

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate ) DOCKET NO. 960451-WS  
increase in Duval, Nassau and ) ORDER NO. PSC-96-1388-FOF-WS  
St. Johns Counties by United ) ISSUED: NOVEMBER 19, 1996  
Water Florida Inc. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

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

ORDER SUSPENDING PROPOSED RATES AND  
GRANTING INTERIM RATE INCREASE SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

United Water Florida Inc. (UWF or utility), is a Class A utility providing water and wastewater service to approximately 25,000 customers in Duval, Nassau and St. Johns Counties. UWF is located in a critical use area as designated by the St. Johns River Water Management District (SJRWMD). Prior to May 1995, UWF was known as Jacksonville Suburban Utilities Corporation, a wholly owned subsidiary of General Waterworks Corporation (GWC), now known as United Waterworks Inc. In April 1994, United Water Resources Inc. merged with GWC and General Waterworks subsidiaries. Subsequently, the names of GWC and General Waterworks Management and Service Company were changed to United Waterworks Inc., and United Water Management and Services Inc., respectively, and the companies continue to provide services to UWF. Prior to April 1994, services were provided to UWF by General Waterworks Management and Service Company.

On July 30, 1996, the utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081, 367.0816, and 367.082, Florida Statutes. The utility satisfied the minimum filing requirements (MFRs) for a rate increase on September 3, 1996. The utility has requested that this case be scheduled for a formal hearing and not processed under our proposed agency action procedure as prescribed by Section 367.081(8), Florida Statutes. Therefore, this case is scheduled for a formal hearing on January 27 - 31, 1996, in Duval County.

DOCUMENT NUMBER-DATE

12333 NOV 19 1996

FPSC-RECORDS/REPORTING

The utility's last rate proceeding was processed in Docket No. 810071-WS, and finalized on January 20, 1982, by Order No. 10531. The utility's current rates were established in connection with its pass-through and price index adjustments effective June 21, 1996. The utility has implemented price indices and pass-throughs every year since 1981.

The utility's interim and final application for increased rates is based on a projected test year ended December 31, 1997, utilizing an intermediate test year ended December 31, 1996, and a base year ended December 31, 1995. The utility has requested that interim rates be based on the base year ended December 31, 1995.

UWF has requested rate relief designed to increase annual water revenues in the amount of \$3.3 million and annual wastewater revenues in the amount of \$5.1 million. The request is projected to increase the utility's annual water and wastewater revenues by approximately 46% and 33%, respectively. The utility has indicated in its filing that the requested rate increases are being primarily driven by capital investments that are required to meet more stringent environmental regulations, for rehabilitation of its distribution and collection systems and major enhancements to its water and wastewater treatment processes and for information technology initiatives.

UWF is requesting to place into effect on an interim basis \$1.1 million of the proposed water increase and \$1.1 million of the proposed wastewater increase. In addition, in order to ameliorate the effect of the final rate increases on the customers, UWF has indicated that it would be agreeable to a time schedule which would provide for the remaining part of the rate increases to be implemented in increments over a reasonable period of time. This would allow for the verification of the plant additions and retirements through the end of 1997.

#### SUSPENSION OF RATES

Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within sixty days after filing unless the Commission votes to withhold consent to implementation of the requested rates. Further, the above referenced statute permits the proposed rates to go into effect, under bond, eight months after filing unless final action has been taken by the Commission.

We have reviewed the filing and have considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We find it is reasonable and

necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination by our staff will include on-site investigations by staff accountants, engineers and rate analysts. In consideration of the above, we find that it is appropriate to suspend the proposed rate increase.

#### INTERIM RATE REQUEST

UWF has requested interim rates designed to generate annual revenues of \$8,001,481 for water and \$14,713,655 for wastewater. This represents revenue increases of \$1,148,966 (16.77%) for water and \$1,073,950 (7.87%) for wastewater. The test year for interim is the historical year ended December 31, 1995. The utility filed rate base, cost of capital, and operating statements to support its requested interim increases.

#### RATE BASE

Our calculation of the appropriate rate base for interim purposes is shown on Schedules Nos. 1-A and 1-B for water and wastewater, respectively. Schedule No. 1-C is the schedule of adjustments to rate base. Schedule No. 2 is the capital structure schedule. Schedules Nos. 3-A and 3-B are the operating income schedules for water and wastewater, respectively, and Schedule No. 3-C is the schedule of adjustments to the operating income schedules.

#### Year-End versus Average Test Year

The utility has filed a year-end rate base for both interim and final rates. However, we find that the utility has not provided the information necessary to warrant year-end treatment. In the case of Citizens of Fla. v. Hawkins, 356 So. 2d 254, 256-257 (Fla. 1978), the Florida Supreme Court found that in the absence of the most extraordinary of conditions, the Commission should apply average investment during the test year in determining rate base. In its filing, the utility did not indicate the existence of such extraordinary circumstances which would form a basis for approval of a year-end rate base on which interim rates should be set.

Moreover, we find that it would be necessary to conduct a more in-depth, comparative analysis of the utility's rate base in order to determine whether a certain dollar amount of plant investment is extraordinary. Our preliminary analysis shows this to be particularly true in the instant case. Based on the utility's total rate base amounts included in the MFRs, we calculated an approximate 6% increase going from 13-month average to year-end

treatment. This difference does not represent extraordinary conditions. The MFRs and the prefiled testimony show nominal growth in equivalent residential connections (ERCs) in 1995. In consideration of the above, we hereby approve a 13-month average treatment for the utility's rate base and capital structure for interim purposes. For this reason, we find it appropriate to reflect the utility's rate base and capital structure on a 13-month average basis.

Further, we note that UWF proposes the use of a year-end rate base without annualizing revenues, expenses, and customers. By Order No. PSC-96-0125-FOF-WS, issued January 25, 1996, in Docket No. 950495-WS, we rejected a projected rate base for interim purposes for Southern States Utilities, Inc., finding, among other things, that the use of a projected rate base with historical revenues, expenses, customers and capital structure presents a mismatch. Although not as severe of a mismatch as the use of a projected rate base with historical revenues and expenses, we find that the use of a year end rate base without annualizing revenues, expenses and customers, similarly presents a mismatch of rate base components in the test year. In order to avoid such a mismatch, we find it appropriate to use an average historic rate base with the historic revenues, expenses and customers.

#### Acquisition Adjustments

We find that the utility has included acquisition adjustments in its historical interim test year rate base which have not been approved by this Commission. We have removed these acquisition adjustments from the interim rate base, which results in a decrease of \$33,927 for water and an increase of \$11,264 for wastewater.

The remaining acquisition adjustments are not shown net of accumulated amortization in the filed interim rate base. Therefore, we have calculated the accumulated amortization and have included this amount in rate base. Thus, we find it appropriate to decrease rate base by \$73,848 and \$154,136 for water and wastewater, respectively. We have also made corresponding adjustments to decrease water amortization expense by \$515 and to increase wastewater amortization expense by \$6,475.

#### Construction Work In Progress (CWIP)

As indicated in the MFRs, the utility has included CWIP in its rate base determination for the interim test year ended December 31, 1995. The interim statute, Section 367.082(5)(b)(1), Florida Statutes, requires that the achieved rate of return be calculated by applying appropriate adjustments consistent with those used in

the utility's most recent rate proceeding. By Order No. 10531, the order on the utility's most recent rate proceeding, the average balance of CWIP was included in the rate base determination. Consistent with the interim statute, we find it appropriate to include CWIP in the test year rate base in the amount of \$1,563,000 for water and \$991,000 for wastewater, reflecting the 13-month average balances.

#### Working Capital

The utility used the balance sheet method to calculate its requested allowance for working capital for both water and wastewater. In the utility's most recent rate proceeding, the balance sheet method was used. Consistent with the interim statute, we find it appropriate to use the balance sheet method for both water and wastewater.

As discussed above, we have adjusted the utility's requested rate base from year-end to 13-month average. However, with respect to the working capital allowance, the utility did not provide a separate calculation based on the 13-month average balances. Therefore, in order to calculate working capital on an average basis, we have extracted the balances from the utility's 1995 balance sheet. This was achieved for each account included in the working capital calculation, with the exception of the component titled "Tank Painting." This particular component of working capital appears to be a portion of the account titled "Other Miscellaneous Deferred Debits." Since the Miscellaneous Deferred Debit account is not broken down by type, for interim purposes, it is not possible to calculate the actual 13-month average balance for Tank Painting. Therefore, we find it necessary to include this particular component at the year-end balance in the calculation of the 13-month average working capital allowance. Based on our adjustments, we find it appropriate to increase the utility's working capital allowance by \$486,213 and \$943,825 for water and wastewater, respectively.

#### COST OF CAPITAL

Based upon the proper components, amounts, and cost rates associated with the capital structure for the interim test year ended December 31, 1995, we find that the weighted average cost of capital is 9.82%.

In arriving at an overall rate of return with respect to UWF's request for interim rate relief, we find it appropriate to make three adjustments to the utility's filing. Specifically, we hereby: 1) substitute a 13-month average capital structure for the

year-end capital structure requested in the utility's filing; 2) reverse the adjustments UWF made to the balances of investment tax credits, deferred income taxes, and customer deposits in its reconciliation of the capital structure and rate base; and 3) correct a minor error made in the utility's application of the Commission leverage formula in the determination of the appropriate return on equity (ROE).

First, although the utility requested interim rate relief based upon a year-end rate base and capital structure, we have found it more appropriate to use a 13-month average rate base and capital structure in this proceeding. This adjustment is discussed above. The 13-month average per book amounts are taken from Schedule No. D-2 of UWF's MFR filing.

The next area of concern involves the reconciliation of the utility's capital structure and rate base. When UWF reconciled its capital structure and rate base for interim purposes, it increased the unamortized balance of its investment tax credits (ITCs). However, the ITC provision of the Internal Revenue Code was repealed retroactively by the Tax Reform Act of 1986. Therefore, unless there are transitional credits or unused credits that were carried forward at that time, there can be no increase in the existing balance of unamortized investment tax credits. An examination of the MFRs and testimony in this docket does not indicate the existence of transitional or carry forward credits. Thus, we find that it is not appropriate to increase the balance of unamortized ITCs. An adjustment is made to remove the pro rata increase in unamortized ITCs from the capital structure and to remove the related amortization. Moreover, we find that the utility also made an error in its calculation of the 13-month average balance of ITCs and we have corrected this error for interim purposes.

Similarly, UWF increased the unamortized credit balance of its deferred income taxes in the reconciliation of its capital structure and rate base. The major cause of credit balance deferred taxes in the utility industry is the difference between the level of depreciation taken on the books of the utility and the level taken on the tax return. There are no changes to either book or tax depreciation in an historical period. Thus, there are no new book-tax differences related to depreciation which could cause an increase in the level of unamortized credit balance deferred income taxes. An examination of the MFRs and testimony in this docket does not indicate that there were corrections to the existing balance of deferred income taxes in the historical period. For these reasons, we find it appropriate to make an adjustment to remove the pro rata increase to deferred income taxes from the

capital structure and to remove the portion that is in the income statement.

Further, when UWF reconciled its capital structure and rate base for interim purposes, it increased the balance of customer deposits. Since the request for an interim increase is based upon an historical test year, there can be no increase to the existing balance of customer deposits which directly relates to the existing body of customers. An examination of the MFRs and testimony in this docket does not indicate that there were corrections to the existing balance of customer deposits for the historical period. Therefore, we find it appropriate to make an adjustment to remove the pro rata increase in the balance of customer deposits from the capital structure.

The final adjustment concerns the cost rates filed by the utility in its MFR Schedule No. D-1. We agree with and use the respective cost rates provided by UWF in its MFR filing with one exception. In its MFR filing, the utility requested an ROE of 11.7% based upon its application of the Commission leverage formula rather than on the minimum of the range of return approved in the last rate case of 15.0%. However, the utility used the equity ratio as a percentage of total capital of 42.7% instead of the ratio as a percentage of investor capital of 44.9% as specified in the Commission Order approving the leverage formula. Based upon the proper application of the Commission leverage formula approved by Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, in Docket No. 960006-WS, the appropriate ROE is 11.57%. We find that because of this change, the cost rate on ITCs will also change, by operation of math, from 10.04% to 9.98%.

The net effect of these changes is a slight reduction in the overall cost of capital from the 9.89% return requested by the utility to the approved return of 9.82%. Schedule No. 2 shows the components, amounts, cost rates, and weighted average cost of capital associated with the interim test year capital structure.

#### NET OPERATING INCOME

##### Test Year Operating Revenues

Section 367.082(5)(b)(1), Florida Statutes, provides that the achieved rate of return is to be calculated by applying appropriate adjustments and annualizing any rate changes occurring during the interim test year. For purposes of the interim application, UWF chose the base year ending December 31, 1995. On July 9, 1995, the utility received a price index. However, based on our review of the MFRs, we find that UWF apparently did not annualize revenues

associated with this price index. We further find that the utility's wastewater revenue schedules have mathematical errors related to the exclusion of the 5/8" meter customers for Commercial, Public, and Apartment Sectors from the total revenue calculation. Therefore, we hereby approve an increase in test year revenues of \$70,719 for water and \$404,945 for wastewater.

#### Bad Debt Expense

For interim purposes, the utility has requested test year expenses for bad debts in the amount of .5% of revenues for both water and wastewater. By Order No. 10531, the Commission denied the utility's requested increase for uncollectible accounts, and as indicated on pages 133 and 135 of the MFRs, the utility's bad debt expense was reduced from .4% of revenues to .3%. Therefore, consistent with the interim statute, we find it appropriate to reduce UWF's Operation and Maintenance (O&M) expenses by \$12,861 for water and \$38,941 for wastewater to reflect bad debt expenses as .3% of the utility's historical test year revenues.

In addition, the utility has requested bad debt expenses reflecting an uncollectible rate of .64% on the requested interim revenue increase. However, by Order No. 10531, the Commission denied the utility's request to include a provision for uncollectible accounts in the expansion factor used to calculate the annual revenue requirement. Therefore, we find it appropriate to remove this requested increase in bad debt expense, which results in a decrease of O&M expenses of \$7,301 and \$6,825 for water and wastewater, respectively.

#### Test Year Net Operating Income

Based on the above-described adjustments, we calculate that test year operating income is \$1,745,777 for water and \$3,439,272 for wastewater.

#### REVENUE REQUIREMENT

We have calculated the interim revenue requirements using the actual operating expenses for the year ended December 31, 1995, and a 9.82% overall rate of return for water and wastewater, on a 13-month average rate base. As a result, we find that the interim revenue requirements are \$7,648,249 for water and \$14,282,680 for wastewater. These amounts represent interim increases in annual revenues of \$725,015 or 10.47% for water, and \$238,030 or 1.69% for wastewater.

PROPOSED LATE PAYMENT CHARGE

On its proposed interim, as well as on its proposed final water and wastewater tariff sheets, UWF includes a newly proposed \$3.00 late payment charge. Thus, we assume that the utility proposes to implement this charge on an interim, as well as on a final basis. In his prefiled direct testimony, witness Philip Heil states that the utility proposes to implement this late charge because approximately forty percent of UWF customer payments are delinquent on the twenty-first day after the bill has been mailed and that a late payment charge will create an incentive for customers to pay on time and cause those customers who do not pay on time to incur the additional costs of collecting their payments.

Upon review of the interim statute, Section 367.082, Florida Statutes, and the Commission's past decisions interpreting it, we find that we lack the legal authority to grant the utility's request to implement a late payment charge for interim purposes. The utility's request does not fall within the purpose of the interim statute, which is to allow the utility the opportunity to earn a fair rate of return during the pendency of the rate proceeding through higher interim rates subject to refund. Moreover, adjustments made to compute the amount of interim increase are intentionally limited by the statute and must be consistent with the utility's last rate proceeding. We find that this proposal does not constitute an adjustment as contemplated by the interim statute.

We note that the utility may submit a tariff filing pursuant to Section 367.091, Florida Statutes, in order to appropriately pursue this request. Alternatively, the utility may simply wait until our final decision on whether to approve this charge is rendered in this proceeding.

In consideration of the foregoing, we hereby deny UWF's apparent request to implement its proposed late payment charge on an interim basis.

INTERIM WATER AND WASTEWATER RATES

We find it appropriate that interim service rates for UWF be designed to allow the utility the opportunity to generate additional annual operating revenues of \$725,015 and \$238,030 for its water and wastewater systems, respectively. This results in increases of 10.61% and 1.69% in the utility's water and wastewater rates, respectively, excluding miscellaneous revenues, as of December 31, 1995, when applied as an across the board increase to total revenues.

Further, we find it appropriate to apply the increase to the rates in place during the interim test year, which was prior to the implementation of the 1996 price index. The test year ended December 31, 1995, and the price index was effective for service rendered on or after June 21, 1996. To apply the interim increase to the existing rates, which include the 1996 price index, would be to allow the utility to collect revenues higher than previously approved.

PROPOSED REDUCTION IN PRIVATE FIRE PROTECTION RATES

Our review of the MFRs reveals that UWF apparently proposes to reduce its private fire protection rates for interim as well as for final rates, in accordance with Rule 25-30.465, Florida Administrative Code. That rule requires the rates for private fire protection service to be one-twelfth the current base facility charge of the utility's meter sizes, unless otherwise supported by the utility. However, at the time of the utility's last rate proceeding, Rule 25-30.465, Florida Administrative Code, did not exist.

Based on revised capacity factors supplied in the utility's filing, UWF estimates that approximately \$29,000 in annual revenue would be lost by reducing the private fire protection rates to one-twelfth of the base facility charge. If the interim rates are altered, we would need to make a corresponding adjustment in one or more of the other rates in order to allow for recovery of the overall revenue requirement. It appears that UWF has proposed to increase general service water customers by a higher interim percentage than other customers to recover this lost revenue. Therefore, UWF is essentially proposing to change its rate structure for interim.

We note that on October 24, 1994, several customers of UWF filed separate, but identical, petitions for limited proceeding under Section 367.0822(1), Florida Statutes, to set the private fire protection rate charged by the utility in accordance with current Commission rules. By Order No. PSC-95-0479-FOF-WU, issued April 13, 1995, in Docket No. 941130-WU, we proposed to deny the petitions. On May 3, 1995, two of the several petitioning customers timely filed a protest to the order. However, on May 30, 1996, those customers, through the Office of Public Counsel, filed a withdrawal of their protest. In the protest withdrawal, the customers stated that UWF had adequately assured them that it will not oppose the identification of the utility's private fire protection rates as an issue in its next (the instant) rate case.

We also note that, in its filing, the utility has proposed to set its final private fire protection rates in accordance with Rule 25-30.465, Florida Administrative Code. We find that the appropriate time for us to determine UWF's private fire protection rates and rate structure is when we make our decision on final rates. However, for interim purposes, we find that Section 367.082(5), Florida Statutes, requires us to adjust the utility's private fire protection rates consistent with the methodology applied in the last rate proceeding, using interim test year amounts. In so doing, we recognize, and the customers should be aware, that if the current private fire protection rule is implemented for final rates, this will cause those rates to drop to one-twelfth of the base facility charge of the utility's meter sizes, unless otherwise supported by the utility. It is also important to note, however, that consistent with Section 367.082(4), Florida Statutes, the implementation of the rule for final rates will not necessarily result in a refund of the interim revenues collected under the current rate structure.

In consideration of the foregoing, and in accordance with Section 367.082(5), Florida Statutes, which requires the computation of the amount of the interim increase to be consistent with the utility's last rate proceeding, we hereby deny UWF's request for a reduction in its private fire protection rates for interim purposes. We find that the proposal would alter the utility's current rate structure. We find it appropriate to instead apply the overall interim percentage increase across the board to the private fire protection rates, as well as to all other rates that were in effect as of December 31, 1995, as shown on Schedule No. 4.

The interim rates shall be implemented for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The revised tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision herein, that the proposed notice to the customers of the approved increase is adequate, and that the required security discussed below has been filed. The utility shall provide proof to our staff of the date notice was given within ten days after the date of notice.

The utility's test year, current, proposed interim, and proposed final rates, and the approved interim rates are shown on Schedule No. 4.

SECURITY FOR REFUND

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over previously authorized rates shall be collected under guarantee subject to refund with interest. The utility has indicated in its filing that it will place \$2.2 million under bond, subject to refund with interest, within sixty (60) days of its filing. The utility subsequently requested to provide the appropriate amount of security for the potential refund in the form of a corporate undertaking.

The amount of a potential refund in this case has been calculated to be \$832,000. This amount is based on an estimated ten months of revenue being collected from the approved interim rates over the previously authorized rates, as shown on Schedule No. 4. A review of the utility's financial statements indicates that it has the ability to support a corporate undertaking for this amount. Therefore, we hereby approve the utility's request to provide security in the form of a corporate undertaking. The corporate undertaking shall be in the amount of \$832,000, guaranteed by the utility, as guarantee for any potential refund of interim revenues.

The utility shall keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the final rates and schedules proposed by United Water Florida Inc., are hereby suspended in accordance with Section 367.081(6), Florida Administrative Code. It is further

ORDERED that the request for an interim increase in water and wastewater rates by United Water Florida Inc., is hereby granted to the extent set forth in the body of this Order. It is further

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

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

ORDERED that United Water Florida Inc.'s, request to implement its proposed late payment charge on an interim basis is denied. It is further

ORDERED that United Water Florida Inc.'s, request for a reduction in its private fire protection rates for interim purposes is denied. It is further

ORDERED that the approved interim rates shall become effective for service rendered on or after the stamped approval date on the tariff sheets, provided customers have received notice. It is further

ORDERED that United Water Florida Inc., shall provide proof that notice was given to its customers within ten days of the date of the notice. It is further

ORDERED that the difference between the interim rates granted herein and United Water Florida Inc.'s, previously authorized rates shall be collected subject to refund, with interest. It is further

ORDERED that United Water Florida Inc., shall provide a corporate undertaking in the amount of \$832,000, guaranteed by United Water Florida Inc., as guarantee for any potential refund of interim water or wastewater revenues. It is further

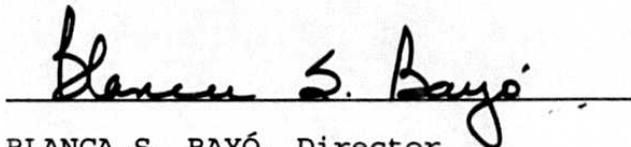
ORDERED that prior to the implementation of the interim rates approved herein, United Water Florida Inc., shall file and have approved tariff pages revised in accordance with the provisions of this Order, appropriate security for the potential refund, a proposed customer notice, and shall provide proof of the date notice was given within ten days after the date of notice. It is further

ORDERED that the tariff sheets will be stamped approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the appropriate security is provided. It is further

ORDERED that during the time the interim rates are in effect, United Water Florida Inc., shall file a report by the twentieth day of each month indicating the monthly and total revenue collected subject to refund, pursuant to Rule 25-30.360(6), Florida Administrative Code.

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By ORDER of the Florida Public Service Commission, this 19th  
day of November, 1996.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

RGC

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.

Any party adversely affected by this order, which is intermediate in nature, may request judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. Citizens of the State of Florida v. Mayo, 316 So. 2d 262 (Fla. 1975), states that an order on interim rates is not final nor reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

UNITED WATER FLORIDA INC.  
SCHEDULE OF WATER RATE BASE  
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

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

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 45,337,309	\$ 0	\$ 45,337,309	\$ (1,754,670)	\$ 43,582,639
2 LAND	592,766	0	592,766	0	592,766
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	2,790,000	0	2,790,000	(1,227,000)	1,563,000
5 ACCUMULATED DEPRECIATION	(8,272,767)	0	(8,272,767)	275,522	(7,997,245)
6 CIAC	(21,843,510)	0	(21,843,510)	508,289	(21,335,221)
7 AMORTIZATION OF CIAC	4,824,971	0	4,824,971	(195,950)	4,629,021
8 ACQUISITION ADJUSTMENTS - NET	594,326	0	594,326	(107,775)	486,551
9 ADVANCES FOR CONSTRUCTION	(152,370)	0	(152,370)	0	(152,370)
10 WORKING CAPITAL ALLOWANCE	322,467	0	322,467	486,213	808,680
<b>RATE BASE</b>	<b>\$ 24,193,192</b>	<b>\$ 0</b>	<b>\$ 24,193,192</b>	<b>\$ (2,015,371)</b>	<b>\$ 22,177,821</b>
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UNITED WATER FLORIDA INC.  
 SCHEDULE OF WASTEWATER RATE BASE  
 INTERIM TEST YEAR ENDED DECEMBER 31, 1995

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

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 73,864,399	\$ 0	\$ 73,864,399	\$ (3,487,740)	70,376,659
2 LAND	1,018,304	0	1,018,304	0	1,018,304
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	1,768,000	0	1,768,000	(777,000)	991,000
5 ACCUMULATED DEPRECIATION	(16,909,582)	0	(16,909,582)	829,764	(16,079,818)
6 CIAC	(32,452,129)	0	(32,452,129)	866,470	(31,585,659)
7 AMORTIZATION OF CIAC	9,872,688	0	9,872,688	(417,119)	9,455,569
8 ACQUISITION ADJUSTMENTS - NET	867,986	0	867,986	(142,872)	725,114
9 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	625,965	0	625,965	943,825	1,569,790
<b>RATE BASE</b>	<b>\$ 38,655,631</b>	<b>\$ 0</b>	<b>\$ 38,655,631</b>	<b>\$ (2,184,672)</b>	<b>36,470,959</b>
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UNITED WATER FLORIDA INC.  
 ADJUSTMENTS TO RATE BASE  
 INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 1-C  
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EXPLANATION	WATER	WASTEWATER
(1) <b>UTILITY PLANT IN SERVICE</b> To adjust from year-end to 13-month average	\$ <u>(1,754,670)</u>	\$ <u>(3,487,740)</u>
(2) <b>CONSTRUCTION WORK IN PROGRESS</b> To adjust from year-end to 13-month average	\$ <u>(1,227,000)</u>	\$ <u>(777,000)</u>
(3) <b>ACCUMULATED DEPRECIATION</b> To adjust from year-end to 13-month average	\$ <u>275,522</u>	\$ <u>829,764</u>
(4) <b>CIAC</b> To adjust from year-end to 13-month average	\$ <u>508,289</u>	\$ <u>866,470</u>
(5) <b>ACCUMULATED AMORTIZATION</b> To adjust from year-end to 13-month average	\$ <u>(195,950)</u>	\$ <u>(417,119)</u>
(6) <b>ACQUISITION ADJUSTMENTS - NET</b>		
a) To remove acquisition adjustments not approved by this Commission	\$ (33,927)	\$ 11,264
b) To record accumulated amortization of acquisition adjustments	\$ <u>(73,848)</u>	\$ <u>(154,136)</u>
Total Adjustment	\$ <u>(107,775)</u>	\$ <u>(142,872)</u>
(7) <b>WORKING CAPITAL ALLOWANCE</b> To adjust from year-end to 13-month average	\$ <u>486,213</u>	\$ <u>943,825</u>

UNITED WATER FLORIDA INC.  
 CAPITAL STRUCTURE  
 INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 2  
 DOCKET NO. 960451-WS

ORDER NO. PSC-96-1388-FOF-WS  
 DOCKET NO. 960451-WS  
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DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY</b>							
1 LONG TERM DEBT	\$ 32,429,993	\$ 0	\$ 0	\$ 32,429,993	51.60%	8.72%	4.50%
2 SHORT-TERM DEBT	389,663	0	0	389,663	0.62%	6.55%	0.04%
3 PREFERRED STOCK	119,413	0	0	119,413	0.19%	5.00%	0.01%
4 COMMON EQUITY	26,836,447	0	0	26,836,447	42.70%	11.70%	5.00%
5 CUSTOMER DEPOSITS	6,285	0	0	6,285	0.01%	6.00%	0.00%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	2,130,575	0	0	2,130,575	3.39%	10.04%	0.34%
8 DEFERRED INCOME TAXES	936,447	0	0	936,447	1.49%	0.00%	0.00%
9 TOTAL CAPITAL	\$ <u>62,848,823</u>	\$ 0	\$ 0	\$ <u>62,848,823</u>	<u>100.00%</u>		<u>9.89%</u>
<b>PER COMMISSION</b>							
10 LONG TERM DEBT	\$ 32,429,993	\$ (214,176)	\$ (1,592,186)	\$ 30,623,631	52.22%	8.72%	4.55%
11 SHORT-TERM DEBT	389,663	(1,517)	(19,183)	368,963	0.63%	6.55%	0.04%
12 PREFERRED STOCK	119,413	1,287	(5,965)	114,735	0.20%	5.00%	0.01%
13 COMMON EQUITY	26,836,447	(178,648)	(1,317,495)	25,340,304	43.21%	11.57%	5.00%
14 CUSTOMER DEPOSITS	6,285	2,848	0	9,133	0.02%	6.00%	0.00%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WTD COST	2,130,575	(866,537)	0	1,264,038	2.16%	9.98%	0.22%
16 DEFERRED INCOME TAXES	936,447	(8,471)	0	927,976	1.58%	0.00%	0.00%
17 TOTAL CAPITAL	\$ <u>62,848,823</u>	\$ <u>(1,265,214)</u>	\$ <u>(2,934,829)</u>	\$ <u>58,648,780</u>	<u>100.00%</u>		<u>9.82%</u>
<b>RANGE OF REASONABLENESS</b>					<b>LOW</b>	<b>HIGH</b>	
LAST AUTHORIZED RETURN ON EQUITY					<u>14.00%</u>	<u>16.00%</u>	
OVERALL RATE OF RETURN					<u>10.87%</u>	<u>11.73%</u>	

UNITED WATER FLORIDA INC.  
 STATEMENT OF WATER OPERATIONS  
 INTERIM TEST YEAR ENDED DECEMBER 31, 1995

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

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 6,852,515	\$ 1,148,966	\$ 8,001,481	\$ (1,078,247)	\$ 6,923,234	\$ 725,015	\$ 7,648,249
OPERATING EXPENSES						10.47%	
2 OPERATION AND MAINTENANCE	\$ 3,488,046	\$ 7,301	\$ 3,495,347	\$ (20,162)	\$ 3,475,185		\$ 3,475,185
3 DEPRECIATION	517,733	0	517,733	0	517,733		517,733
4 AMORTIZATION	12,752	0	12,752	(515)	12,237		12,237
5 TAXES OTHER THAN INCOME	761,334	51,703	813,037	(48,521)	764,516	32,626	797,142
6 INCOME TAXES	460,128	309,776	769,904	(362,118)	407,786	260,546	668,332
7 TOTAL OPERATING EXPENSES	\$ 5,239,993	\$ 368,780	\$ 5,608,773	\$ (431,316)	\$ 5,177,457	\$ 293,172	\$ 5,470,628
8 OPERATING INCOME	\$ 1,612,522	\$ 780,186	\$ 2,392,708	\$ (646,931)	\$ 1,745,777	\$ 431,843	\$ 2,177,620
9 RATE BASE	\$ 24,193,192		\$ 24,193,192		\$ 22,177,821		\$ 22,177,821
RATE OF RETURN	6.67%		9.89%		7.87%		9.82%

UNITED WATER FLORIDA INC.  
 STATEMENT OF WASTEWATER OPERATIONS  
 INTERIM TEST YEAR ENDED DECEMBER 31, 1995

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

ORDER NO. PSC-96-1388-FOF-WS  
 DOCKET NO. 960451-WS  
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 13,639,705	\$ 1,073,950	\$ 14,713,655	\$ (669,005)	\$ 14,044,650	\$ 238,030	\$ 14,282,680
OPERATING EXPENSES						1.69%	
2 OPERATION AND MAINTENANCE	\$ 6,917,139	\$ 6,825	\$ 6,923,964	\$ (45,766)	\$ 6,878,198	\$	\$ 6,878,198
3 DEPRECIATION	1,020,645	0	1,020,645	6,475	1,027,120		1,027,120
4 AMORTIZATION	13,408	0	13,408	0	13,408		13,408
5 TAXES OTHER THAN INCOME	1,666,525	48,328	1,714,853	(30,105)	1,684,748	10,711	1,695,459
6 INCOME TAXES	791,976	425,767	1,217,743	(215,839)	1,001,904	85,540	1,087,444
7 TOTAL OPERATING EXPENSES	\$ 10,409,693	\$ 480,920	\$ 10,890,613	\$ (285,235)	\$ 10,605,378	\$ 96,251	\$ 10,701,629
8 OPERATING INCOME	\$ 3,230,012	\$ 593,030	\$ 3,823,042	\$ (383,770)	\$ 3,439,272	\$ 141,778	\$ 3,581,051
9 RATE BASE	\$ 38,655,631		\$ 38,655,631		\$ 36,470,959		\$ 36,470,959
RATE OF RETURN	8.36%		9.89%		9.43%		9.82%

UNITED WATER FLORIDA INC.  
 ADJUSTMENTS TO OPERATING STATEMENTS  
 INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-C  
 DOCKET NO. 960451-WS  
 PAGE 1 OF 1

EXPLANATION	WATER	WASTEWATER
<b>(1) OPERATING REVENUES</b>		
a) Reverse utility's proposed revenue increase	\$ (1,148,966)	\$ (1,073,950)
b) Annualization of revenues and correction of errors	70,719	404,945
Total Adjustment	<u>\$ (1,078,247)</u>	<u>\$ (669,005)</u>
<b>(2) OPERATION &amp; MAINTENANCE EXPENSES</b>		
a) Adjustment to reduce the uncollectible rate on interim test year revenues	\$ (12,861)	\$ (38,941)
b) Remove additional uncollectible expense on requested revenue increase	(7,301)	(6,825)
Total Adjustment	<u>\$ (20,162)</u>	<u>\$ (45,766)</u>
<b>(3) AMORTIZATION EXPENSE</b>		
Amortization associated with adjusted acquisition adjustments	<u>\$ (515)</u>	<u>\$ 6,475</u>
<b>(4) TAXES OTHER THAN INCOME TAXES</b>		
Regulatory assessment fees related to revenue adjustment	<u>\$ (48,521)</u>	<u>\$ (30,105)</u>
<b>(5) INCOME TAXES</b>		
Income taxes associated with adjusted test year income	<u>\$ (362,118)</u>	<u>\$ (215,839)</u>
<b>(6) OPERATING REVENUES</b>		
Adjustment to reflect revenue requirement	<u>\$ 725,015</u>	<u>\$ 238,030</u>
<b>(7) TAXES OTHER THAN INCOME TAXES</b>		
Regulatory assessment taxes on additional revenues	<u>\$ 32,626</u>	<u>\$ 10,711</u>
<b>(8) INCOME TAXES</b>		
Income taxes related to additional revenues	<u>\$ 260,546</u>	<u>\$ 85,540</u>

UNITED WATER FLORIDA, INC.  
 COUNTIES: DUVAL, NASSAU AND ST. JOHNS  
 DOCKET NO. 960451-WS  
 TEST YEAR ENDED: DECEMBER 31, 1995

**Rate Schedule**

**Water Rates**

	Test Year Rates as of December 31, 1995	Current	Utility Requested Interim	Utility Requested Final	Commission Approved Interim
<b>Residential Service - Billed Quarterly</b>					
Base Facility Charge:					
Meter Size:					
5/8"	\$14.40	\$14.62	\$15.90	\$20.52	\$15.93
3/4"	\$20.19	\$20.50	\$22.30	\$28.78	\$22.33
1"	\$31.73	\$32.22	\$35.04	\$45.23	\$35.10
1-1/2"	\$72.15	\$73.26	\$79.68	\$102.85	\$79.81
2"	\$141.50	\$143.68	\$156.27	\$201.71	\$156.51
Gallage Charge, per 1,000 Gallons	\$1.00	\$1.03	\$1.12	\$1.45	\$1.11
Gallage Charge, per 100 cubic feet	\$0.75	\$0.77	\$0.84	\$1.08	\$0.83

**General Service - Billed Monthly**

Base Facility Charge:					
Meter Size:					
5/8"x3/4"	\$6.69	\$6.79	\$7.38	\$9.53	\$7.40
3/4"	\$8.62	\$8.75	\$10.68	\$13.79	\$9.53
1"	\$12.46	\$12.65	\$18.95	\$24.46	\$13.78
1-1/2"	\$25.96	\$26.36	\$42.63	\$55.03	\$28.71
2"	\$49.06	\$49.82	\$75.83	\$97.88	\$54.27
3"	\$129.93	\$131.93	\$170.58	\$220.19	\$143.72
4"	\$334.10	\$339.26	\$303.18	\$391.35	\$369.55
6"	\$376.46	\$382.27	\$682.32	\$880.75	\$416.40
8"	\$4,193.60	\$4,258.31	\$1,212.72	\$1,565.40	\$4,638.54
Gallage Charge, per 1,000 Gallons	\$1.00	\$1.03	\$1.12	\$1.45	\$1.11
Gallage Charge, per 100 cubic feet	\$0.75	\$0.77	\$0.84	\$1.08	\$0.83

**Private Fire Protection - Billed Monthly**

Base Facility Charge:					
Meter Size:					
2"	\$13.11	\$13.31	\$6.32	\$6.87	\$14.50
3"	\$23.38	\$23.74	\$14.21	\$15.45	\$25.86
4"	\$34.88	\$35.42	\$25.26	\$27.47	\$38.58
6"	\$66.96	\$67.99	\$56.86	\$61.84	\$74.06
8"	\$105.46	\$107.99	\$101.06	\$109.91	\$116.65
10"	\$150.32	\$152.64	\$157.95	\$171.79	\$166.27
12"	\$214.26	\$217.57	\$227.43	\$247.35	\$236.99

**Typical Residential Bills - Billed Quarterly**

5/8" x 3/4" meter					
10,000 Gallons	\$24.40	\$24.92	\$27.10	\$35.02	\$26.99
20,000 Gallons	\$34.40	\$35.22	\$38.30	\$49.52	\$38.05
30,000 Gallons	\$44.40	\$45.52	\$49.50	\$64.02	\$49.11

ORDER NO. PSC-96-1388-FOF-WS  
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UNITED WATER FLORIDA, INC.  
 COUNTIES: DUVAL, NASSAU AND ST. JOHNS  
 DOCKET NO. 960451-WS  
 TEST YEAR ENDED: DECEMBER 31, 1995

Schedule 4B

**Rate Schedule**

**Wastewater Rates**

	Test Year Rates as of December 31, 1995	Current	Utility Requested Interim	Utility Requested Final	Commission Approved Interim
<b>Residential Service - Billed Quarterly</b>					
Base Facility Charge:					
Meter Size:					
Per Single Family Residential Structure	\$27.29	\$27.57	\$28.86	\$36.62	\$27.75
Unmetered Accounts	\$87.17	\$88.07	\$92.18	\$116.99	\$88.64
Gallage Charge, per 1,000 Gallons	\$2.97	\$3.00	\$3.14	\$3.98	\$3.02
Gallage Charge, per 100 cubic feet	\$2.22	\$2.24	\$2.35	\$2.98	\$2.26
<b>General Service - Billed Monthly</b>					
Base Facility Charge:					
Meter Size:					
5/8"x3/4"	\$10.37	\$10.48	\$10.97	\$13.92	\$10.55
3/4"	\$14.35	\$14.50	\$15.87	\$20.14	\$14.59
1"	\$23.05	\$23.29	\$28.14	\$35.72	\$23.44
1-1/2"	\$52.65	\$53.19	\$63.33	\$80.38	\$53.54
2"	\$103.39	\$104.45	\$112.59	\$142.89	\$105.14
3"	\$281.05	\$283.94	\$253.39	\$321.58	\$285.80
4"	\$729.33	\$736.83	\$450.35	\$571.54	\$741.66
6"	\$822.38	\$830.84	\$1,013.44	\$1,286.16	\$836.28
8"	\$9,204.79	\$9,299.45	\$1,801.28	\$2,286.01	\$9,360.35
Unmetered Accounts	\$30.30	\$30.61	\$31.71	\$40.25	\$30.81
Gallage Charge, per 1,000 Gallons	\$2.97	\$3.00	\$3.14	\$3.98	\$3.02
Gallage Charge, per 100 cubic feet	\$2.22	\$2.24	\$2.35	\$2.98	\$2.26
<b>Jacksonville University - Billed Monthly</b>					
Base Facility Charge:					
Meter Size:					
3"	\$281.05	\$283.94	\$297.19	\$377.17	\$285.80
4"	\$729.33	\$736.83	\$771.21	\$978.76	\$741.66
6"	\$822.38	\$830.84	\$869.61	\$1,103.64	\$836.28
Gallage Charge, per 1,000 Gallons	\$3.69	\$3.73	\$3.90	\$4.95	\$3.75
Gallage Charge, per 100 cubic feet	\$2.77	\$2.79	\$2.92	\$3.70	\$2.82
<b>Typical Residential Bills - Billed Quarterly</b>					
5/8" x 3/4" meter					
10,000 Gallons	\$56.99	\$57.57	\$60.26	\$76.42	\$57.95
20,000 Gallons	\$86.69	\$87.57	\$91.66	\$116.22	\$88.16
30,000 Gallons (Gallage Cap)	\$116.39	\$117.57	\$123.06	\$156.02	\$118.36