

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of FLORIDA CITIES)	DOCKET NO. 890509-WU
WATER COMPANY, GOLDEN GATE DIVISION,)	ORDER NO. 22804
for an increase in water rates in)	ISSUED: 4-12-90
Collier County, Florida.)	
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER SETTING FINAL RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature, and as such, will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Florida Cities Water Company, Golden Gate Division (Florida Cities or Utility), provides water and sewer service to a community adjacent to the eastern edge of the City of Naples, Florida in Collier County. As of December 31, 1989, the Utility served approximately 2,000 residential water connections and 200 general service water connections, or a total of approximately 3,300 Equivalent Residential Connections (ERCs). The Utility is an operating division of Florida Cities Water Company, a Class A utility.

On September 5, 1989, Florida Cities filed an application to increase its water rates pursuant to Sections 367.081(2) and (3), and 367.082, Florida Statutes. While the Utility cited

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the interim statute in its application, it made no prima facie showing as required, nor did it request interim rates in its request for relief. Therefore, in Order No. 22270, issued December 6, 1989, no interim water rates were granted and we suspended the Utility's requested final rates.

Florida Cities' initial application failed to meet certain minimum filing requirements and the Utility was so advised. An acceptable response was received from the Utility on October 23, 1989, and this date was established as the official date of filing. Since the Utility's application was initially filed on September 5, 1989, the provisions of Section 367.0816, Florida Statutes, which became effective on October 1, 1989, did not apply.

QUALITY OF SERVICE

Our consideration of the Utility's quality of service is based upon several factors which included a review of the level of customer satisfaction; a check to insure that the Utility was in compliance with the Department of Environmental Regulation's (DER) rules and regulations; and an inspection of the Utility's plant and distribution system for adequacy. Our inspection of the Utility's plant and distribution system disclosed that they were adequate to provide quality service to the customers of the Utility. Our check with DER disclosed that the Utility had no citations or notices of violations at the DER's district office.

Our staff held a customer meeting in the service area on January 10, 1990, at which customers provided testimony regarding the quality of service provided by the Utility and commented on other matters of interest regarding the utility. Approximately 300 customers attended. Forty-one customers gave testimony concerning the magnitude of the requested rate increase and other matters. A large number of customers offered testimony about the unsatisfactory quality of the water, specifically alleging that the water was of a peculiar color, tasted of chlorine and contained excessive amounts of sediment. Numerous customers testified that they could not drink the water due to the aforementioned problems, and that they were forced to purchase their drinking water or install a filtering device on their faucets to enhance the quality of the water. Several people complained that the Utility had not been actually reading their water meters, but rather, had been

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billing for water usage based on estimated meter readings. Several customers also testified that a water outage which occurred on Christmas Eve, 1989, was a significant inconvenience to them. We investigated each complaint raised at the customer meeting and the results of our investigation follow.

First, with respect to the Christmas Eve, 1989 outage, the Utility's records show that the outage did, in fact, occur. The Utility informed us that due to the cold weather, the master switch to its hydropneumatic tank froze in the "pressure ok" position. Therefore, the water pumps would not automatically activate as they normally would have absent the freezing conditions. The problem was corrected by the Utility, but not until several hours had elapsed.

Second, we investigated the complaints about whether the Utility was billing its customers based on estimated readings instead of actual usage. We examined the meter readings and billing histories of the five customers who raised this issue and no discrepancies or irregularities with the Utility's records were found. Several customers testified that there was no way the Utility could have read their meters due to ant hills or sand covering the meter boxes. Our inspection of those particular customers' meters did not disclose any problem which would have prevented the Utility from reading the meters.

Finally, regarding the water quality complaints, we reviewed the Utility's monthly operating reports submitted to DER, and while the hardness and color of the water were within DER standards, these characteristics were abnormal for a utility using a lime softening process as does Golden Gate. We determined that this is probably due to the fact that the Utility uses a blend of softened water with chlorinated unsoftened water prior to filtration to enable it to meet the high demands placed on its system by customer growth. While this process results in a water product that meets all regulatory water quality standards, nevertheless the aesthetic and taste qualities are adversely affected. Notwithstanding the inherent aesthetic and taste problems associated with the lime softening process, we do believe the Utility can take corrective action to enhance the quality of its water. Specifically, since the Utility's lime softening process tends to leave residue and sediment in its distribution lines which adversely affect the water quality, we believe that the Utility

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should be attentive with its regular line flushing program to remove these elements before they can reach its customers' homes. We believe this will reduce the number of water quality complaints, especially with regard to excessive sediment and color problems.

Based upon our review of the above-discussed complaints and the Utility's responses to them, we believe that the Utility needs to improve its communications with its customers. We are convinced that a significant number of the complaints raised at the customer meeting could have been avoided had the Utility been more attuned to the concerns of its customers and responded to those concerns in a positive manner.

Upon due consideration of the foregoing, we find that the quality of service being provided by the Utility to be satisfactory.

RATE BASE

Florida Cities' application is based on the projected test year ended March 31, 1991. Our calculations of the Utility's water rate base are attached as Schedule No. 1A. Adjustments to the rate base are itemized on Schedule No. 1B. Those adjustments which are essentially mechanical in nature or which are self-explanatory will not be further explained in the text of this Order. The major adjustments are summarized as follows:

1) Margin Reserve - Margin reserve represents capacity that a Utility must have available, beyond that which is demanded by the test year customers, to enable new customers to connect during the period of time required to build new plant. Since a utility is required to provide service within its service area when a customer is ready for service, it would be burdensome and costly for a utility to constantly be in some phase of construction to provide small increments of capacity to connect new customers.

Florida Cities has no available capacity in its water treatment plant to be included as margin reserve. The maximum daily demand coupled with the fire flow demand exceeds the rated capacity of the water treatment plant; therefore, no margin reserve shall be included in the used and useful calculations of the Utility's water treatment plant.

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Based on information contained in the Utility's application, we determined that the Utility's water distribution system was 95 percent used and useful. Thus, the Utility is deemed to have a 5 percent margin reserve in its water distribution system, which has been included in the used and useful calculations discussed below.

2) Used and Useful - The test year lime softening plant has the capacity to treat .720 million gallons per day (mgd). To meet customer demand, which sometimes exceeds 1.0 mgd, the Utility blends unsoftened water with softened water. All water leaving the plant is filtered and chlorinated.

The service area of the Utility is the City of Golden Gate, a four square mile land area. At the above-discussed customer meeting, several residents spoke about the unavailability of water and sewer service in certain portions of Golden Gate. The Utility's service area map indicates that about half of its geographical service area has water lines installed. Therefore, a number of residents are on private wells and septic tanks. Since the map was last updated in July, 1989, the Utility has installed approximately 12,000 feet of additional main, mostly in the southwestern part of Golden Gate.

An addition to the Utility's water treatment plant is presently under construction. When completed, this addition will provide .5 mgd additional capacity, bringing the Utility's total plant capacity to 1.2 mgd. When the maximum daily flows which occurred during the historic test year are combined, and with an allowance for fire flow, the treatment plant with its addition included, is considered to be 100 percent used and useful. The Utility states that it is now discussing plans for another plant addition to provide for additional capacity.

The Utility's application states that there are 2,394 out of a total of 2,526 lots being served with water. Thus, the Utility's water distribution system is 95 percent used and useful. However, rather than make an adjustment to the Utility's NARUC accounts to allow for the 5 percent nonused and useful, we find that the connection fees which will be paid by the remaining lot owners as they connect to the Utility's system should be imputed as contributions-in-aid-of-construction (CIAC). Therefore the Utility's water distribution system is deemed to be 100 percent used and useful.

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3) Plant-in-service - Rule 25-30.116(5), Florida Administrative Code, provides in part that: "No utility may charge or change its (Allowance For Funds Used During Construction) AFUDC rate without prior Commission approval. The new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission." The effective date of the Rule is August 11, 1986.

Florida Cities accrued AFUDC on its books at the rate of 11.6% during 1986; at 13.27 percent from January 1 through June 30, 1987; and at 11.98 percent for the remainder of that year. During these time periods, the Utility did not have an approved AFUDC rate. In Docket No. 880648-WS, the Utility requested an AFUDC rate to be effective January 1, 1988. Subsequently, in Order No. 19847, issued August 22, 1988, an AFUDC rate of 10.44 percent was approved for the Utility's water and wastewater systems. The ordering paragraph provides that "the rates shall be effective from January 1, 1988, and may not be applied retroactively to previous fiscal years."

Staff Advisory Bulletin No. 31, issued January 27, 1989, states that "If a utility has not received an approved AFUDC rate from this Commission, the utility may petition the Commission to establish a rate and for authority to apply the rate retroactively to previous years. If the Commission declines to grant the petition for retroactive application, any AFUDC charged between August 11, 1986, and the effective date of a utility's approved AFUDC rate established by order of this Commission would not be allowed in determining the appropriate rates and charges of the utility." Florida Cities charged AFUDC from August 11, 1986 through December 31, 1987, even though it had not requested an approved rate. While the Utility did receive approval to charge AFUDC effective January 1, 1988, it neither requested nor received permission for retroactive application. Accordingly, we find that Florida Cities shall not be authorized to accrue AFUDC during the period August 11, 1986 through December 31, 1987. We further find that utility's plant-in-service shall be reduced by \$63,193, with corresponding reductions of \$6,325 to accumulated depreciation, and \$2,117 to depreciation expense.

4) Contributions-in-Aid-of-Construction (CIAC) - The determination of plant used and useful includes an amount for the prospective customers to be connected during the margin

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reserve period, as determined by the historical growth patterns. Our policy is that only a utility's investment in the margin reserve should be recognized in rate base and that CIAC should be imputed for the additional ERCs. Without this adjustment, a utility would be allowed to earn a return on plant that would be contributed by future customers. The imputation of CIAC should not, however, reduce rate base further than if no margin reserve had been allowed.

Since the portion of plant to which the margin reserve applies is the distribution system, only the main extension charge should be considered. The Utility has an approved main extension charge of \$1,500. However, the actual plant cost per lot is \$1,137, which is less than the main extension charge. The total number of lots in the margin reserve is 132. As discussed above, the imputed CIAC should be limited to the plant cost included in the rate base as a result of the margin reserve. Upon due consideration of the foregoing, we find that CIAC of \$150,076 shall be imputed, with corresponding adjustments of \$3,524 to accumulated amortization of CIAC, and \$3,524 to amortization expense.

5) Allowance for Working Capital - Working capital is the amount of investor-supplied cash needed to operate a utility during the interval between providing service and receiving payment from the customers. By including it in rate base, a utility is allowed a return on this portion of its investment.

The method we prefer in calculating a working capital allowance is the balance sheet method. This methodology allows the rate base and capital structure to be reconciled, which insures the appropriate rate of return calculation by netting debits with current liabilities and deferred credits. Notwithstanding our preference for this method, in Order No. 21202, issued May 8, 1989, we recognized that another method, referred to as the "formula method", may often be a better way to establish a working capital allowance and we instructed our staff to initiate rulemaking to formalize our acceptance of this method. The "formula method" permits the use of one-eighth (1/8) of a utility's operation and maintenance (O & M) expenses as the appropriate amount to allow for working capital. The advantages the "formula method" are that it is simple to calculate and it requires less bookkeeping than the balance sheet method.

Florida Cities requested that it be permitted to use the "formula method" to establish an appropriate allowance for

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working capital in the present proceeding. In Order No. 21902, issued September 18, 1989, we approved the Utility's request. Upon due consideration, we find that a working capital allowance of \$54,263, as derived from the "formula method" discussed herein, is reasonable and is approved.

Conclusion

In consideration of the above determinations, we find the appropriate test year water rate base to be \$3,868.98.

COST OF CAPITAL

Our calculations of this Utility's cost of capital are shown on Schedule No. 2-A attached hereto.

1) Return on Equity - In its application, the Utility requested a rate of return on equity of 13.64 percent. We determined that the projected equity in the Utility's minimum filing requirements differed from actual equity by \$2,357,299 for the Florida Cities capital structure. Investigation revealed that this was due to dividends paid which were not considered in the company's projections. Because the projected equity of Florida Cities is \$2,357,299 less than the Utility's figure, we find that the Utility's equity in its capital structure should be reduced by this amount. Based upon the components of the adjusted capital structure, as shown on Schedule No. 2-A, the equity ratio for the Utility is 47.89 percent. Florida Cities used the leverage formula established in Order No. 19718 to calculate its rate of return on equity. However, it is our policy to use the most recent leverage formula to perform the calculation. Therefore, using the current leverage formula established in Order No. 21775, the appropriate rate of return on equity should be 13.35 percent, and not 13.64 percent as requested by the Utility. The correction to equity also causes the cost rate of the investment tax credit to differ from the 11.19 percent calculated by the Utility, to 12.01 percent as calculated by us using the adjusted capital structure.

Based upon the above considerations, we find that a return on equity of 13.35 percent, with a range of reasonableness of 12.35 percent to 14.35 percent, is reasonable and is therefore approved.

2) Overall Rate of Return - By Order No. 21902, issued September 18, 1989, we approved the Utility's request to use

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the simple average method to calculate its test year capital structure in this rate proceeding. Using the Utility's capital structure and reconciling each item to rate base on a pro rata basis, we find that an overall rate of return of 11.01 percent, with a range of reasonableness from 10.59 percent to 11.43 percent, is reasonable and is thus approved.

NET OPERATING INCOME

Our calculations of the Utility's net operating income are reflected on Schedule No. 3A, with adjustments to net operating income, and a detailed summary of operating expenses being reflected on Schedule No. 3B. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on these Schedules without further explanation in the text of this Order.

1) Operating and Maintenance (O&M) Expense - Our audit revealed that adjustments were needed to the Utility's O & M expense account to correct understatements or overstatements in such account.

First, three accruals during the test year were inaccurate, which yielded an incorrect projected amount. An accrued expense is an estimate which is made to match expenses to revenues for the period in which revenues are earned. An adjustment is made to expenses when the actual cost becomes known, such as through receipt of a bill. In the Utility's base year, major maintenance expense was understated by \$3,201, legal expense was overstated by \$1,257, and worker's compensation expense was understated by \$2,013. Using customer growth to project the expenses, the projected adjustments to O & M expense are \$3,531, (\$1,386), and \$2,215, respectively.

Second, we found two invoices which were paid twice. The first was in miscellaneous expense for \$251, and the second was in contractual services for \$514. The projected amounts which we removed from the test year were \$277 and \$577, respectively.

Third, miscellaneous expense was understated due to the inclusion of out-of-period expenses. The Utility included \$1,074 of costs incurred in the prior period; however, \$2,998 of costs incurred in the base year were not included. The net effect was to increase miscellaneous expense by \$1,924, with a projected amount of \$2,122.

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The final adjustment is for water quality tests which are required by DER. It is our policy to amortize, for rate making purposes, such expenditures over three (3) years. The Utility expensed the total cost of \$1,560 for water quality tests during the base year. The adjustment to miscellaneous expense is (\$1,040), representing the amount remaining to be amortized after the base year. The required projected adjustment is (\$1,147).

Based on the above, we find that a composite adjustment of \$4,481 is needed to O & M expense to reflect the adjustments discussed above.

2) Chemical Expense - We reviewed the Utility's chemical expenses for the historical test year as well as those projected for the test year ended March, 1991. An adjustment was made to the cost of chlorine to reflect the reduced cost of this chemical now being purchased in ton cylinders as opposed to the 150 pound cylinders used during the historical test year. Chlorine was priced at 38 cents per pound, but now is 11.35 cents per pound, representing a savings to the Utility of \$4,571 for which an adjustment was required to the Utility's projected chemical expense account.

3) Salary/Pension and Benefit Expense - In projecting its salaries expense the Utility included a five-percent raise per year for all employees, and added the cost of a new operator which is required by DER to staff its expanded water plant. We believe that this is reasonable. However, the company also increased the salaries expense for customer growth. There is no evidence to indicate that customer growth will impact salaries beyond the raises and the addition of a new operator. Further, the salary for the new operator was increased to include two raises. This employee was expected to be hired in February 1990. It is unreasonable to expect that he or she would receive two five percent raises by March, 1991. One raise during this time period would be more reasonable. Utilizing these adjustments, we find that salaries expense should be reduced by \$13,883, with a corresponding reduction to payroll taxes of \$910, which was calculated using the Utility's payroll tax percentage.

Pension and benefits expense was also increased for customer growth as well as for the two raises discussed above. Additionally, the Utility estimated the pension and benefits for the new operator at \$3,200, which is 17.54 percent of

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salary. Pension and benefits overall only total 12.31 percent of salaries during the base year. We find that pension and benefits for the new employee should be allowed in the same percentage of salary as for the existing employees. After this adjustment and the adjustment to remove customer growth are made, we find that pension and benefit expense should be reduced by \$2,858.

4) Rate Case Expense - Florida Cities requested \$50,000 in rate case expense in its application. The Utility provided us with a breakdown of rate case expense through December 31, 1989, and an estimate of remaining cost to complete the case. The revised request totaled \$28,461.

The actual cost through December 31, 1989, included \$1,495 for legal expense, \$14,656 for rate case consultant fees, \$2,250 for filing fees, \$1,469 for mailings to customers, and \$591 for miscellaneous items. After reviewing the individual invoices for each item, we find that all of these expenses are reasonable except that a \$200 deposit for the room in which the customer meeting was held was included in the miscellaneous amount. According to the invoice submitted by the Utility, this amount would be refunded after the room was cleaned up by their personnel.

The estimate to complete the case included \$5,000 for legal services, \$2,000 for customer mailings, and \$1,000 for miscellaneous items. This case is being processed as a Proposed Agency Action and there is no intervenor at this time. The duties remaining to be performed by the attorney after December 31, 1989, would include attendance at the customer meeting which was held on January 11, 1990, review of additional information required by our staff for its final recommendation, review of that recommendation, attendance at the final agenda, and any work required to finalize the case. This appears to be somewhat more work than that which had already been performed; therefore, we believe that the estimate of \$5,000 is appropriate to cover any remaining attorney's fees. The Utility estimates that an additional \$1,000 in miscellaneous expense will be needed to cover expenses for Utility personnel to travel to the agenda conference. We believe that this amount is reasonable to cover remaining miscellaneous costs. We do not believe that the mailing of the notice of the final rates to the customers should cost more than mailing the notice of customer meeting. Therefore, we find that the Utility's projected expense should be reduced by \$500, to \$1,500.

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Based on the above, we find that rate case expense in the amount of \$27,761 should be allowed, with such being amortized over a four (4) year period. This yields a rate case expense for the test year of \$6,940, which is a reduction of \$5,560 from the Utility's requested amount. We find this amount to be reasonable and it is therefore approved.

5) Depreciation Rates - Florida Cities depreciates utility plant-in-service (with the exception of power operated equipment and transportation equipment) at 2.2 percent per year. The company depreciates power operated equipment at 25 percent per year and transportation equipment at 33 percent per year. These rates were approved by Collier County prior to our assuming jurisdiction of this county. Since this is the Utility's first water rate case, we have not previously established depreciation rates for this utility.

The Utility's application requested approval to change its depreciation methodology to that contained in Rule 25-30.140, Florida Administrative Code. The purpose of the rule is to provide for recovery of invested capital and to match that recovery as nearly as possible to the useful life of the depreciable investment. Paragraph (3) of the rule states that "average service life depreciation rates based on the guideline lives and salvages shall be used in rate proceedings before this Commission." Therefore, we find that the Utility's request to change to the guideline depreciation rates as provided in the above-cited rule is appropriate and is therefore approved.

6) Taxes Other Than Income - The Utility estimated that its tangible personal and real estate property tax for the base year ended March 31, 1989, would be \$40,266. However, the Utility's actual property tax expense for the base year was \$39,017, or \$1,249 less than the Utility's estimate. The Utility projected its taxes based on the increased water plant in the test year. Utilizing the same methodology, we determined that the amount of tax to be removed from the test year is \$3,398. Therefore, we find that taxes other than income should be reduced by \$3,398 to reflect the lower amount of property tax actually paid by the Utility.

7) Regulatory Assessment Fee - Section 367.145, Florida Statutes, gives us authority to increase our regulatory assessment fee to 4.5 percent of a utility's gross revenues derived from intrastate business. Rule 25-30.120, Florida

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Administrative Code, has been amended to read "For the year beginning January 1, 1990, each utility shall pay a regulatory assessment fee in the amount of two and one-half percent of its gross revenues derived from intrastate business for the first six months of that year and four and one-half percent for the second six months of that year. Thereafter, beginning January 1, 1991 each utility shall pay a regulatory assessment fee in the amount of four and one-half percent for the entire year."

The Utility's new rates will go into effect on approximately May 31, 1990, or approximately one month prior to the effective date of the 4.5 percent regulatory assessment fee set forth in the above-cited rule. We have analyzed the effect of allowing the 4.5 percent regulatory assessment fee in the final rates. If the Utility is allowed to earn the full amount for one month prior to the effective date of the increase, it will earn an extra \$1,976 during that month. The average impact per customer is \$.82 for one month or .16 percent. We believe that this amount is immaterial and does not justify separate rates for a period of one month. We believe that the appropriate method to implement the new rate is to allow the Utility the full 4.5 percent increase but to amortize the extra \$1,976 earned in the first month over a four-year period as a reduction to taxes other than income. In order to implement this methodology, we calculated a blended rate of 4.4584 percent, which gives the effect of amortization of the additional amount earned. Accordingly, we find that the Utility's rates, which will become effective on approximately May 31, 1990, shall include a 4.4584 percent regulatory assessment fee using the methodology discussed above.

The above discussed increase in the regulatory assessment fee will require two separate accounting adjustments. The first is to increase the regulatory assessment fee in the test year by \$14,417. The second is to calculate the regulatory assessment fee on the increase in revenues, which includes an additional \$9,300 due to the increased percentage. We find that the regulatory assessment fee should be increased by a total of \$23,717 by utilizing the above methodology, and that no further increases should be allowed due to the change in the regulatory assessment fee to 4.5 percent for four years after the effective date of the rates.

Conclusion

Based on the adjustments discussed above, we find that the

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appropriate level of test year operating income for the Utility is \$425,906.

REVENUE REQUIREMENT

To provide the Utility with the opportunity to earn an 11.01 percent return on its investment, annual operating revenues should be increased by \$464,994, for total annual operating revenues of \$1,201,168. The increase equates to a 63.16 percent increase in annual revenues for the Utility.

RATE STRUCTURE, FIRE PROTECTION CHARGE AND RATES

Rate Structure

Our policy is that a utility's water rate structure should consist of a base facility charge which is based on meter size, plus a gallonage charge to reflect usage. We believe such a structure encourages water conservation and is fair to the general body of ratepayers. Under this structure, customers' bills reflect their actual consumption, and each customer pays his or her fair share of the utility's fixed costs of providing water service.

Presently, the Utility bills all of its residential customers the same base facility charge regardless of the size of meter. The Utility based its requested rates upon the base facility charge design such that rates are a function of meter size and gallons consumed which is consistent with our policy. However, the Utility used a non-standard factor to determine its proposed private fire protection charge which is discussed below. Accordingly, we find that the Utility shall change its billing rate structure so that it is consistent with our above-stated policy.

Private Fire Protection Service Charge

The Utility's application also requested that it be authorized to charge a private fire protection service charge to those customers having sprinklers or private fire protection connections. The Utility's proposed charge did not take into consideration the size of the customer's meter. Our policy is that a fire protection charge shall be one-third of the customer's base facility charge. Accordingly, we will authorize a private fire protection service charge which is

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calculated in accordance with our above-stated policy and set forth below.

Water Rates - The new water rates, which we find to be fair, just and reasonable, and which are designed to achieve the authorized revenue requirement, are set forth below. The present rates are shown for comparison.

RATE SCHEDULE

Schedule of Current and Approved Water Rates

Monthly Rates

	<u>Current</u>	<u>Commission Approved</u>
<u>Residential and General Service</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$ 6.23	\$ 10.03
1"	15.59	25.08
1-1/2"	31.19	50.15
2"	49.91	80.24
3"	99.82	175.53
4"	199.64	300.90
6"	399.29	626.88
8"	798.56	902.70
Gallonage Charge per 1,000 G.	\$ 1.44	\$ 2.81
<u>Private Fire Protection Service</u>		
Base Facility Charge:		
Line Size:		
1-1/2"	None	\$ 16.72
2"	None	26.75
3"	None	58.51
4"	None	100.30
6"	None	208.96
8"	None	300.90

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The new water rates will be effective for meter readings on or after thirty (30) days from the effective date of this Order, subject to our approval of the utility's revised tariff sheets. The tariff sheets will be approved upon Staff's verification that the tariff revisions are consistent with our decisions herein; that the proposed customer notice is adequate; and that the time for protesting this Order has expired.

In consideration of the above, it is

ORDERED by the Florida Public Service Commission that the application of Florida Water Cities, Golden Gate Division, for an increase in its water rates for its customers in Collier County is approved as set forth in the body of this Order. It is further

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that all matters contained herein or attached hereto, whether in the form of discourse or schedules, are by this reference, specifically made integral parts of this Order. It is further

ORDERED that the approved rates will be effective for meter readings on or after thirty (30) days from the date this Order becomes final, subject to our approval of revised tariff sheets. It is further

ORDERED that the Utility's request to implement a Private Fire Protection Service Charge is granted as set forth in the body of this Order. It is further

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; and that the time for protesting this Order has expired and no such protests were filed. It is further

ORDERED that the Utility shall regularly flush its water lines to remove sediment as discussed in the body of this Order. It is further

ORDERED that the Utility shall take the necessary steps to improve communications with its customers as discussed in the body of this Order. It is further

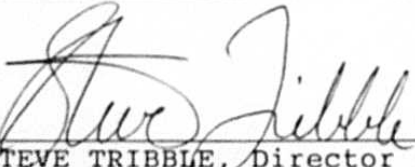
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ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition in the form provided by Rule 25-22.36, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that, in the event this Order becomes final, the Utility shall notify each affected customer of the increased water rates, and approved private fire protection service charge, and shall explain the reasons for the increased rates and private fire protection service charge. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission
this 12th day of April, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JRF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 3, 1990.

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, and as reflected in a subsequent order.

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

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

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SCHEDULE NO. 1-A

FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
SCHEDULE OF WATER RATE BASE
FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 1-A
DOCKET NO. 890509-WU

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	Commission ADJUSTMENTS	Commission ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 6,788,128	\$ 0	\$ 6,788,128	\$ (63,193)	\$ 6,724,935
2					
3 LAND	136	0	136	0	136
4					
5 NOW-USED & USEFUL COMPONENTS	0	0	0	0	0
6					
7 C.W.I.P.	0	0	0	0	0
8					
9 C.I.A.C.	(2,266,106)	0	(2,266,106)	(150,076)	(2,416,182)
10					
11 ACCUMULATED DEPRECIATION	(840,040)	0	(840,040)	6,235	(833,805)
12					
13 AMORTIZATION OF C.I.A.C.	383,288	0	383,288	3,524	386,812
14					
15 ADVANCES FOR CONSTRUCTION	(47,261)	0	(47,261)	0	(47,261)
16					
17 WORKING CAPITAL ALLOWANCE	57,062	0	57,062	(2,799)	54,263
18					
19 RATE BASE	\$ 4,075,207	\$ 0	\$ 4,075,207	\$ (206,309)	\$ 3,868,898
20					

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SCHEDULE NO. 1-B

FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
 ADJUSTMENTS TO RATE BASE
 FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 1-B
 PAGE 1 OF 1
 DOCKET NO. 890509-WJ

EXPLANATION	WATER ADJUSTMENT
-----	-----
1 UTILITY PLANT IN SERVICE	
2 A. To remove AFUDC charged without an	
3 approved rate.	\$ (63,193)
4	*****
5	
6 C.I.A.C.	
7 A. To impute C.I.A.C. on the margin reserve.	\$ (150,076)
8	*****
9	
10 ACCUMULATED DEPRECIATION	
11 A. To remove accumulated depreciation associated	
12 with AFUDC charged without an approved rate.	\$ 6,235
13	*****
14	
15 AMORTIZATION OF C.I.A.C.	
16 A. To include accumulated amortization of C.I.A.C.	
17 imputed on the margin reserve.	\$ 3,524
18	*****
19	
20 WORKING CAPITAL ALLOWANCE	
21 A. To adjust the working capital allowance to	
22 staff's calculation.	\$ (2,799)
23	*****

FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
 CAPITAL STRUCTURE
 FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 2-A
 DOCKET NO. 890509-WJ

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DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	WEIGHTED COST	Commission		WEIGHT	COST	WEIGHTED COST
					ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER Commission			
LONG TERM DEBT	\$ 24,860,625	36.84%	10.95%	4.03%	\$ (23,383,928)	\$ 1,476,697	38.17%	10.95%	4.18%
SHORT TERM DEBT	5,100,000	7.56%	10.00%	0.76%	(4,797,065)	302,935	7.83%	10.00%	0.78%
CUSTOMER DEPOSITS	0	0.00%	8.00%	0.00%	0	0	0.00%	8.00%	0.00%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	29,891,475	44.29%	13.64%	6.04%	(28,255,972)	1,635,503	42.27%	13.35%	5.64%
INVESTMENT TAX CREDITS	2,183,228	3.23%	11.19%	0.36%	(2,053,546)	129,682	3.35%	12.01%	0.40%
DEFERRED INCOME TAXES	5,456,017	8.08%	0.00%	0.00%	(5,131,935)	324,082	8.38%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
TOTAL CAPITAL	\$ 67,491,345	100.00%		11.19%	\$ (63,622,447)	\$ 3,868,898	100.00%		11.01%

RANGE OF REASONABLENESS

	LOW	HIGH
EQUITY	12.35%	14.35%
OVERALL RATE OF RETURN	10.59%	11.43%

SCHEDULE NO. 2-A

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SCHEDULE NO. 2-B

FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
ADJUSTMENTS TO CAPITAL STRUCTURE
FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 2-B
DOCKET NO. 890509-WU

DESCRIPTION	ADJUST OUT PARENT ITEMS	ADJUST FOR ERROR	PRD RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 0	\$ 0	\$ (23,383,928)	\$ (23,383,928)
2				
3 SHORT TERM DEBT	0	0	(4,797,065)	(4,797,065)
4				
5 CUSTOMER DEPOSITS	0	0	0	0
6				
7 PREFERRED STOCK	0	0	0	0
8				
9 COMMON EQUITY	0	(2,357,299)	(25,898,673)	(28,255,972)
10				
11 INVESTMENT TAX CREDITS	0	0	(2,053,546)	(2,053,546)
12				
13 DEFERRED INCOME TAXES	0	0	(5,131,935)	(5,131,935)
14				
15 OTHER CAPITAL	0	0	0	0
16				
17 TOTAL CAPITAL	\$ 0	\$ (2,357,299)	\$ (61,265,148)	\$ (63,622,447)
18				

FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
 STATEMENT OF WATER OPERATIONS
 FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 3-A
 DOCKET NO. 890509-WJ

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SCHEDULE NO. 3-A

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY	Commission	Commission	REVENUE	REVENUE
			ADJUSTED TEST YEAR	ADJUSTMENTS	ADJUSTED TEST YEAR	INCREASE OR (DECREASE)	REQUIREMENT
1 OPERATING REVENUES	\$ 734,788	\$ 560,047	\$ 1,294,835	\$ (558,661)	\$ 736,174	\$ 464,994	\$ 1,201,168
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 456,498	\$ 0	\$ 456,498	\$ (22,391)	\$ 434,107	\$ 0	\$ 434,107
6							
7 DEPRECIATION	158,940	0	158,940	(5,641)	153,299	0	153,299
8							
9 AMORTIZATION	0	0	0	0	0	0	0
10							
11 TAXES OTHER THAN INCOME	85,431	14,001	99,432	(3,857)	95,575	20,731	116,306
12							
13 INCOME TAXES	(81,527)	205,476	123,949	(191,701)	(67,752)	139,302	71,550
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 619,342	\$ 219,477	\$ 838,819	\$ (223,590)	\$ 615,229	\$ 160,033	\$ 775,262
17							
18							
19 OPERATING INCOME	\$ 115,446	\$ 340,570	\$ 456,016	\$ (335,071)	\$ 120,945	\$ 304,961	\$ 425,906
20							
21							
22 RATE BASE	\$ 4,075,207		\$ 4,075,207		\$ 3,868,898		\$ 3,868,898
23							
24							
25 RATE OF RETURN	2.83%		11.19%		3.13%		11.01%
26							

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SCHEDULE NO. 3-B
Page 1 of 2

FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
ADJUSTMENTS TO OPERATING STATEMENT
FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 3-B
PAGE 1 OF 2
DOCKET NO. 890509-WU

EXPLANATION -----	WATER ADJUSTMENTS -----
1 OPERATING REVENUES	
2 A. To remove utility's requested increase.	\$ (560,047)
3	
4 B. To correct projected revenue for error in	
5 residential customer rates.	1,386
6	-----
7 NET ADJUSTMENT	\$ (558,661)
8	*****
9	
10 OPERATION AND MAINTENANCE EXPENSE	
11 A. To adjust O&M expenses to staff's calculation.	\$ 4,481
12	
13 B. To reduce chemical expense for bulk purchase.	(4,571)
14	
15 C. To reduce salaries expense for incorrect	
16 projection methodology.	(13,883)
17	
18 D. To reduce pension and benefit expense for	
19 new operator to staff's calculation.	(2,858)
20	
21 E. To adjust rate case expense to staff's calculation.	(5,560)
22	-----
23 NET ADJUSTMENT	\$ (22,391)
24	*****
25	
26 DEPRECIATION EXPENSE	
27 A. To remove depreciation expense associated with	
28 AFUDC charged without an approved rate.	\$ (2,117)
29	
30 B. To include amortization expense for imputation	
31 of CIAC.	(3,524)
32	-----
33 NET ADJUSTMENT	\$ (5,641)
34	*****
35	
36 TAXES OTHER THAN INCOME	
37 A. To remove regulatory assessment fees	
38 related to requested revenues.	\$ (14,001)
39	
40 B. To include regulatory assessment fees	
41 related to correction in revenue.	35

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SCHEDULE NO. 3-B
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FLORIDA CITIES WATER COMPANY-GOLDEN GATES DIVISION
ADJUSTMENTS TO OPERATING STATEMENT
FOR THE TEST YEAR ENDED MARCH 31, 1991

SCHEDULE NO. 3-B
PAGE 2 of 2
DOCKET NO. 890509-WJ

EXPLANATION -----	WATER ADJUSTMENT -----
1 TAXES OTHER THAN INCOME - CONTINUED	
2 C. To remove payroll tax associated with	
3 staff's adjustment to salaries expense.	(910)
4	
5 D. To reduce property tax to reflect the amount	
6 paid by the utility.	\$ (3,398)
7	
8 E. To increase regulatory assessment fees to 4.5%.	14,417
9	-----
10 NET ADJUSTMENT	\$ (3,857)
11	*****
12	
13 INCOME TAXES	
14 A. To remove test year income taxes	
15 related to requested revenues.	\$ (205,476)
16	
17 B. To include income tax associated with	
18 correction of revenue figure and staff adjustments	
19 to expenses.	12,508
20	
21 C. To correct parent debt adjustment for	
22 changes in rate base and capital structure.	1,267
23	-----
24 NET ADJUSTMENT	\$ (191,701)
25	*****
26	
27 OPERATING REVENUES	
28 A. To adjust revenues to reflect revenues	
29 which allow a fair rate of return.	\$ 464,994
30	*****
31	
32 TAXES OTHER THAN INCOME	
33 A. To reflect regulatory assessment fees	
34 related to staff adjustment to revenues.	\$ 20,731
35	*****
36	
37 INCOME TAXES	
38 A. To reflect income tax expense	
39 related to staff adjustment to revenues.	\$ 139,302
40	*****