,127

The utility shall be allowed to recover a total of \$8,898, which is a reduction of \$2,045 from the utility's request, for the expenses listed above. In addition, the utility has indicated in its filing that several non-recurring expenses, discussed above, should be amortized over two or three years depending on the expense. However, we have determined that the amortization of all non-recurring expenses, except the water testing, shall be amortized over 5 years, which is in accordance with Rule 25-30.433(9), Florida Administrative Code. The water testing expenses shall be amortized over 3 years to coincide with the duration of those tests.

Alarm System and Cellular Phone Expenses

In its application, Betmar is requesting that it be allowed to recover \$750 of the expenses associated with the autodial alarm system and \$825 of the expenses associated with its cellular phone service. According to the utility, the autodial alarm system was required by the DEP Consent Order so that when a well has either a power outage or a high or low chlorine level it will automatically dial three emergency numbers. The master lift station is also equipped with an autodial system and will activate when there is a high flow level or pump failure. In addition, the utility has also requested recovery of the one time setup fee for the autodial alarm system. GTE of Florida has billed the utility \$276 as a one time setup fee. The utility requests that this one time charge be amortized over a two year period.

The utility is requesting that the expenses associated with two cellular phone services be recovered in this proceeding. The two cellular phones are used by the utility employee on duty and Mr. Turco who is contracted by the utility from ESG. The utility

believes that faster access to the field employees and its manager is the benefit of having cellular phones.

Given that the DEP Consent Order required Betmar to install the autodial alarm systems, we hold that all expenses shall be approved. We believe there is a benefit to the utility and its customers regarding these autodial alarm systems. However, the onetime setup fee of \$276 shall be amortized over a 5-year period, pursuant to Rule 25-30.433(9), Florida Administrative Code, and not a two year period as requested by the utility. Rule 25-30.433(9), Florida Administrative Code, states:

All non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified.

The utility did not provide justification for a shorter period of time. Therefore, the one time setup charge for the autodial system shall be amortized over 5 years in accordance with this rule, as shown on Schedule 1.

Regarding the cellular phone service, we have analyzed the utility's request to recover the costs of Mr. Turco's cellular phone service. According to the utility's last rate case, Docket No. 941280-WS, Betmar paid \$54,000 to ESG for Mr. Turco's management fees. Order No. PSC-95-1437-FOF-WS, issued November 27, 1995, states:

...we find that \$54,000 is reasonable compensation for Mr. Turco's management duties. However, ESG shall continue to pay his taxes and benefits.

Based on this information, we find that any type of expenses associated with cellular phone service for Mr. Turco shall be paid by ESG and not the utility. Therefore, we will disallow \$413, or half, of the cellular phone service expenses.

Based on the forgoing, the utility shall recover \$750 of the expenses associated with the autodial alarm system and \$413 of the cellular phone service expenses. In addition, the utility shall recover the autodial's onetime setup charge of \$276; however, it shall be amortized over a 5-year period pursuant to Rule 25-

30.433(9), Florida Administrative Code. As requested by the utility, these expenses shall be allocated 75 percent to the water operations and 25 percent to the wastewater operations.

Correction of Error in Operations and
Maintenance Expenses from Docket No. 941280-WS

In Betmar's last rate case order, Order No. PSC-951437-FOF-WS, issued November 27, 1996, an error in the total allowable operations and maintenance expense calculation was made. A formula error contained in the Final Order worksheets did not include a proposed reduction to the contract services expenses in the amount of \$3,173 for water and \$2,115 for wastewater.

Betmar has proposed in this limited proceeding to recognize this error by reducing the proposed water and wastewater revenue increase by the error amount. As reflected in its application, Betmar proposes to reduce the water revenue by \$3,173 and the wastewater revenue by \$2,115.

We find it appropriate to recognize and correct this error in this limited proceeding. Therefore, Betmar's revenues shall be reduced by \$3,173 for water and \$2,115 for wastewater to correct the error made in the last rate case.

Rate Case Expense

In its application, the utility projected an original estimate of \$16,000 for rate case expense related to the limited proceeding. The utility's projection consisted of estimates for outside legal services, consulting services, and the application fee. The utility allocated rate case expense in the amount of \$8,000 to water operations and \$8,000 to wastewater operations. This allocation resulted in projected annual rate case amortization expense of \$2,000 for both water and wastewater.

In its response to our second data request, Betmar updated its actual rate case expense figures as of July 31, 1997. The utility's response stated that total rate case expense (actual expenses as of July 31, 1997) total \$17,605 for the limited proceeding. Betmar's response contained supporting information and

justification for consultants, counsel, and miscellaneous costs. The components of total rate case expense is summarized as follows:

	Estimate in <u>Filing</u>	<u>Actual</u> <u>7/31/97</u>
Regulatory Consultants, Inc.	10,500	13,058
Legal Costs	3,500	2,547
FPSC Application Fee	<u>2,000</u>	<u>2,000</u>
Total	<u>\$16,000</u>	<u>\$17,605</u>

We find that the utility shall recover the actual amount of \$17,605 for rate case expense associated with this limited proceeding. This amount represents actual rate case expenses that were justified by invoices up to July 31, 1997. We understand that the utility may incur additional rate case expense after July 31, 1997, however, the utility did not provide any additional justification or support for its projected expenses. Therefore, given the actual amount exceeds the original estimated amount and since no further justification was filed, we find it appropriate to approve an amount of \$17,605 for the total amount of rate case expense. In addition, we find that the rate case expense shall be allocated based on the number of water and wastewater customers.

Water and Wastewater Revenue Increase

The revenue requirement is a summary computation that is dependent upon previously approved provisions for rate base, cost of capital, and operating expenses. Betmar requested final rates designed to generate annual revenues of \$225,810 and \$227,138 for water and wastewater, respectively. These revenues exceed current revenues by \$25,031 (12.47%) for the water operations and \$8,215 (3.75%) for the wastewater operations.

The approved rates are those designed to generate a revenue requirement of \$213,125 for water which is an increase of \$12,346 or 6.15% and \$223,810 for wastewater which is an increase of \$4,887 or 2.23%.

Water and Wastewater Rates

The permanent rates requested by the utility are designed to produce revenues of \$225,810 for water and \$227,138 for wastewater service. The requested revenues represent an increase of \$25,031 or 12.47% for water service and \$8,215 or 3.75% for wastewater service.

The final rates approved for the utility are designed to produce annual revenues of \$213,125 for water service, which is an increase of \$12,346 or 6.15%, and \$223,810 for wastewater service, which is an increase of \$4,887 or 2.23%.

The utility has requested a revenue allocation between the base facility charge and gallonage charge different from the one approved in its last rate case, Docket No. 941280-WS. The utility is requesting that more of the revenue increase be collected through its base facility charge than its gallonage charge. No justification for this proposed change was provided by the utility. Therefore, we find that it would be more appropriate to set the rates where the utility collects the revenue increase by the same revenue allocation approved in its last rate case. Pursuant to Order No. PSC-95-1437-FOF-WS, in Docket No. 941280-WS, the Commission stated:

...to have a higher allocation of cost to the base facility charge, thereby reducing the gallonage charge, may have the impact of promoting increased water usage.

Therefore, we find that the revenue increase, approved herein, shall have the same revenue allocation approved in the utility's last rate case. To ensure the same revenue allocation approved in its last rate case, we have applied the increased revenue for both water and wastewater by an equal percentage basis to calculate rates.

The utility shall file revised tariff sheets consistent with the decision herein. Further, a proposed customer notice to reflect the appropriate rates shall be filed 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

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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 10 days after the date of the notice.

A comparison of the utility's current rates, utility's requested final rates, and our approved final rates are shown on Schedule Nos. 3A and 3B.

Amortization of Rate Case Expense

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 \$3,595 for water and \$1,014 for wastewater. The removal of rate case expense grossed-up for regulatory assessment fees will result in the reduction of approved rates on Schedule Nos. 4A and 4B.

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

Closing of Docket

If a timely protest is not received from a substantially affected person by the end of the protest period, and the utility files and staff approves the revised tariff sheets, the docket shall be closed administratively.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Betmar Utilities, Inc.'s Application for Limited Proceeding to Increase Base Facility Charges and Gallonage Rates for Water Service in Pasco County is hereby granted in part and denied in part, as set forth in the body of this Order. It is further

ORDERED that, prior to implementing the rates approved herein, Betmar Utilities, Inc. shall submit revised tariff pages reflecting the rates approved herein. It is further

ORDERED that, prior to implementing the rates approved herein, Betmar Utilities, Inc. shall submit for approval by Commission staff a proposed notice to its customers of the rates approved herein. It is further

ORDERED that, in accordance with Rule 25-30.475, Florida Statutes, the rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that the rates approved herein shall not be implemented until proper notice has been received by the customers. Betmar Utilities, Inc. shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that upon expiration of the four-year recovery period, Betmar Utilities, Inc. shall reduce rates, provide customer notice, and file revised tariff sheets as set out in the body of this Order. It is further

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

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless a person whose interests are substantially affected by the action proposed herein files an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, with the Director, Division

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of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that if a timely protest is not received from a substantially affected person by the end of the protest period, and the utility files and staff approves the revised tariff sheets, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 10th day of December, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

JSB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 31, 1997.

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.

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.

Betmar Utilities, Inc.
Docket No. 970521-WS

Schedule No. 1

	Utility Proposed		Commission Approved	
	Water	Wastewater	Water	Wastewater
Operator Coverage (Issue 2):	\$3,600		\$0	
Emergency 100 KW Generator (Issue 1):	\$16,404		\$8,366	
Liability Insurance on 100 KW Generator (Issue 1):	\$125		\$125	
Emergency 60 KW Generator (Issue 1):		\$6,688		\$4,709
Liability Insurance on 60 KW Generator and tag (Issue 1):		\$800		\$800
Autodial Alarm System and Cellular Phone Service (Issue 4):	\$1,181	\$394	\$872	\$291
Drinking Water Testing (Issue 3):	\$1,067		\$1,067	
Equipment Required by Consent Order (Issue 3):	\$661		\$647	
Engineering/legal/permit Application Costs (Issue 3):	\$2,056		\$413	
Miscellaneous Costs (Issue 4):	\$103	\$34	\$41	\$14
Correction of Error (Issue 5):	(\$3,173)	(\$2,115)	(\$3,173)	(\$2,115)
Rate Case Expense (Issue 6):	\$2,000	\$2,000	\$3,433	\$968
Total Annual Revenue Increase:	\$24,023	\$7,801	\$11,791	\$4,667
Grand Total Annual Revenue Increase (with RAFs):	\$25,155	\$8,169	\$12,346	\$4,887

Betmar Utilities, Inc.
 Docket No. 970521-WS

Schedule No. 2

EMERGENCY 100 KW WATER GENERATOR

	Utility Proposed		Commission Approved
Emergency 100 KW Generator.		Emergency 100 KW Generator	
Total Leasing Payments	\$61,901	Purchase Price	\$48,300
Plus 6% Sales Tax	\$3,714	Plus 6% Sales Tax	\$2,898
Total Payments	\$65,616	Total Amount	\$51,198
Number of Months in Lease	48	Accumulated Depreciation (20 years)	\$2,560
Monthly Payment	\$1,367	Net Cost of Equipment	\$48,638
Annual Payments	12	Multiplied by the last Rate of Return	10.74%
Annual Amount of Lease	\$16,404	Allowable Return Amount	\$5,224
		Income Tax Allowance*	\$582
		Plus 1 Year Depreciation Expense	\$2,560
		Annual Increase of Expense	\$8,366
Total Amount Requested	\$16,404	Total Amount Recommended	\$8,366

EMERGENCY 60 KW WASTEWATER GENERATOR

	Utility Proposed		Commission Approved
Emergency 60 KW Generator.		Emergency 60 KW Generator	
Total Payments	\$26,751	Purchase Price	\$19,305
Number of Months in Lease	48	Plus 6% Sales Tax	\$1,158
Monthly Payment	\$557	Total Amount	\$20,464
Annual Payments	12	Accumulated Depreciation (20 years)	\$1,023
Annual Amount of Lease	\$6,688	Net Cost of Equipment	\$19,441
		Multiplied by the last Rate of Return	10.74%
		Allowable Return Amount	\$2,088
		Income Tax Allowance*	\$233
		Plus 1 Year Depreciation Expense	\$1,023
		Annual Increase of Expense	\$3,344
		Service Maintenance Agreement	\$1,365
Total Amount Requested	\$6,688	Total Amount Recommended	\$4,709

ADDITIONAL EQUIPMENT REQUIRED BY CONSENT ORDER

	Utility Proposed		Commission Approved
Alarm Switches, Cylinder Scales and Installation		Alarm Switches, Cylinder Scales and Installation	
Cost of Equipment	\$3,632	Cost of Equipment	\$3,632
Accumulated Depreciation (15 years)	\$242	Accumulated Depreciation (15 years)	\$242
Net Cost	\$3,390	Net Cost	\$3,390
Rate of Return	10.74%	Rate of Return	10.74%
Allowable Return Amount	\$364	Allowable Return Amount	\$364
Income Tax Allowance (1.15 Expansion)	\$55	Income Tax Allowance*	\$41
Plus 1 Year Depreciation Expense	\$242	Plus 1 Year Depreciation Expense	\$242
Annual Increase of Expense for Equipment	\$661	Annual Increase of Expense for Equipment	\$647
Total Amount Requested	\$661	Total Amount Recommended	\$647

* Income Tax Allowance was calculated by taking the Net Cost multiplied by the Return on Common Equity multiplied by the Income Tax Expansion Factor (Net Plant X Overall Return on Equity X (1/(1-Tax Rate)) or (\$3,390 X 6.78% X 1.64%)

BETMAR UTILITIES, INC.
DOCKET NO. 970521-WS
TEST YEAR ENDED: DECEMBER 31, 1996

Schedule 3A

Rate Schedule

Water Rates

	Current	Utility Requested Final	Commission Approved Final
Residential Service			
Base Facility Charge:			
Meter Size:			
5/8"	\$5.93	\$7.03	\$6.29
Gallonage Charge, per 1,000 Gallons	\$2.22	\$2.31	\$2.36
General Service			
Base Facility Charge:			
Meter Size:			
5/8"	\$5.93	\$7.03	\$6.29
1"	\$14.81	\$17.58	\$15.72
1-1/2"	\$29.63	\$35.15	\$31.45
2"	\$47.40	\$56.24	\$50.31
Gallonage Charge, per 1,000 Gallons	\$2.22	\$2.31	\$2.36

Typical Residential Bills - Billed Monthly

5/8" meter			
2,000 Gallons	\$10.37	\$11.65	\$11.01
4,000 Gallons	\$14.81	\$16.27	\$15.72
6,000 Gallons	\$19.25	\$20.89	\$20.43

BETMAR UTILITIES, INC.
DOCKET NO. 970521-WS
TEST YEAR ENDED: DECEMBER 31, 1996

Schedule 3B

Rate Schedule

Wastewater Rates

	Current	Utility Requested Final	Commission Approved Final
Residential Service			
Base Facility Charge:			
Meter Size:			
Per Single Family Residential Structure	\$8.81	\$9.56	\$9.01
Gallage Charge, per 1,000 Gallons (6,000 Cap)	\$4.74	\$4.70	\$4.85
General Service			
Base Facility Charge:			
Meter Size:			
5/8"	\$8.81	\$9.56	\$9.01
1"	\$22.03	\$23.90	\$22.52
1-1/2"	\$44.06	\$47.80	\$45.04
2"	\$70.50	\$76.48	\$72.07
Gallage Charge, per 1,000 Gallons	\$5.74	\$5.70	\$5.87

Typical Residential Bills - Billed Monthly

5/8" meter			
2,000 Gallons	\$18.29	\$18.96	\$18.70
4,000 Gallons	\$27.77	\$28.36	\$28.39
6,000 Gallons (Wastewater Gallage Cap)	\$37.25	\$37.76	\$38.08

BETMAR UTILITIES, INC.
DOCKET NO. 970521-WS
TEST YEAR ENDED: DECEMBER 31, 1996

Schedule No. 4A

Rate Schedule

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

Water Rates

	Commission Approved Final Rates	Commission Approved Rate Decrease
Residential Service		
Base Facility Charge:		
Meter Size:		
5/8"	\$6.29	\$0.11
Gallage Charge, per 1,000 Gallons	\$2.36	\$0.04
General Service		
Base Facility Charge:		
Meter Size:		
5/8"	\$6.29	\$0.11
1"	\$15.72	\$0.27
1-1/2"	\$31.45	\$0.53
2"	\$50.31	\$0.85
Gallage Charge, per 1,000 Gallons	\$2.36	\$0.04

BETMAR UTILITIES, INC.
DOCKET NO. 970521-WS
TEST YEAR ENDED: DECEMBER 31, 1996

Schedule No. 4B

Rate Schedule

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

Wastewater Rates

	Commission Approved Final Rates	Commission Approved Rate Decrease
<u>Residential Service</u>		
Base Facility Charge:		
Meter Size:		
Per Single Family Residential Structure	\$9.01	\$0.04
Gallage Charge, per 1,000 Gallons (6,000 Cap)	\$4.85	\$0.02
<u>General Service</u>		
Base Facility Charge:		
Meter Size:		
5/8"	\$9.01	\$0.04
1"	\$22.52	\$0.10
1-1/2"	\$45.04	\$0.20
2"	\$72.07	\$0.33
Gallage Charge, per 1,000 Gallons	\$5.87	\$0.03