

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case in Pasco
County by Dixie Groves Estates,
Inc.

DOCKET NO. 980726-WU
ORDER NO. PSC-98-1106-FOF-WU
ISSUED: August 20, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER DENYING EMERGENCY RATE INCREASE

BY THE COMMISSION:

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

BACKGROUND

Dixie Groves Estates, Inc. (Dixie Groves or utility), came
under jurisdiction of this Commission on July 11, 1972, by
resolution of the Pasco County Commission. The utility is a Class
C utility providing water service to approximately 336 customers in
Pasco County. By Order No. 6417, issued December 19, 1974, the
Commission ordered the utility to install meters at its own cost
within 90 days for all customers not receiving metered service.
The same Order also established metered rates for the utility. By
Order No. 7268, issued June 10, 1976, the Commission established
rate base, revenues, expenses, and cost of capital, after all
meters were installed.

On November 13, 1980, the utility submitted an application for
a staff-assisted rate case. The Commission found Dixie Groves

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PSC RECORDS/REPORTING

eligible for staff assistance and assigned Docket No. 800712-W for the case. Order No. 10535, issued January 20, 1982, established rate base for Dixie Groves and approved an annual revenue increase of \$312. The utility also received price index adjustments in 1983, 1985, and 1996, along with one pass-through price adjustment in 1996.

On June 9, 1998, the utility submitted an application for this staff-assisted rate case. The cover letter submitted with the application requested emergency interim rates within the scope of the utility's staff-assisted rate case.

EMERGENCY RATES

A utility may receive "interim" rates pursuant to the interim statute set forth in Section 367.082, Florida Statutes. Although Section 367.082, Florida Statutes, contains very broad language regarding the availability of interim rates, it has been past Commission practice and policy not to use Section 367.082, Florida Statutes, in staff-assisted rate cases. Dixie Groves' petition was filed under Section 367.0814, Florida Statutes, which does not include a provision for interim rates.

We have granted emergency rates in unique circumstances. We have been reluctant to do so because there is typically a lack of adequate financial data to set rates until the staff audit is completed and due to a concern over Class C utilities' ability to refund. Both of these concerns stem from a desire to protect the ratepayers in the event rates are set too high. See, e.g., Order No. PSC-93-0633-FOF-SU, Order Granting Emergency Temporary Rates and Placing Docket in Monitor Status, In Re: Application for Staff-Assisted Rate Case by L.C.M. Sewer Authority in Lee County, 93 FPSC 4:608, April 22, 1993.

In restricting emergency relief to unique circumstances, we have attempted to encourage timely seeking of rate relief. See, e.g., Order No. PSC-94-1053-FOF-WS, Order Denying Petition for Emergency Rates or for Reconsideration of Order No. 24653, In Re: Application for Staff-Assisted Rate Case in Volusia County by PINE ISLAND UTILITY CORPORATION, 94 FPSC 8:510, August 29, 1994 (emergency rates denied because appropriate only where immediate and urgent need in very unique circumstances). Cf. Order No. PSC-93-1844-FOF-WS, Order Granting Emergency Rates and Charges, In Re: Application for Staff-Assisted Rate Case in Marion County by ASTOR WEST, INC., 93 FPSC 12:528, December 28, 1993 (Commission does not

ordinarily consider emergency rates in a staff-assisted rate case unless utility is in receivership, in order to encourage timely seeking of rate relief).

We reviewed the utility's 1995, 1996, and 1997 annual reports, along with information submitted in the staff-assisted rate case application to determine if the utility would qualify for emergency rates. The utility also provided copies of invoices from the utility operator, along with a copy of a Department of Environmental Protection (DEP) report showing deficiencies which needed to be corrected. When an analysis is done to determine if a utility is eligible for emergency rates in staff-assisted rate cases, we review operation and maintenance expenses, along with taxes other than income, to determine if the utility is meeting day-to-day operating expenses. Depreciation, amortization, and return on capital are not considered in the analysis.

In this case, Dixie Groves has an estimated \$30,088 cash shortfall in 1997. We made a number of adjustments for our analysis. The utility's revenues were increased by \$262 to annualize an index and pass-through rate adjustment which was effective March 1, 1997. Of the \$30,088 cash shortfall, \$19,502 is related to salaries and benefits of the owners or relatives. There was a related-party transfer of the utility completed in 1997. We removed the \$19,502 in salaries and benefits of the owners and relatives and included \$9,600 for a manager's salary which was the amount reported in the utility's 1996 annual report prior to the transfer.

The utility was required to install an aqua mag unit because its treated water has failed lead and copper testing. Chemical expense was increased by \$2,528 to reflect the cost of the aqua mag chemical now required of the utility. A further analysis of operation and maintenance expenses shows \$4,941 of the shortfall was attributed to purchases of utility plant which should have been capitalized instead of expensed. We removed the \$4,941 from contractual services to reflect the utility plant which should have been capitalized. A review of tests required by the DEP and Southwest Florida Water Management District showed a number of tests which needed to be annualized. Contractual services expense was increased \$482 to reflect the annualization of required water testing.

Our analysis, as shown on Schedule No. 1, shows the utility will experience an estimated cash shortfall of \$17,993 on an annual

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basis prior to receiving final rates in the staff-assisted rate case. The utility's last rate case, Docket No. 800712-W, was processed 18 years ago. It appears the present cash shortfall has been caused by the utility not filing for timely rate relief. Although repairs and replacements have been made to utility plant as required by DEP and additional water testing is now being required of the utility, they should be expected in the normal course of utility operations. Accordingly, we do not find any unique circumstance in this case. Therefore, Dixie Groves' request for emergency rates is hereby denied.

This docket shall remain open pending the completion of the staff-assisted rate case.


Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the request for emergency interim rates by Dixie Groves Estates, Inc: is hereby denied. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that this docket shall remain open pending the completion of the staff-assisted rate case.

By ORDER of the Florida Public Service Commission this 20th day of August, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

BLR

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 10, 1998.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date.

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

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

DIXIE GROVES ESTATES, INC.
TEST YEAR ENDING DECEMBER 31, 1997
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSES AND TAXES
OTHER THAN INCOME FOR EMERGENCY RATES

SCHEDULE NO. 1
DOCKET NO. 980726-WU

	1995 PER UTIL.	1996 PER UTIL.	1997 PER UTIL.	COMM. ADJUST. TO 1997 FIGURES	TOTAL PER COMM.
GROSS REVENUE	\$ 25,300	\$ 25,337	\$ 26,429	\$ 262 [1]	\$ 26,691
OPERATION AND MAINTENANCE EXPENSES					
(601) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 9,375	\$ 14,400	\$ (14,400) [2]	\$ 0
(603) SALARIES AND WAGES - OFFICERS	0	1,200	1,200	(1,200) [2]	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	2,340	(2,340) [2]	0
(610) PURCHASED WATER	0	0	0	0	0
(615) PURCHASED POWER	1,623	1,848	1,929	0	1,929
(616) FUEL FOR POWER PRODUCTION	0	0	0	0	0
(618) CHEMICALS	1,654	711	530	2,528 [3]	3,058
(620) MATERIALS AND SUPPLIES	1,136	876	1,572	0	1,572
(630) CONTRACTUAL SERVICES - BILLING	17,015	13,881	26,993	(4,459) [4]	22,534
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	0	0	9,600 [5]	9,600
(635) CONTRACTUAL SERVICES - TESTING	0	0	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	0	0	0	0	0
(640) RENTS	0	600	600	0	600
(650) TRANSPORTATION EXPENSE	0	0	0	0	0
(655) INSURANCE EXPENSE	1,176	1,264	1,567	0	1,567
(655) REGULATORY COMMISSION EXPENSE	0	0	0	0	0
(670) BAD DEBT EXPENSE	0	0	152	0	152
(675) MISCELLANEOUS EXPENSES	108	357	880	0	880
	\$ 22,712	\$ 30,112	\$ 52,163	\$ (10,271)	\$ 41,892
TAXES OTHER THAN INCOME					
STATE AD VALOREM TAXES	\$ 0	\$ 0	\$ 19	\$ 0	\$ 19
LOCAL PROPERTY TAX	308	1,688	1,377	0	1,377
FEDERAL INCOME TAX	0	0	1,562	(1,562) [2]	0
STATE INCOME TAX	0	0	0	0	0
REGULATORY ASSESSMENT FEE	1,039	1,140	1,189	0	1,189
CORPORATE RENEWAL	200	200	165	0	165
INTANGIBLE	26	46	42	0	42
PAYROLL	0	134	0	0	0
LICENSE	0	19	0	0	0
	\$ 1,573	\$ 3,227	\$ 4,354	\$ (1,562)	\$ 2,792
ESTIMATED CASH FLOW	\$ 1,015	\$ (8,002)	\$ (30,088)		\$ (17,993)

Notes:

- To annualize 1997 revenues due to a price index and pass-through rate adjustment effective March 1, 1997.
- To disallow (for purposes of emergency rate consideration) salaries, benefits, and payroll taxes of related parties.
- To annualize aqua mag chemical cost + \$2,528.
- (a) To annualize DEP and SWFWMD required testing +\$482.
(b) To remove utility plant which should have been capitalized (\$4,941).
- To include contractual services amount for utility manager as shown on 1996 annual report prior to transfer.