

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of VISTA VILLAGES,)	DOCKET NO. 891161-SU
INC. for a staff-assisted rate case in)	ORDER NO. 22829
Lee County)	ISSUED: 4-18-90
)	

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

ORDER SETTING TEMPORARY RATES
IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER SETTING FINAL RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein are preliminary, except for the setting of temporary rates in the event of protest, 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

Vista Villages, Inc. is a wastewater utility located in North Ft. Myers. It provides service to 435 customers at Forest Park, an adult mobile home community, the recreational hall at the park, and five customers outside the park. Vista Villages originated in the early 1970s and was certificated in 1975. The only increase that has been granted through a rate case proceeding was in 1977 (Docket No. 770688-S). However, it has applied for, and the Commission acknowledged, six price index rate adjustments.

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In 1985, the utility requested a staff-assisted rate case (Docket No. 850249-SU). Following an audit and preliminary examination, it was found that only a very minor revenue increase was warranted. Therefore, the utility withdrew its application, which was acknowledged by Order No. 15372. As a result of the withdrawal of its application, the rate base components have not been updated formally since they were set as of December 31, 1976 in Order No. 8275.

The test year for this proceeding is the historical average twelve month period ended December 31, 1989.

CUSTOMER MEETING

As part of our Staff's investigation, a customer meeting was held on February 27, 1990 at the Forest Park Clubhouse in North Ft. Myers, to afford the customers the opportunity to present testimony on the quality of service provided by the utility and to voice their concerns about other issues as well. Of the approximately 100 people who attended the meeting, five provided testimony concerning the quality of service. The nine others who testified raised questions about the hours spent on utility matters by certain employees, management fees, and labor cost distribution. One person indicated that the various questions posed had more to do with the potential sale of the utility to the park residents than the rate case itself.

Three customers complained about odor coming from the wastewater treatment facility. One customer said that the odor is intolerable at times. Subsequent to the customer meeting, our Staff received a copy of a petition sent to the Department of Environmental Regulation (DER), signed by fifty-five customers complaining about the odor.

The utility has indicated that on occasion odor problems do originate from a recently installed surge tank at the sewage treatment facility. Although the treatment plant is operating properly, the odor has been determined to be that of raw sewage which is collected in a surge tank just prior to entering the actual treatment units of the plant. When aware of it, the operator can manually implement corrective measures to reduce odors to tolerable levels. After discussing possible alternatives with our Staff, the management of the utility has agreed to determine which physical modifications can be made to

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best eliminate the odor on a continuous basis. Modifications may include the installation of air lift piping to inject activated sludge to the surge tank, or the injection of odor reducing chemicals to the raw sewage. Since the utility has identified the source of the problem, and is attempting to correct it, we anticipate that the problem will soon be corrected. Informal follow-up will be made by our Staff.

Another customer was concerned with the effluent pond overflowing. In the past, there have been problems with water seeping through the berms of the pond. The utility has taken precautionary measures by creating a drainfield to help eliminate the overloading of the pond. Also, fill dirt has been hauled in and placed on the berms to add additional support. A customer noted that there has been standing water in the area and that the newly installed drainfield may not be functioning properly. We are informed that the area has been under water all summer long. The utility has been attempting to correct the pond problems by adding more dirt to the area, or by making modifications to the drain pipe itself as problem areas become apparent.

We are informed that DER is aware of the precarious situation with the pond and the drainfield. If it occurs too frequently, or is determined not to be meeting the original DER permitted design criteria, the DER will most likely require modifications to the pond and the drainfield.

One of the non-quality of service questions raised by a customer and subsequently followed by a letter, related to the customer's belief that an increase in the clubhouse wastewater fee would cause a double payment since the park residents pay a management fee which covers the clubhouse. Attached to the customer's letter were excerpts from the customer's deed restrictions which do not exactly cover the points raised in the narrative of the letter. The gist of the concern appears to be that the clubhouse is an amenity for which the residents pay a fee every January. The fee is adjusted annually according to the consumer price index (CPI). Another clause, according to the customer, identifies the wastewater system as a utility and the fee for service is separate and added to the other fee usually in August. The customer also cites the Florida Mobile Home Statute which apparently states that any fee cannot be adjusted more than once annually.

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Review of the excerpts of the deed restrictions indicates the Grantor provides wastewater service; the charge can be adjusted by the Grantor at any time, but shall be comparable to the rate charged by private utility companies in Lee County, and the charge is payable every month without the necessity of rendering a bill. The excerpt also shows that the Grantor owns, manages and maintains the clubhouse and that a monthly recreation and service fee is due the Grantor for "the use of these facilities and for the services as provided above . . .". The fee is to be adjusted annually in accordance with CPI, with some limitations that are apparently stated on another page of the deed restriction that was not enclosed with the letter.

As was explained by our Staff at the customer meeting, the Commission must set rates based on the requirements of Chapter 367, Florida Statutes, and cannot be bound by deed restrictions or a contract between the customer and the utility. Regarding the concerns raised in the letter, if the maintenance fee includes recovery of wastewater expenses incurred by the clubhouse by payment to the utility, there would be no double payment. The payment made by the customer for his residential wastewater service is for service relating to his residence. The clubhouse, as any other "customer", pays for the service it uses and the customer's use of that service at the clubhouse is for a different and separate service paid for through his maintenance fee which is a different and separate payment.

QUALITY OF SERVICE

To determine a utility's quality of service, we look at the following factors: compliance with the regulations of DER and other regulatory agencies; the operation and maintenance of the system; and overall customer satisfaction with the service.

Wastewater Treatment Plant

Built in the early 1970's, the 50,000 gallon per day (gpd) capacity wastewater treatment plant uses contact stabilization as its primary mode of operation. Liquid chlorine is used for disinfection purposes, with the treated effluent being discharged to a percolation/evaporation pond.

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In early 1989, the utility installed an effluent drainfield/subsurface irrigation system, which is located adjacent to the pond in the recreational area of the subdivision. The creation of this system resulted from years of unsatisfactory performance of the pond. Apparently the pond had trouble handling the quantity of effluent during high flow periods and rainy weather. It is during these times that the berm of the pond became saturated with water, resulting in the leaching of effluent through the berm. The irrigation system is to eliminate the strain on the pond by pumping effluent from it and disposing of it through the drainfield.

It is not known if this new installation truly meets its original design criteria. As recent as August of 1989, DER cited the utility because the pond was discharging a significant amount of effluent by leaching through the berm. Also, it noted that the drainfield/subsurface irrigation system had standing water on and around it. This could indicate a failure or malfunction. In response, the utility refortified the pond berm by applying fill dirt to it and installed storm water runoff drains in the drainfield area. Since the completion of the improvements, no leaching has occurred through the pond berm, but standing water in the drainfield area occasionally persists. The utility is still addressing that problem by adding additional fill dirt or by making modifications to the drain pipe itself as standing water areas become apparent.

Other modifications to the treatment plant include the installation of two surge tanks (one in 1984 and one in late 1988). Also, a malfunctioning sludge drying bed was removed in mid-1989 and the chlorination facility was converted from gas to liquid in mid-1989.

At the time of the Staff Engineer's field investigation on November 28, 1989, the treatment plant, the evaporation/percolation pond and the drainfield/subsurface irrigation system appeared to be operating properly.

Wastewater Collection System

At the time of the Staff Engineer's field inspection, the wastewater collection system appeared to be operating satisfactorily. This system has two lift stations. The lines are made of cast iron, vitrified clay, and PVC pipe.

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As noted, there have been some physical problems with the effluent disposal facilities. However, we believe that the utility has taken positive steps to resolve the problems.

Although there are quality of service problems as noted, the utility appears to be adequately addressing them by making modifications when needed. Therefore, we find that the quality of service is satisfactory.

RATE BASE

Our calculation of the utility's rate base is attached to this Order as Schedule No. 1, with adjustments to the rate base shown on Schedule No. 1A. Those adjustments essentially mechanical in nature are shown on the schedule without further explanation in the text of this Order. The major components of the utility's rate base and adjustments thereto are discussed below.

Used and Useful

The residential area which the treatment facilities serve is fully developed. No further growth is anticipated. The wastewater treatment plant as well as other collection system are fully utilized. Accordingly, we find that the wastewater treatment plant and collection system are 100 percent used and useful.

Plant-in-Service

Plant-in-service of \$198,200 at December 31, 1976 was last established in Commission Order No. 8275. During the period of January 1, 1977 to December 31, 1988, the utility added \$31,043 in plant additions, primarily for installation of the drainfield/subsurface irrigation system, two surge tanks, services and refortifying the percolation/evaporation pond berm. We believe the expenditures were necessary and reasonable and, therefore, the appropriate depreciable plant-in-service as of December 31, 1989 is \$229,243. To that an averaging adjustment of \$4,448 is made, decreasing average test year depreciable plant-in-service to \$224,795. Since we have determined that plant-in-service is 100 percent used and useful, a nonused and useful adjustment is inappropriate. Therefore, we find the average depreciable plant-in-service amount to be \$224,795.

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Land

The cost of utility land, \$4,050, was last established at December 31, 1976 in Commission Order No. 8275. The land was deeded to Vista Villages, Inc. on April 15, 1972. This deed transfers ownership of the combined recreation/treatment and disposal area. The utility and the recreation area are on one continuous parcel of property and property taxes are assessed on the entire 4.05 acre parcel.

Vista Villages, Inc. is a Subchapter S Corporation. The property is listed at \$10,037 on its 1988 federal income tax return. The amount devoted to utility use was estimated at \$4,050 at December 31, 1976, which represents about 40 percent of the total parcel. Since that time, the utility has added an irrigation/effluent disposal network on recreation area grounds. We do not believe that the land cost for utility purposes should be increased to reflect the land upon which the disposal network sits. Therefore, no increase to the \$4,050 will be approved.

Accumulated Depreciation and Amortization of Plant-in-Service

Accumulated depreciation of \$16,536 was established at December 31, 1976 in Order No. 8285. The composite depreciation rate of 2.5 percent was used through December 31, 1988. For the test period, depreciation was accumulated using the rates prescribed by Rule 25-30.140, Florida Administrative Code. The result is a composite depreciation rate of 3.00 percent.

Depreciation was accumulated on Commission-calculated historical plant to December 31, 1989. The result is accumulated depreciation of \$85,718 at the end of the test year. To that an averaging adjustment, \$3,402, was made resulting in average accumulated depreciation of \$82,317. Plant-in-service is 100 percent used and useful, so a nonused and useful adjustment is inappropriate. Therefore, we believe the appropriate ratemaking balance is \$82,317.

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

CIAC of \$199,552 was established as of December 31, 1976, in Order No. 8285. The utility's tariff contains no provision for service availability fees, including connection fees.

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However, Vista Villages, Inc. charges a \$200 "stub out fee", which includes connecting the mobile home plumbing fixtures to the utility main. The president of Vista Villages, Inc., estimates that of that \$200 fee, approximately \$50 relates to the actual tap-in. Based on this representation, we calculate the CIAC related to the 127 connections added from January 1, 1977 through December 31, 1989 to be \$6,350. In addition, we have learned that prior to 1985, the utility manager, four customers outside the park, and the clubhouse were receiving free wastewater services. The clubhouse is estimated to be three equivalent residential connections (ERCs) and the others, one ERC each. Therefore, we imputed eight additional ERCs of CIAC at \$400. Also \$1,630 of plant was expensed and therefore added to CIAC. The result is CIAC of \$207,932 at December 31, 1989. An averaging adjustment of \$25 results in the CIAC level of \$207,907, which we find to be appropriate.

We will not require a refund of the unauthorized \$50 tap-in portion of the "stub out fee" or initiate show cause proceedings in this instance, as the \$50 charge appears to be reasonable, the utility was unaware that prior approval was required for this charge, and the service area is now built out so no further stub out fees will be collected. The utility is hereby reminded that all rates and charges require prior Commission approval.

Accumulated Amortization of CIAC

Accumulated amortization of CIAC of \$16,415 was established at December 31, 1976 in Order No. 8285. We updated the balance to December 31, 1988 using the previously discussed levels of CIAC and the composite depreciation rate of 2.5 percent. The composite depreciation rate of 3.0 percent was used for 1989. The result is accumulated amortization of CIAC of \$84,434 at December 31, 1989. The averaging adjustment of \$3,146, reduces the average test year balance to \$81,288.

Working Capital

The balance sheet method is our preferred method for measuring working capital for a utility. However, in this instance we believe that method is inappropriate since the utility's balance sheet method components contain both utility and nonutility activity because the books and records combine the utility and park activity. Instead, we will use the

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formula method, that is, one-eighth of operation and maintenance expenses, because it provides a close approximation of the utility's working capital needs. Using this method, we find the appropriate level of working capital allowance to be \$4,893.

Rate Base

Based on all of our adjustments, we find the appropriate average rate base is \$24,802.

CAPITAL STRUCTURE

The only capital component of the utility is equity. We have calculated the cost of equity using the leverage formula set forth in Order No. 21775, issued August 23, 1989. This results in a return on equity of 11.76 percent. The overall rate of return is thus 11.76 percent also.

Attached to this Order as Schedule No. 2 is the utility's capital structure and the calculation of the overall rate of return.

NET OPERATING INCOME

Attached as Schedule No. 3 is our schedule of wastewater operating income. Our adjustments thereto are shown on Schedules Nos. 3A and 3B. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on those schedules without further explanation in the text of this Order.

Based on the current number of customers along with the current rates, we have calculated annualized revenues, before adjustment for increased rates, to be \$42,262. This computation includes imputation of revenue for utility customers who were not paying for wastewater service during the test year, i.e. the park manager and the clubhouse. We are informed that the utility's co-manager has been advised of the necessity of billing these customers and has commenced billing.

Operating Expenses

The financial records of the utility and park are combined. The utility does not use the NARUC Uniform System of Accounts. For annual report purposes, the utility's accounting

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firm combines and/or segregates the utility transactions and "makes them fit" the NARUC accounts. In addition, a portion of certain expenses paid from the park bank account is allocated to the utility. We have audited the direct expenses, the allocated costs, and the method of allocation used for each operating expense. In addition, each expense was analyzed for prospective changes. In this manner, we have calculated operating and maintenance expenses of \$39,147. Details of the calculations and adjustments made to each expense account follow.

1). Salaries and Wages - Employees (Account No. 701) - The utility recorded \$18,944.06 in this account, which consists of 60 percent of the first co-manager's annual compensation and 35 percent of the other's. Each co-manager receives gross monetary compensation of \$384.73 per week for managing the utility and the park. They are also compensated by free rent (average market value of \$400 per month) and by one-half of their power bill (averaging \$130 per month). The home/office is owned by the utility president. The first co-manager spends approximately 40 percent of his time on utility matters and the other spends approximately 35 percent of her time on utility matters. Based on the above, we believe the appropriate allowance is \$17,097, a reduction of \$1,847. Such allowance is reasonable for the services performed for this utility.

2). Salaries and Wages - Officers, Directors, Stockholders (Account No. 703) - The utility recorded \$4,777.71 in this account, representing 35 percent of the person's compensation. This person and the utility president devote approximately ten hours per month to utility-related activities. Based on \$15.72 per hour, this equates to \$1,886.40 per year, which we find reasonable. The appropriate allowance is therefore \$1,886.40 per year, a reduction of \$2,891.

3). Pensions and Benefits - Employees (Account No. 704) - The utility recorded zero in this account. However, Vista Villages, Inc. pays the co-managers' health, life and cancer insurance premiums of \$159.54 per month. Consistent with our treatment of Salaries and Wages - Employees, we will allow 40 percent of the first co-manager's premiums, or \$765.79, and 35 percent of the second co-manager's premiums, or \$670.06, as a utility expense. The result is \$1,435.85.

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4). Sludge Removal Expense (Account No. 711) - The utility recorded \$1,950 in this account. We believe this to be reasonable and therefore will allow this amount on a prospective basis.

5). Purchased Power (Account No. 715) - During the test year, the utility recorded \$7,698.71 in this account. The utility inadvertently included electrical expenses for two power meters not related to the utility. They are for pumping stations that pump storm water out of local canals. These meters are identified as Nos. 30234 and 30860. The combined costs of these accounts incurred during the twelve months ended December 1989, totalled \$502.73. This amount has been removed from the total electrical expenses incurred by the utility.

The drainfield/subsurface irrigation system operates through a three horsepower pump which receives electrical power through the same electrical meter which supplies the recreational area of the park. Review of the past several months of electrical bills found no detectable increase in power consumption. The utility's manager indicated that this pump is operated an average of twelve hours per day. We believe that some increased costs are incurred. Power consumption relates directly to the amount of pressure that the pump's motor is pumping against. Since increased consumption could not be identified, it appears that the amount of pressure is relatively insignificant. In cases like this, it is difficult to put a dollar value on the consumption. Therefore, an estimate of \$15 dollars per month is considered reasonable. We will authorize \$180 per year for power consumed by the irrigation pump through the recreational meter.

Based on the above, the total allowance for purchased power is \$7,375.98.

6). Chemicals (Account No. (718)) - During the test year, the utility recorded zero in this account. We reclassified \$1,414.09 from materials and supplies. Currently, the utility uses liquid chlorine for disinfection purposes, but prior to May of 1989, gas chlorine was used. Since the conversion occurred during the test year, the chemical costs incurred are not truly reflective of what future chemical expenses will be. Using approximately four months of data, the utility averaged seven containers of liquid chlorine per month, at an expense of approximately \$128 per month. Therefore, the annualized expense for chlorine is expected to be \$1,536.

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The utility also uses one drum of degreaser per year (\$90) and copper sulfate (\$414). Therefore, the appropriate annual allowance for chemical expense is \$2,040.

7). Materials and Supplies (Account No. 720) - The utility recorded \$7,097.60 in this account. Of this amount, \$4,233.28 were direct costs and \$2,864.32 were costs which were allocated from the park account. Examination of the costs and allocations resulted in reclassifying \$2,727.47 of the direct costs: \$1,414.09 to chemical expense, \$1,295.25 to plant in service, and \$18.13 to nonutility expense. Of the allocated costs of \$2,864.32, \$2,281.49 were reclassified as nonutility expense. The result is \$2,088.64, a decrease of \$5,008.96.

8). Contractual Services (Account No. 730) - The utility recorded \$4,401.43 in this account. We reclassified \$540 to plant in service, \$390 to regulatory commission expense and \$150.94 to nonutility expense, resulting in total contractual services of \$3,320.49. The balance is comprised mainly of accounting charges and testing costs: Biochemical oxygen demand, total suspended solids, dissolved oxygen, sludge, and microscopic examination.

9). Rents (Account No. 740) - The utility recorded zero in this account. The audit revealed no rental costs incurred for the operation of the utility.

10). Transportation Expense (Account No. 750) - The utility recorded \$100.24 in this account. We reclassified \$5.00, which was payment of a parking ticket for the utility president, as nonutility expense, resulting in the allowance of \$95.24.

11). Insurance Expense (Account No. 755) - The utility recorded \$7,893.63 in this account, representing 35 percent of \$22,553.23 of insurance costs recorded in the park's expenses. An audit of the insurance policies resulted in our reclassifying \$6,777.23 as nonutility expense. The remaining \$1,116.40 represents an allowance of \$20 for the office, \$335.76 for the vehicle, \$200 for the sewage treatment plant and \$560.64 for worker's compensation. Where premiums related to facilities with joint use and persons who perform services for both the park and the utility, our allocations were made based on square footage, time or payroll cost, as appropriate.

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12). Regulatory Commission Expense (Account No. 765) - The utility recorded zero in this account. We reclassified \$390 from contractual services. This represents the accounting firm's charges for consultation and the completion of and filing of this rate case. In addition, on a prospective basis we have considered two mailings to customers (\$250), reproduction charges of the customer meeting notice and notice of increase (\$100), as well as the \$150 filing fee, resulting in a total regulatory commission expense of \$890. Consistent with Commission policy, this account has been amortized over a four year period, resulting in the annual allowance of \$222.

13). Miscellaneous Expenses (Account No. 775) - The utility recorded \$1,102.91 in this account, consisting of water used at the wastewater treatment plant (\$727.07), \$159.62 for postage and bank charges, and 35 percent of the telephone bill (\$216.22). We believe the allocation for telephone service and the \$159.62 to be reasonable. As a result of changing from gas chlorine to liquid chlorine during the test year, the water bill decreased from approximately \$120 per month to \$12 per month. Based on this change, we will decrease the allowance by \$583 on a prospective basis. The result is \$519.91.

The result of the above adjustments, reclassifications, and allowances decreases the recorded twelve months of operating expense by \$14,820, from \$53,967 to \$39,147.

Depreciation Expense

Use of the average plant balances and the rates prescribed by Rule 25-30.140, Florida Administrative Code, results in depreciation expense of \$6,803. The composite depreciation rate is calculated to be 3.0 percent. This was derived by the division of depreciation expense by average depreciable plant-in-service.

CIAC Amortization

Use of the average test year CIAC level and the composite depreciation/amortization rate of 3.0 percent results in CIAC amortization of \$6,292. CIAC amortization is shown on Schedule No. 3 to this Order. Adjustments thereto are on Schedule No. 3A.

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Taxes Other Than Income Taxes

Taxes other than income taxes include payroll taxes, regulatory assessment fees and property taxes.

Payroll taxes have been calculated using the payroll costs and the current tax rates. The result is payroll taxes of \$1,405.68. Regulatory assessment fees are calculated on the basis of the revenue requirement. The result is projected regulatory assessment fees of \$2,138.98

1989 property taxes for the combined sewage treatment plant site and the recreational area are \$2,676.30, based on a November 1989 due date. We have allocated the 1989 costs of \$2,676.30 on the basis of assessed value of the utility assets to the total assessed value of the parcel. This results in wastewater treatment plant taxes of \$1,168. In addition, we allocated 50 percent of a parcel which houses a lift station (\$100.45), 10 percent of the real estate taxes assessed on the manager's home/office (\$23.05), and 25 percent of tangible taxes (\$121.59), resulting in ad valorem taxes of \$1,413.09. Therefore, the appropriate level of taxes other than income taxes is \$4,958.

Income Tax Expense

Vista Villages, Inc. has elected to be taxed as a Subchapter S Corporation, a nontaxable entity. Therefore, consistent with our policy of not allowing income tax expense for a non-taxable entity, we have made no allowance for income taxes.

Operating loss

Annualized test year revenue for the period ending December 31, 1989 is \$42,262. Test year expenses are \$44,379. The result is annualized operating losses of \$2,117.

REVENUE REQUIREMENT

To give the utility the opportunity to earn an 11.76 percent overall rate of return, the appropriate annual revenue requirement is \$47,533. This represents an increase in annual revenue of \$5,271 (12.47 percent).

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RATES AND CHARGES AND RATE STRUCTURE

Monthly Service Rates

Vista Villages provides wastewater services only. Presently, it charges a flat wastewater rate on a monthly basis. Water service is provided by Lee County Utilities and water consumption data is not easily accessible. We believe that consumption is relatively uniform. Thus, we will continue the existing flat rate structure.

The new 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 existing rates and the new rates are shown below for comparison.

MONTHLY WASTEWATER RATE

Residential Service

	<u>Existing</u>	<u>Approved</u>
Flat Rate	\$ 7.95	\$ 8.94

General Service

	<u>Existing</u>	<u>Approved</u>
Clubhouse	\$23.87	\$26.82

The new rates will be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that the tariffs are consistent with the Commission's decision, that the protest period has expired, and that the proposed customer notice is adequate.

Miscellaneous Service Charges

Miscellaneous Service Charges are designed to place the responsibility for the costs associated with miscellaneous services on those persons creating those costs, rather than on the general body of ratepayers. Currently, the utility has no

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miscellaneous service charges. We believe it is appropriate for the utility to implement the following miscellaneous service charges for the four services described below.

<u>Type of Service</u>	<u>Wastewater</u>
Initial Connection	\$ 15.00
Normal Reconnection	\$ 15.00
Violation Reconnection	Actual Cost
Premises Visit (in lieu of disconnection)	\$ 10.00

(1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

(2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously-served location, or reconnection of service subsequent to a customer-requested disconnection.

(3) Violation Reconnection: This charge is to be levied prior to reconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment. (Actual cost is limited to direct labor and equipment rental.)

(4) Premises Visit Charge (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

These charges will be effective for service rendered on or after the stamped approval date on the tariff sheet.

Service Availability Charges

The utility's tariff contains no provision for service availability charges. As previously discussed, it has been collecting a \$200 "stub out" charge from new connections and we have imputed \$50 of that amount per connection as additional CIAC collected since the last proceeding.

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The utility's service area is built out. As of December 31, 1989, net CIAC is \$123,498 and net plant-in-service is \$143,525. Therefore the utility's current level of CIAC is 86 percent, which exceeds the maximum level indicated in Rule 25-30.580, Florida Administrative Code. Because the utility is at its designed capacity and because its level of CIAC is in excess of 75 percent, the implementation of service availability charges is not necessary.

RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater rates. A timely protest could delay what may be a justified rate increase, pending a formal hearing and final order in this case, resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the monthly service rates proposed herein, subject to refund, provided that it furnishes security for such potential refund. The security should be in the form of a bond or letter of credit in the amount of \$4,000. Alternatively, the utility may establish an escrow account with an independent financial institution pursuant to a written agreement. If this alternative is chosen, all revenue collected under the rate increase will be subject to escrow. Any withdrawals of funds from this escrow account shall be subject to the written approval of the Commission through the Director of Records and Reporting. Should any refund ultimately be required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility must keep an accurate account of all monies received by said increase, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month that the temporary rates are in effect, showing the amount of revenue that would have been collected under the prior rates. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

The utility would be authorized to implement the temporary rates only after providing the above discussed security and after Staff's approval of the revised tariff sheets and customer notice.

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COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS

Rule 25-30.115, Florida Administrative Code, requires utilities, as of January 1, 1986, to maintain their accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

As previously discussed, the utility's books and records are not maintained in conformity with the NARUC Uniform System of Accounts. The utility does utilize the services of a certified public accountant. Therefore, we believe that this utility has access to the required expertise to comply with the above-cited Rule. Therefore, we hereby required the utility to comply with Rule 25-30.115 and convert its records to the 1984 NARUC Uniform System of Accounts. This conversion will be informally monitored by Staff.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Vista Villages, Inc., for an increase in its wastewater rates in Lee County, is approved as set forth in the body of this Order. 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 each of the specific findings herein are approved in every respect. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.035, 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 the utility is authorized to charge the new rates and charges as set forth in the body of this Order, effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

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ORDERED that, in the event this Order becomes final, the utility shall notify each customer of the increased wastewater rates and approved miscellaneous service charges and shall explain the reasons for such increased rates and charges. The form of this notice shall be submitted to this Commission for prior approval. 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 comply with the NARUC Uniform System of Accounts as set forth in the body of this Order. It is further

ORDERED that in the event a substantially affected person, other than the utility, protests this proposed agency action, the utility may implement the rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rate portion of this Order is not issued as proposed agency action. 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 18th day of APRIL, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NSD

by: Kay Flynn
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action setting final rates and charges 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 9, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, 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 the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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VISTA VILLAGES, INC.
DOCKET NO. 891161-SU
TEST YEAR ENDED DECEMBER 31, 1989
WASTEWATER RATE BASE
SCHEDULE NO. 1

	BALANCE PER UTILITY AT 12/31/89		COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----		-----	-----
LAND	\$4,050		\$0	\$4,050
DEPRECIABLE PLANT IN SERVICE	\$200,358	A	\$24,437	\$224,795
ACCUMULATED DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE	(\$82,184)	B	(\$133)	(\$82,317)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(\$215,817)	C	\$7,910	(\$207,907)
ACCUMULATED AMORTIZATION OF CIAC	\$46,004	D	\$35,284	\$81,288
WORKING CAPITAL ALLOWANCE	\$0	E	\$4,893	\$4,893
	-----		-----	-----
WASTEWATER RATE BASE	(\$47,589)		\$72,391	\$24,802
	=====		=====	=====

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VISTA VILLAGES, INC.
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 ADJUSTMENTS TO WASTEWATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1989
 SCHEDULE NO. 1A

A. DEPRECIABLE PLANT IN SERVICE

1. ADJUST TO AUDITED BALANCE AS OF DECEMBER 31, 1989	\$28,886
2. AVERAGING ADJUSTMENT	(\$4,449)

	\$24,437
	=====

B. ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PLANT IN SERVICE

1. ADJUST TO AUDITED BALANCE AS OF DECEMBER 31, 1989	(\$3,535)
2. AVERAGING ADJUSTMENT	\$3,402

	(\$133)
	=====

C. CONTRIBUTIONS IN AID OF CONSTRUCTION
(CIAC)

1. ADJUST TO AUDITED BALANCE AS OF DECEMBER 31, 1989	\$7,885
2. AVERAGING ADJUSTMENT	\$25

	\$7,910
	=====

D. ACCUMULATED AMORTIZATION OF CIAC

1. ADJUST TO AUDITED BALANCE AS OF DECEMBER 31, 1989	\$38,430
2. AVERAGING ADJUSTMENT	(\$3,146)

	\$35,284
	=====

E. WORKING CAPITAL ALLOWANCE

REFLECT ONE-EIGHTH OF OPERATING AND MAINTENANCE EXPENSES (\$39,147/8)	\$4,893
	=====

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VISTA VILLAGES, INC.
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 TEST YEAR ENDED DECEMBER 31, 1989
 COST OF CAPITAL/RATE OF RETURN
 SCHEDULE NO. 2

	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO RECONCILE	BALANCE PER COMMISSION	RATIO	COST	WEIGHTED AVERAGE COST
EQUITY	\$47,589	(\$72,391)	(\$24,802)	1	0.1176	0.1176
LONG TERM DEBT	\$0	\$0	\$0	0	N/A	0
	\$47,589	(\$72,391)	(\$24,802)	1		0.1176

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VISTA VILLAGES, INC.
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 TEST YEAR ENDED DECEMBER 31, 1989
 NET OPERATING INCOME
 SCHEDULE NO. 3

	TOTAL PER UTILITY		COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION		COMMISSION ADJUSTMENTS FOR INCREASE	TOTAL FOR INCREASE
	-----		-----	-----		-----	-----
OPERATING REVENUE	(\$40,040)	A	(\$2,222)	(\$42,262)	F	(\$5,271)	(\$47,533)
OPERATING AND MAINTENANCE EXPENSES	\$53,967	B	(\$14,820)	\$39,147		\$0	\$39,147
DEPRECIATION	\$4,891	C	\$1,912	\$6,803		\$0	\$6,803
CIAC AMORTIZATION	(\$9,211)	D	\$2,919	(\$6,292)		\$0	(\$6,292)
TAXES OTHER THAN INCOME TAXES	\$5,513	E	(\$792)	\$4,721	G	\$237	\$4,958
INCOME TAXES	\$0		\$0	\$0		\$0	\$0
	-----		-----	-----		-----	-----
TOTAL OPERATING EXPENSES	\$55,160		(\$10,781)	\$44,379		\$237	\$44,616
	-----		-----	-----		-----	-----
OPERATING (INCOME) LOSS	\$15,120		(\$13,003)	\$2,117		(\$5,033)	(\$2,917)
	-----		-----	-----		-----	-----
RATE BASE	(\$47,589)			\$24,802			\$24,802
	=====			=====			=====
RATE OF RETURN	N/A			-0.0853			0.1176
	=====			=====			=====

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VISTA VILLAGES, INC.
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 ADJUSTMENTS TO NET OPERATION INCOME
 TEST YEAR ENDED DECEMBER 31, 1989
 SCHEDULE NO. 3A

A. OPERATING REVENUE

ADJUST TO STAFF-CALCULATED ANNUALIZED
 REVENUES, BASED ON TEST YEAR CUSTOMERS
 AND CURRENT RATES

(\$2,222)
 =====

B. OPERATING AND MAINTENANCE EXPENSES

1. DISALLOW TWENTY PERCENT OF LYLE
 BROWN'S ALLOCATED WAGES (\$3,940)
 1a. ALLOWANCE FOR UTILITY PORTION
 OF RENT AND UTILITIES PAID IN
 LIEU OF MONETARY COMPENSATION \$2,093

 (\$1,847)

2. ADJUST TO ALLOWANCE FOR TEN HOURS PER
 MONTH, PER MR. SICKLER (\$2,892)

3. ALLOWANCE FOR UTILITY PORTION OF
 HEALTH AND LIFE INSURANCE PREMIUM \$1,435

4. SLUDGE REMOVAL \$0

5. DISALLOW NONUTILITY PORTION OF
 POWER EXPENSE (\$503)

5a. ALLOW POWER EXPENSE RELATED
 TO METER WHICH IS USED FOR UTILITY
 AND NONUTILITY USE, BUT WHICH COSTS
 ARE NOT RECORDED AS A UTILITY EXPENSE \$180

 (\$323)

6. RECLASSIFIED FROM MATERIALS AND SUPPLIES \$1,414

6a. PRO FORMA ALLOWANCE FOR ADEQUATE
 LEVEL, BASED ON CHANGING FROM GAS
 CHLORINE TO LIQUID CHLORINE DURING
 THE TEST YEAR \$626

 \$2,040

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7. RECLASSIFIED TO CHEMICAL EXPENSE	(\$1,414)
7a. RECLASSIFIED TO CAPITAL	(\$1,295)
7b. RECLASSIFIED AS NONUTILITY EXPENSE	(\$18)
7c. DISALLOW ALLOCATED PORTION OF NONUTILITY EXPENSE	(\$185)
7d. DISALLOW ADVERTISING COSTS	(\$25)
7e. DISALLOW RECREATIONAL LINENS COSTS	(\$152)
7f. DISALLOW NONUTILITY DUES AND SUBSCRIPTIONS	(\$51)
7g. DISALLOW RECREATIONAL SUPPLIES	(\$1,869)

	(\$5,009)
8. RECLASSIFIED TO CAPITAL	(\$540)
8a. RECLASSIFIED AS REGULATORY COMMISSION EXPENSE	(\$390)
8b. RECLASSIFIED AS OUT-OF-PERIOD, PRO FORMA ALLOWANCES AND DISALLOWANCES (NET)	(\$151)

	(\$1,081)

9. RENTS	\$0
10. RECLASSIFY PARKING TICKET (MR. SICKLER) AS NONUTILITY EXPENSE	(\$5)
11. RECLASSIFY ALLOCATED INSURANCE EXPENSE TO NONUTILITY EXPENSE PER AUDIT	(\$6,777)
12. RECLASSIFIED FROM CONTRACTUAL SERVICES	\$390
12a. PRO FORMA ALLOWANCE FOR ESTIMATED ADDITIONAL EXPENDITURES RELATED TO THIS PROCEEDING	\$500

	\$890
12b. CLASSIFY THREE-QUARTERS AS DEFERRED DEBIT	(\$668)

	\$222

13. PRO FORMA REDUCTION FOR DECREASED WATER USED IN TREATMENT FACILITY	(\$583)

TOTAL OPERATING EXPENSE ADJUSTMENTS	(\$14,820)

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C. DEPRECIATION EXPENSE

ADJUST TO AUDITED BALANCE, USING
RATES PRESCRIBED BY RULE 25-30.140,
FLORIDA ADMINISTRATIVE CODE AND
STAFF-CALCULATED PLANT BALANCES \$1,912

D. CIAC AMORTIZATION

ADJUST TO AUDITED BALANCE, USING
COMPOSITE DEPRECIATION/AMORTIZATION
RATE OF 3.0 PERCENT AND CIAC
BALANCES AS CALCULATED BY STAFF \$2,919

E. TAXES OTHER THAN INCOME TAXES

- 1. REDUCTION IN PAYROLL TAXES, BASED ON
RECOMMENDED REDUCTION IN ALLOCATED
PAYROLL AND CURRENT TAX RATES (\$459)
- 2. REDUCTION IN PROPERTY AND MISCELLANEOUS
TAXES TO REMOVE NONUTILITY PORTION (\$1,235)
- 3. ADJUST REGULATORY ASSESSMENT
FEES TO 4.5 PERCENT OF ANNUALIZED
REVENUE \$902

(\$792)

F. OPERATING REVENUE

ADJUST OPERATING REVENUE SUCH THAT
THE UTILITY HAS THE OPPORTUNITY TO
RECOVER ITS REASONABLE EXPENSES AND
EARN A RETURN ON ITS UTILITY ASSETS (\$5,271)

G. TAXES OTHER THAN INCOME TAXES

PRO FORMA ALLOWANCE FOR REGULATORY
ASSESSMENT FEES OF 4.5 PERCENT OF
REVENUE INCREASE \$237

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VISTA VILLAGES, INC.
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TEST YEAR ENDED DECEMBER 31, 1989
DETAIL OF OPERATING EXPENSES
SCHEDULE NO. 3B

	TOTAL PER UTILITY		COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION
	-----		-----	-----
701 SALARIES & WAGES - EMPLOYEES	\$18,944	1	(\$1,847)	\$17,097
703 SALARIES & WAGES - OFFICERS, DIRECTORS AND STOCKHOLDERS	\$4,778	2	(\$2,892)	\$1,886
704 EMPLOYEE PENSIONS & BENEFITS	\$0	3	\$1,435	\$1,435
711 SLUDGE REMOVAL EXPENSE	\$1,950	4	\$0	\$1,950
715 PURCHASED POWER EXPENSE	\$7,699	5	(\$323)	\$7,376
718 CHEMICALS	\$0	6	\$2,040	\$2,040
720 MATERIALS AND SUPPLIES	\$7,098	7	(\$5,009)	\$2,089
730 CONTRACTUAL SERVICES	\$4,401	8	(\$1,081)	\$3,320
740 RENTS	\$0	9	\$0	\$0
750 TRANSPORTATION EXPENSE	\$100	10	(\$5)	\$95
755 INSURANCE EXPENSE	\$7,894	11	(\$6,777)	\$1,117
765 REGULATORY COMMISSION EXPENSE	\$0	12	\$222	\$222
775 MISCELLANEOUS EXPENSES	\$1,103	13	(\$583)	\$520
	-----		-----	-----
TOTAL OPERATING EXPENSES	\$53,967		(\$14,820)	\$39,147
	=====		=====	=====