BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-assisted rate case in Brevard County by AQUARINA DEVELOPMENTS, INC.	)	DOCKET NO. 900168-WS ORDER NO. 23812 ISSUED: 11-27-90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER
FRANK S. MESSERSMITH

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

Aquarina Developments, Inc. (ADI or the Utility) is a Class C water and wastewater facility located in Brevard County, Florida. The utility serves the Aquarina development as well as the Hammock, a neighboring development. It is anticipated that at buildout, the Aquarina development will have 1,600 residential units.

Since 1984, the utility has provided water and wastewater service without charge to the Aquarina development. On August 28, 1986, ADI entered into an agreement to provide service to the Hammock on a temporary basis. The intent of the parties was to

exempt the provision of water and wastewater service to the Hammock from our jurisdiction.

On April 6, 1987, ADI gave notice of its intent to discontinue service to the Hammock based upon the latter's failure to render payment in accordance with the agreement between the parties. On May 5, 1987, the Hammock filed a petition with us for an emergency hearing to prevent ADI from discontinuing water and wastewater service. In response to the Hammock's petition, ADI contended that its relationship with the Hammock was nonjurisdictional. Nevertheless, ADI agreed to continue providing service pending our determination of the jurisdictional issue.

By Order No. 18475, issued November 24, 1987, we found that the utility was subject to our jurisdiction because it had agreed to provide service to the Hammock for compensation. We directed ADI to file an application for both water and wastewater certificates. By Order No. 22075, issued October 19, 1989, we granted certificate Nos. 517-W and 450-S, and set bulk rates for the service provided to the Hammock.

The utility now seeks authorization to begin charging its customers in the Aquarina development for water and wastewater service. Therefore, it filed an application for amendments of its certificates to include the Aquarina development in its service area. By Order No. 23059, issued June 11, 1990, we found the amendments to be in the public interest and granted ADI's request to amend its certificates.

On March 1, 1990, ADI filed an application for a staff assisted rate case. The test year for this proceeding is the historical average 12 month period ended December 31, 1989. During that period, the utility reported net operating losses of $48,192 for the water system and $36,347 for the wastewater system. There were 38 residential customers and 8 general service customers being served by the utility at the end of the test year.

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.

Our Staff engineer conducted a field investigation of ADI and contacted the Department of Environmental Regulation (DER) to determine if the utility was in compliance with the requirements of that agency. There are no reported problems with the utility. There are also no complaints on file with this Commission. At the time of the field investigation, the treatment facilities appeared to be adequately maintained and properly operated.

Our staff conducted a customer meeting on August 20, 1990, at the Aquarina Ocean Club to afford customers the opportunity to present testimony on the quality of service provided by the utility and to express their concerns about other issues. Approximately 20 customers attended the meeting. A representative of the developer and the utility's plant operator were also present.

Several customers testified that the water quality was good. However, two customers noted that they occasionally had some problems with the taste and/or odor of the water. Reverse osmosis (RO), the treatment process used by ADI, is one of the best and most expensive ways to treat water. The process eliminates substances that would normally affect the taste or odor of water. However, it also leaves water bland and tasteless. To improve the taste and proper Ph of RO water, the operator blends the finished product with raw water. The end result is better quality water at slightly less cost.

Odors and tastes may, on occasion, be affected due to the slow movement of water in certain lines with little demand. To ensure continued disinfection of drinking water in the transmission mains, even in slow moving water, the utility must ensure a minimum chlorine residual by chlorine injection. The concentration of chlorine will vary slightly from day to day. More chlorine, rather than not enough, is preferable because an inadequate amount of chlorine might fail to kill bacteria. Therefore, if detectable concentrations of odors are noted, and it is not a chronic problem, we suggest that the customer run his/her faucet long enough to dissipate the problem.

Two customers testified that they had been inconvenienced with some problems with pressure and occasional interruptions in service. With regard to pressure problems, even the best system occasionally will experience problems. ADI has been subject to line breaks, equipment failure, preventive maintenance shut downs,

and other similar situations that may affect pressure or interrupt service. Although little can be done to eliminate all accidental interruptions of service, the utility should notify its customers by phone or mail of foreseeable, upcoming interruptions. ADI's plant operator indicated that he would note any problems he might encounter with line breaks and ensure that proper notice is given to customers when possible.

A complaint presented by many of the customers concerned the timing of the customer meeting and the short timeframe within which the remainder of this rate case would take place. Several customers explained that a majority of the utility's customers do not reside in Florida during the summer months. They requested that the meeting be postponed until November. Because we are required by law to reach a final decision in rate making proceedings within a limited time period, it was not within our discretion to postpone the customer meeting as requested.

The customers who testified about rates contended that the preliminary rates shown in our staff's report were too high. They stated that they were aware of lower rates charged by nearby utilities. Several customers complained that water and wastewater service should continue to be included in a $160 per month maintenance fee that the developer had represented to include water and wastewater service. As discussed in the rate section of this order, the rates that we authorize for the utility are those that we find to be fair, just, and reasonable after a careful examination of all of the utility's circumstances. We set rates based on the requirements of Chapter 367, Florida Statutes, and cannot be bound by possible agreements between customers and the utility/developer.

Another concern related to the level of rates was that our staff was too conservative in projecting the rate of future growth within the Aquarina development, and thus, that the number of customers for whom service would be provided was too low. We find these projections to be reasonable in that they are based upon the development's growth during the previous 5 years, the method we normally use to project future growth in similar instances.

Customer growth projections figured prominently in our preliminary rate calculations, as those rates were set at 80% of ADI's planned capacity. Although the utility's historical growth rate is low, there is uncertainty regarding the appropriate

projected rate of future growth. Therefore, the rates approved herein weye not set at 80% of planned capacity, but rather, were based on the plant capacity necessary to serve the current customers and those customers associated with the margin reserve.

A related concern expressed by customers was that they were being penalized because the developer had initially built utility systems with the capacity to serve more customers than had actually materialized. Our staff explained that the systems had been constructed to accommodate the projected future growth of the development. This Commission and DER favor the construction of utility systems that are designed to accommodate future growth. Such systems are preferred over the proliferation of small systems because they result in economies of scale that benefit customers and they predominantly questioned whether existing customers would be subsidizing water and wastewater service provided to various facilities operated by the developer and open to the public. These facilities include tennis courts, swimming pools, a restaurant and lounge. A representative of the developer explained that there will be no subsidization because each of these facilities will be metered and will receive invoices as separate customers of the utility.

Another issue raised by a customer concerned the use of a base facility charge for wastewater service. As discussed in the rate section of this order, this charge represents the fixed cost to the utility of providing service. Thus, each customer is assessed this charge to compensate the utility for the costs incurred to maintain its capacity to provide service upon request.

A final question raised by several customers concerned whether meters were in place for all residences. The developer's representative testified that the utility was in the process of checking to ensure that each residence has a clearly marked meter.

Although there are some quality of service deficiencies as noted, the utility appears to be adequately addressing them. 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 water treatment plant has the capacity to serve approximately 376 equivalent residential connections (ERCs) at 319 gallons per day (GPD) per ERC. Currently, it serves 62 ERCs. Based upon including an allowance of 15 ERCs as a margin reserve, we find that the water treatment plant is 20.5% used and useful.

The wastewater treatment plant has the capacity to serve approximately 1,024 ERCs at 293 GPD per ERC. Currently, it serves 62 ERCs. Based upon including an allowance of 15 ERCs as a margin reserve, we find that the wastewater treatment plant is 7.5% used and useful.

The distribution and collection systems have the capacity to serve approximately 533 connections, or one third of their planned capacity. Based upon including an allowance of 15 ERCs as a margin reserve, we find that the distribution and collection systems are 14.5% used and useful.

Plant-in-Service

At the end of the test year period, the utility recorded depreciable plant-in-service amounts of $1,875,778 for the water system and $3,937,922 for the wastewater system. Most of the plant-in-service was constructed prior to 1985. Minor additions were built between 1985 and 1987.

ADI's books were audited during the original certificate docket. The balances representing actual depreciable plant in the water and wastewater accounts as of December 31, 1984, were $617,739 and $1,761,020, respectively. In addition to these amounts, ADI had also recorded amounts of $398,995 for the water

system and $221,322 for the wastewater system that reflected the associated engineering and miscellaneous costs of the plants. The resulting balances in the depreciable plant accounts were $1,016,734 for the water system and $1,982,341 for the wastewater system.

Between January 1985 and the end of the test year, the utility recorded additional plant-in-service of $859,044 for the water system and $1,955,581 for the wastewater system. These amounts represent additional engineering and miscellaneous costs associated with the systems, general development allocations, land costs, and actual plant additions of $33,168 to the water system and $87,789 to the wastewater system.

Several adjustments to the depreciable plant accounts were necessary. We reclassified $45,240 from the water system and $50,250 from the wastewater system to nondepreciable plant (land). We disallowed $5,340 per system that had been recorded for a utility vehicle.

The largest adjustment was the disallowance of engineering and general development allocations for each system. We determined that the engineering and development costs associated with depreciable plant should not exceed 15% of the related plant. Therefore, we disallowed all such costs in excess of 15% of the related plant, and all allocations recorded during a year in which no physical plant was added to the system. The total disallowances for engineering and development costs are $1,130,050 for the water system and $1,812,760 for the wastewater system.

No additions to plant-in-service were made during the test year. Therefore, no averaging adjustment is necessary. Based upon the foregoing, we find the appropriate balances in the depreciable plant accounts at the end of the test period to be $584,563 for the water system and $2,073,731 for the wastewater system.

Accumulated Depreciation of Plant-in-Service

ADI never recorded accumulated depreciation of plant-in-service. Because the balance for each system at the end of the test year was zero, it was necessary to calculate each system's accumulated depreciation balance using the depreciable plant useful life figures contained in Rule 25-30.140, Florida Administrative

Code. The result is accumulated depreciation balances of $130,770 for the water system and $589,670 for the wastewater system. Averaging adjustments of $12,230 and $53,991 were made to reduce the respective end of the period balances for the water and wastewater systems. Therefore, we find that the appropriate average amount of accumulated depreciation to include in rate base is $118,541 for the water system and $535,678 for the wastewater system.

Plant Held for Future Use

As previously discussed, the water treatment plant is 20.5% used and useful, the wastewater treatment plant is 7.5% used and useful, and the distribution and collection lines are 14.5% used and useful. Applying the resulting nonused and useful percentages to the respective average plant account balances results in $406,914 for the water system and $1,796,383 for the wastewater system. Applying the same nonused and useful percentages to the average accumulated depreciation balances results in $86,437 for the water system and $478,165 for the wastewater system. Therefore, we find that the net average amount of plant held for future use is $320,477 for the water system and $1,318,218 for the wastewater system.

Amortizable Plant

The utility incurred organization costs of $1,800 in 1988 and $150 in 1989. These costs were associated with the filing fees for its original certificates and amendments thereto. Therefore, the balance for each system at the end of the test year was $1,050. An averaging adjustment of $75 was made to reduce each system's balance. As a result, we find the average amount of amortizable plant to include in rate base to be $975 for each system.

Accumulated Amortization of Plant-in-Service

Based upon the composite depreciation rates for the respective systems, the water system will have a 24 year life, and the wastewater system will have a 19 year life. Applying these estimated useful lives to the end of the test period amortizable plant balances results in accumulated amortization of $60 for the

water system and $74 for the wastewater system. Averaging adjustments of $21 for the water system and $25 for the wastewater system were applied. This results in our finding the appropriate average amounts of accumulated amortization of plant to include in rate base to be $39 for the water system and $49, for the wastewater system.

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

ADI never recorded any CIAC on its books. However, it capitalized certain portions of utility plant to living units, as property for resale. This resulted in CIAC for the water system being understated by $72,466, and CIAC for the wastewater system being understated by $120,642. Additionally, the utility recorded a portion of assets to cost of goods sold as expenses. This resulted in the water system's CIAC being understated by an additional $54,133, and the wastewater system's CIAC being understated by an additional $124,434. The resulting balances at the end of the test period were $126,599 for the water system and $245,076 for the wastewater system. Averaging adjustments of $6,689 and $14,377 reduced the average CIAC balances to $119,910 for the water system and $230,699 for the wastewater system.

We also imputed CIAC on the margin reserve, as is our policy. Based on a margin reserve of 15 ERCs and main extension charges for the water and wastewater systems of $180 and $502, CIAC on the margin reserve is $2,700 for the water system and $7,530 for the wastewater system. These imputed balances were added to the average CIAC balances previously discussed. This results in our finding the appropriate amount of CIAC to include in rate base to be $122,610 for the water system and $238,229 for the wastewater system.

Accumulated Amortization of CIAC

We applied the appropriate composite amortization rates to the CIAC accounts for both the water and wastewater systems. The result is accumulated amortization of CIAC of $22,396 for the water system and $51,507 for the wastewater system at December 31, 1989. The averaging adjustments of $2,518 for the water system and $6,010 for the wastewater system reduce the average test year balances to $19,878 and $40,213, respectively.

We calculated the amortization associated with imputed CIAC on the margin reserve. The balances of $113 for the water system and $392 for the wastewater system were added to the average balances discussed above. Therefore, we find that the appropriate amount of accumulated amortization of CIAC to include in rate base is $19,991 for the water system and $40,605 for the wastewater system.

Land

ADI owns the land on which the utility's facilities are located. The land is valued at $30,000 per acre. ADI allocates 1.508 acres to the water system and 1.684 acres to the wastewater system. This results in land balances of $45,240 and $50,520, respectively. However, we have determined that approximately one-third of the utility property is used for irrigation facilities and thus, we disallow this portion of the property for ratesetting purposes. Based upon the foregoing, we find the value of land for the purpose of this proceeding to be $30,160 for the water system and $33,680 for the wastewater system.

Working Capital

We used the formula method to measure working capital for this utility. This approach is consistent with Rule 25-30.443, Florida Administrative Code, and uses one-eighth of operation and maintenance expenses to determine the utility's working capital needs. Using this method, we find the appropriate level of working capital allowance to be $2,525 for the water system and $2,191 for the wastewater system.

Rate Base

The appropriate components to include in the utility's test year rate base are depreciable plant in service, accumulated depreciation, nondepreciable plant, plant held for future use, amortizable plant, accumulated amortization, CIAC, accumulated amortization of CIAC, and working capital allowance. Based on all our adjustments, we find the appropriate test year rate base to be $74,536 for the water system and $59,057 for the wastewater system.

CAPITAL STRUCTURE

Return on Equity

The utility's capital structure is presented on a consolidated basis. ADI's books reflected a negative equity balance of $48,352,520 at the end of the test period. When a utility's books reflect negative equity, it is our policy to adjust the negative equity balance to zero, so that the negative component is not reflected in the utility's capital structure. Thus, we made a $48,352,520 adjustment, resulting in an equity balance of zero. Since there is no equity to be recognized in ADI's capital structure, a return on equity is not applicable in this instance.

Rate of Return

The utility's capital structure as reflected on its books consists of only two components: a $72,975,586 loan from the shareholder and a negative equity balance of $48,352,520. As discussed above, the negative equity portion of the capital structure was adjusted to a zero balance.

The remaining component of ADI's capital structure is a loan from the shareholder. If there were no explicit cost rate attached to the loan, we would ordinarily treat the loan as equity. However, the shareholder loan has a cost rate of prime plus 4%. Therefore, we treated the shareholder loan as debt. Based upon our most recent leverage formula set forth in Order No. 23318, issued August 7, 1990, the appropriate return for a utility such as ADI that has 40% or less equity in its capital structure is 13.51%.

The capital structure is shown on Schedule 2.

NET OPERATING INCOME

Attached as Schedule No. 3 is our schedule of water and wastewater operating income. Our adjustments thereto are shown on Schedule No. 3A. 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.

Operating Revenues

ADI collected rates from only one customer, the Hammock, during the test period. The utility recorded $2,191 in water revenues and $2,178 in wastewater revenues during the test period. As previously stated, ADI has provided utility service to Aquarina residents without compensation since 1984.

The utility misclassified other income in the amount of $144 and interest income in the amount of $156. These amounts were included in both the water and wastewater operating revenue accounts. We made a negative $300 adjustment to each system to remove these revenues. Based upon the foregoing, we calculated test year water operating revenue to be $1,891, and test year wastewater operating revenue to be $1,878.

Operating and Maintenance Expenses

The utility charged operating expenses of $50,383 to the water system and $38,525 to the wastewater system during the test year. Details of the calculations and adjustments made to each expense account follow.

1) Salaries and Wages - Employees - The utility did not record any salaries to this account during the test period. Based on the small number of customers the utility will serve, we find that $707 per system is a reasonable allowance for the services performed for the utility.

2) Salaries and Wages - Officers - The utility did not record any expenses in this account during the test period. We believe the appropriate allowance for this expense is zero.

3) Employee Pensions and Benefits - The utility did not record any expenses in this account during the test period. Consistent with our treatment of Salaries and Wages - Employees, we will allow a 20% benefits rate as a utility expense. This results in an expense of $141 per system.

4) Sludge Removal Expense - The utility did not record any expenses in this account during the test period. We do not believe there will be a need for sludge removal, and therefore allow no expense for this purpose.

5) Purchased Power - The utility recorded $14,188 in this account for each system during the test period. During the engineering inspection of the plant facilities, it was discovered that the plant is on a common meter with nonutility facilities. We disallow expenses attributable to nonutility facilities. Accordingly, we calculate the appropriate purchased power allowances to be $3,976 for the water system and $4,260 for the wastewater system.

6) Fuel for Power Production - The utility recorded $144 for each system during the test period. We find that no expense should be authorized.

7) Chemicals - The utility recorded no expenses in this account during the test period. However, our review of chemicals invoices found that ADI incurred chemicals expense totalling $2,721 for the water system and $89 for the wastewater system. We believe these amounts are reasonable and thus are authorized.

8) Materials and Supplies - The utility recorded $2,455 in the water system account and $698 in the wastewater system account during the test period. Because of the small number of customers, we believe a reasonable allocation for materials and supplies per system is $76.

9) Contractual Services - The utility recorded $10,998 per system in this account during the test period. We find allowances of $10,783 for the water system and $10,463 for the wastewater system to be appropriate.

10) Rents - The utility recorded no expenses in this account during the test period. We believe that a reasonable allocation of utility office overhead is $300 per system.

11) Transportation Expense - The utility recorded $757 per system to this account. We believe a reasonable allocation per system is $195.

12) Insurance Expense - The utility recorded $1,634 per system during the test period. We believe a reasonable allocation for coverage of utility property is $891 per system.

13) Regulatory Commission Expense - The utility recorded $50 per system in this account during the test period. Because this

expense is related to the payment of regulatory assessment fees, the expense was removed and reclassified. The filing fee for the instant rate case was $1,800. Using a four-year amortization period, we calculate the appropriate annual balance to be $225 per system.

14) Bad Debt Expense - The utility charged $1,891 to the water system and $1,878 to the wastewater system. These amounts are a result of the Hammock's failure to pay its bills. However, because ADI recently purchased the Hammock, we adjusted these balances to zero.

15) Miscellaneous Expense - The utility charged $18,266 to the water system and $8,179 to the wastewater system during the test period. We reclassified the majority of these expenses. We find an allowance of $185 per system to be appropriate.

The result of the above adjustments, reclassifications, and allowances decreases the utility's operating expenses to $20,199 for the water system and $17,531 for the wastewater system.

Depreciation Expenses

We calculated test year depreciation expense using the water and wastewater system guideline average service lives contained in Rule 25-30.140, Florida Administrative Code. Application of the prescribed depreciation service lives to the used and useful year-end balances of the various plant accounts results in test year depreciation expense of $6,575 for the water system and $11,579 for the wastewater system.

CIAC and Organization Costs Amortization

The utility has two amortizable items, CIAC and organization costs. Test year amortization for CIAC was calculated using the water and wastewater system guideline average service lives contained in Rule 25-30.140, Florida Administrative Code. Application of the prescribed amortization rates to the year-end balances of the various CIAC accounts results in test year amortization of $5,036 for the water system and $12,019 for the wastewater system.

As previously discussed, the imputed value of amortization expense of CIAC associated with margin reserve is $113 for the water system and $392 for the wastewater system. This results in total CIAC amortization of $5,149 for the water system and $12,411 for the wastewater system.

As previously discussed, based upon the composite depreciation rates for the respective systems, the water system will have a 24 year life and the wastewater system will have a 19 year life. Application of these estimated useful lives to the end of the test period amortizable plant balances reduces the test year amortization by $41 for the water system and $51 for the wastewater system.

Based on the foregoing, the appropriate test year amortization for each system is $5,108 for the water system and $12,360 for the wastewater system.

Taxes Other than Income Taxes

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

The utility does not pay property taxes, as the land has never been replatted to reflect the utility's use. Therefore, property taxes are excluded from this calculation.

As discussed above, the appropriate amount of total wages and salaries expense is $707 per system. The payroll tax associated with this amount is $79 per system.

The regulatory assessment fees associated with the test year revenues are $85 for the water system and $85 for the wastewater system. The fees associated with the projected revenue increase are $1,414 for the water system and $1,084 for the wastewater system. This results in total regulatory assessment fees of $1,499 for the water system and $1,169 for the wastewater system.

Based on the above calculations, the appropriate amount of taxes other than income taxes is $1,578 for the water system and $1,247 for the wastewater system.

Income Tax Expense

The utility has a negative retained earnings balance and operating loss carryforwards. Therefore, we have made no allowance for income tax expense.

Operating Loss

The test year operating revenues for the water system are $1,891. The corresponding operating expenses are $21,830. This results in a test year operating loss of $19,939 for the water system.

The test year operating revenues for the wastewater system are $1,878. The corresponding operating expenses are $16,913. This results in a test year operating loss of $15,035 for the wastewater system.

REVENUE REQUIREMENT

Based upon the utility's books and records and the adjustments discussed above, we find that the appropriate annual revenue requirement is $33,314 for the water system and $25,976 for the wastewater system. This represents an annual increase in water revenue of $31,423 or 1,420.5% and an annual increase in wastewater revenue of $ 24,098 or 1,092.7%. These revenue requirements will allow the utility to recover its expenses and allow it an opportunity to earn a 13.51% return on its rate base.

RATES AND CHARGES AND RATE STRUCTURE

Monthly Service Rates

We find that the rates set forth below are fair, just, reasonable and not unfairly discriminatory. These rates have been designed to allow ADI to recover its expenses and the opportunity to earn a 13.51 percent return on its investment, using the base facility/gallonage charge rate structure. The base facility/gallonage charge rate structure is our preferred structure because it allows the utility to track costs and allows the

customers to have some control over their bills. The customer pays for his or her pro rata share of the costs necessary to provide utility service through the base facility charge and only his or her usage through the gallonage charge. The utility's existing rates and those approved herein are set forth below for comparison:

MONTHLY RATES - WATER

Residential and General Service

Base Facility Charge	Current Rate (1)	Approved Rate
Meter Sizes:		
5/8" x 3/4"	N/A	$ 8.81
3/4"	N/A	13.22
1"	N/A	22.03
1 1/2"	N/A	44.06
2"	N/A	70.50
3"	N/A	141.00
4"	N/A	220.31
6"	N/A	440.62
Consumption Charge		
Per 1,000 Gallons	$ 2.70	$ 2.91

(1) Current rate applies only to the Hammock

MONTHLY RATES - WASTEWATER

Residential and General Service

Base Facility Charge	Current Rate (1)	Approved Rate
Meter Sizes:		
5/8" x 3/4"	N/A	$ 7.43
3/4"	N/A	11.15
1"	N/A	18.58
1 1/2"	N/A	37.16
2"	N/A	59.46
3"	N/A	118.91
4"	N/A	185.80
6"	N/A	371.61

Consumption Charge
Per 1,000 Gallons

Residential		$ 2.72
General Service	$ 2.25	3.27

(1) Current rate applies only to the Hammock.

These rates shall be effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff pages to be filed by ADI. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision, that the proposed customer notice is adequate, that the proper security for refund has been provided and upon the expiration of the protest period.

Reduction in Rates

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of a utility be reduced immediately by the amount of rate case expense previously included in its rates. This statute applies to all rate cases filed on or after October 1, 1989.

The only rate case expense ADI incurred was the $1,800.00 filing fee. Pursuant to Section 367.0816, Florida Statutes, the utility may recover $225 per system per year. After this $225 figure is grossed up to include resulting regulatory assessment fees, annual recovery is $235 per system per year. At the end of four years, ADI's rates per system should be reduced by $235. The effect of this rate reduction is an approximate $0.11 reduction in ADI's base facility charge for a 5/8 inch by 3/4 inch meter for both water and wastewater systems. The gallonage charges will be reduced by $0.02 and $0.01, respectively. Assuming the utility's rates approved herein remain unchanged over the next four years, after recovery of the rate case expense the following rates will apply:

MONTHLY RATES - WATER

Residential and General Service

Base Facility Charge	Approved Rate	Rates after the Recovery of Rate Case Expenses
Meter Sizes:		
5/8" x 3/4"	$ 8.81	$ 8.70
3/4"	13.22	13.05
1"	22.03	21.75
1 1/2"	44.06	43.50
2"	70.50	69.59
3"	141.00	139.19
4"	$ 220.31	$ 217.48
6"	440.62	434.97
Consumption Charge		
Per 1,000 Gallons	$ 2.91	$ 2.89

MONTHLY RATES - WASTEWATER

Residential and General Service

Base Facility Charge	Approved Rate	Rates after the Recovery of Rate Case Expenses
Meter Sizes:		
5/8" x 3/4"	$ 7.43	$ 7.32
3/4"	11.15	10.98
1"	18.58	18.30
1 1/2"	37.16	36.60
2"	59.46	58.56
3"	118.91	117.11
4"	185.80	182.99
6"	371.61	365.97
Consumption Charge		
Per 1,000 Gallons		
Residential	$ 2.72	$ 2.71
General Service	3.27	3.25

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Service Availability Charges

To date, ADI has not collected service availability charges nor has it received any donated property. The CIAC shown on ADI's books is the result of charging certain portions of utility plant off to cost of goods sold.

Rule 25-30.580, Florida Administrative Code, provides the following guideline for designing service availability policies:

(a) The maximum amount of Contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and

(b) The minimum amount of Contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

Customer growth projections have an effect on service availability calculations and, because the projected customer growth rate for ADI is low, we calculate that the water and wastewater plants will be fully depreciated before ADI provides service at its designed capacity. For this reason, it is not practical to calculate a service availability charge that would provide a 75% contribution level pursuant to subsection (a) of Rule 25-30.580.

Rather than base service availability charges on plant capacity, in order to comply with Rule 25-30.580, Florida Administrative Code, we find it appropriate to base service availability charges on "the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems." The existing lines for each system can serve 533 connections. The lines for the water system are valued at $96,045 and those for the wastewater system at $267,744. Thus, we find it appropriate to establish main extension charges, based on average costs per customer, of $180 for the water system and $502 for the wastewater system.

In addition to the above described main extension charges, the utility is authorized to collect the following meter installation charges, which represent the average cost of the meters and the labor required to install them:

Meter Size	Installation Charge
5/8" x 3/4"	$ 150
3/4"	175
1"	200
1 1/2"	225
2"	250
Greater than 2"	Actual Cost

The service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision, that the customer notice is adequate, that the proper security for refund has been provided, and upon expiration of the protest period.

Miscellaneous Service Charges

ADI does not currently have miscellaneous service charges. Based on our analysis of the labor and materials required for these services, we find that the following miscellaneous service charges

are reasonable and consistent with Rule 25-30.345, Florida Administrative Code:

	Water	Wastewater
Initial Connection	$ 15.00	$ 15.00
Normal Reconnection	$ 15.00	$ 15.00
Violation Reconnection	$ 15.00	Actual Cost
Premises Visit (in lieu of disconnection)	$ 10.00	$ 10.00

The tariff charge of actual cost for a wastewater only violation reconnection is approved contingent upon the filing with the Commission for prior approval of a breakdown of the actual components, the corresponding unit costs, and the typical man hours required for the discontinuance and subsequent reinstatement of service.

When both water and wastewater services are provided, we believe that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. Following is a description of each service:

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

Normal Connection - 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.

Violation Reconnection - This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

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, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval

date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision, that the proposed customer notice is adequate, that the proper security for a refund has been provided, and upon the expiration of the protest period.

COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS

ADI currently does not maintain its books and records according to the NARUC Uniform System of Accounts. Rule 25-30.115(1), Florida Administrative Code, provides that water and sewer utilities must, effective January 1, 1986, maintain their accounts and records in conformity with the 1984 NARUC Uniform System of Accounts. ADI is hereby directed to comply with Rule 25-30.115(1), Florida Administrative Code.

TEMPORARY RATES IN EVENT OF PROTEST

This Order proposes new water and wastewater rates and charges. A timely protest of this Order could delay the rate increase approved herein, resulting in a loss of revenue to the company. In the event of a protest by any party other than ADI, we hereby authorize ADI to collect the monthly service rates approved herein, subject to the utility's providing security for any possible refund. The security should be either a bond or a letter of credit in the amount of $22,081 for the water system and $16,934 for the wastewater system. Alternatively, ADI may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

1) The Commission approves the rate increase; or

2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

The utility must maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility must

file reports with the Division of Water and Sewer no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

If the utility chooses a letter of credit as a security, it shall contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect.

2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.

2) The escrow account shall be an interest bearing account.

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase

shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid.

ADI may only implement these rates after providing security and after it has filed and Staff has approved revised tariff pages and a proposed customer notice. Should a refund ultimately be required, the refund shall be in accordance with Rule 25-30.360, Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Aquarina Developments, Inc. for an increase in its water and wastewater rates in Brevard 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 25-22.036, 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 monthly rates as set forth in the body of this Order, effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is authorized to charge the new service availability charges and miscellaneous service charges for connections made or service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each customer of the increased water and

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; that the proper security for refund has been provided; 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 27th day of NOVEMBER, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ASD

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.

The action proposed herein, except for the setting of temporary rates in the event of protest, 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 December 18, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty

(30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1
RATE BASE
PAGE 1 OF 2
WATER

Account Title	Balance per Utility	Commission Adjustments to Utility Balance		Balance per Commission
Depreciable Plant in Service	$1,875,778	($1,293,265)	A	$582,513
Land/Nondepreciable Assets	0	30,160	B	30,160
Amortizable Plant (Organization)	0	975	C	975
Plant Held for Future Use	0	(320,477)	D	(320,477)
Contributions in Aid of Construction	0	(122,610)	E	(122,610)
Accumulated Depreciation	0	(118,541)	F	(118,541)
Accumulated Amortization of CIAC	0	19,991	G	19,991
Working Capital Allowance	6,055	(3,530)	H	2,525
RATE BASE	$1,881,833	($1,807,297)		$74,536

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1
RATE BASE
PAGE 2 OF 2
WASTEWATER

Account Title	Balance per Utility	Commission Adjustments to Utility Balance		Balance per Commission
Depreciable Plant in Service	$3,937,922	($1,864,191)	A	$2,073,731
Land/Nondepreciable Assets	0	33,680	B	33,680
Amortizable Plant (Organization)	0	975	C	975
Plant Held for Future Use	0	(1,318,218)	D	(1,318,218)
Contributions in Aid of Construction	0	(238,229)	E	(238,229)
Accumulated Depreciation	0	(535,678)	F	(535,678)
Accumulated Amortization of CIAC	0	40,605	G	40,605
Working Capital Allowance	4,575	(2,384)	H	2,191
RATE BASE	$3,942,497	($3,883,440)		$59,057

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1A
ADJUSTMENTS TO RATE BASE

	Water	Wastewater
A. Depreciable Plant in Service		
1. Disallowance of engineering and development costs	($1,130,050)	($1,812,760)
2. Disallowance of truck	($5,340)	($5,340)
3. Remove misclassified land	($45,240)	($50,520)
4. Adjustment that results in Commission's approved balance	($112,635)	$4,429
B. Land/Nondepreciable Assets		
1. Add misclassified land	$45,240	$50,520
2. Disallow land not associated with provision of water or wastewater services	($15,080)	($16,840)
C. Amortizable Plant		
1. Add filing fee for original certificate	$900	$900
2. Add filing fee for certificate amendment	$150	$150
3. Averaging adjustment	($75)	($75)
D. Plant Held for Future Use		
1. Add nonused and useful plant	($320,477)	($1,318,218)
E. Contributions in Aid of Construction		
1. Add unrecorded CIAC	($126,599)	($245,076)
2. Averaging adjustment	$6,689	$14,377
3. Imputation associated with margin of reserve	$2,700	$7,530
F. Accumulated Depreciation		
1. Accumulated depreciation associated with Commission's approved plant balances	($130,770)	($589,670)
2. Averaging adjustment	$12,230	$53,991

G. Accumulated Amortization of CIAC		
1. Accumulated amortization associated with CIAC	$22,396	$51,507
2. Averaging adjustment	($2,518)	($11,294)
3. Accumulated amortization associated with imputation of CIAC on margin of reserve	$113	$392
H. Working Capital Allowance		
1. Adjustment that results in Commission's approved balance (based on 1/8 of O&M expenses)	($3,530)	($2,384)
	($1,801,896)	($3,868,381)

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 2
COST OF CAPITAL

Component	Balance Per Utility	Commission Adjustments to Utility Balance	Balance per Commission	Percent of Total	Cost	Weighted Cost
Equity	($48,352,520)	$48,352,520	$0	0.00%	N/A	0.00%
Loan from Shareholder	72,975,586	(72,841,993)	133,593	100.00%	13.51%	13.51%
TOTAL	$24,623,066	($24,489,473)	$133,593	100.00%		13.51%

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3
OPERATING INCOME
PAGE 1 OF 2
WATER

	Balance Per Utility	Commission Adjustments to Utility Balance		Test Year Balance per Commission	Commission Adjustments for Increase		Balance per Commission
Operating Revenues	$2,191	($300)	A	$1,891	$31,423	F	$33,314
Operating Expenses:							
Operation and Maintenance	$50,333	($30,134)	B	$20,199	$0		$20,199
Depreciation	0	6,575	C	6,575	0		6,575
Amortization	0	(5,108)	D	(5,108)	0		(5,108)
Taxes Other Than Income	50	114	E	164	1,414	G	1,578
Income Taxes	0	0		0	0		0
Total Operating Expenses	$50,383	($28,553)		$21,830	$1,414		$23,244
Operating Income (Loss)	($48,192)	$28,253		($19,939)	$30,009		$10,070
Rate Base	$1,881,832			$74,536			$74,536
Rate of Return	-2.56%			-26.75%			13.51%

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3
OPERATING INCOME
PAGE 2 OF 2
WASTEWATER

	Balance Per Utility	Commission Adjustments to Utility Balance		Test Year Balance per Commission	Commission Adjustments for Increase		Balance per Commission
Operating Revenues	$2,178	($300)	A	$1,878	$24,098	F	$25,976
Operating Expenses:							
Operation and Maintenance	$38,475	($20,944)	B	$17,531	$0		$17,531
Depreciation	0	11,579	C	11,579	0		11,579
Amortization	0	(12,360)	D	(12,360)	0		(12,360)
Taxes Other Than Income	50	113	E	163	1,084	G	1,247
Income Taxes	0	0		0	0		0
Total Operating Expenses	$38,525	($21,612)		$16,913	$1,084		$17,997
Operating Income (Loss)	($36,347)	$21,312		($15,035)	$23,014		$7,979
Rate Base	$3,942,497			$59,057			$59,057
Rate of Return	-0.92%			-25.46%			13.51%

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31,1989

SCHEDULE NO. 3A
ADJUSTMENTS TO OPERATING INCOME

	Water	Wastewater
A. OPERATING REVENUES		
1. Adjustment that results in Commission's approved balance	(300)	(300)
B. OPERATING EXPENSES		
1. Adjustment that results in Commission's approved salaries balance	707	707
2. Adjustment that results in Commission's approved pensions and benefits balance	141	141
3. Removal of nonutility purchased power	(10,212)	(9,927)
4. Removal of fuel for power production	(144)	(144)
5. Adjustment that results in Commission's approved chemicals balance	2,721	89
6. Adjustment that results in Commission's approved materials and supplies balance	(2,379)	(622)
7. Adjustment that results in Commission's approved balance for contractual services	(215)	(535)
8. Adjustment that results in Commission's approved balance for rents	300	300
9. Adjustment that results in Commission's approved balance for transportation expense	(562)	(562)
10. Adjustment that results in Commission's approved balance for insurance expense	(743)	(743)
11. Adjustment that results in Commission's approved balance for regulatory commission expense	175	175
12. Adjustment that results in Commission's approved balance for bad debt expense	(1,891)	(1,878)
13. Adjustment that results in Commission's approved balance for miscellaneous expense	(18,081)	(7,994)
C. DEPRECIATION EXPENSE		
1. Adjustment that results in Commission's approved balance based on used and useful plant	6,575	11,579

D.	AMORTIZATION		
	1. Adjustment that results in Commission's approved balance	(5,108)	(12,360)
E.	TAXES OTHER THAN INCOME		
	1. Adjustment that results in Commission's approved balance	114	113
F.	OPERATING REVENUES		
	1. Additional revenues associated with Commission's approved increase	31,423	24,098
G.	TAXES OTHER THAN INCOME		
	1. Additional taxes associated with Commission's approved revenue increase	1,414	1,084

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3B
DETAIL OF OPERATION AND
MAINTENANCE EXPENSES
PAGE 1 OF 2
WATER

---- Account ----- No.	Description	Balance per Utility	Commission Adjustments		Balance per Commission
601	Salaries and Wages - Employees	$0	$707	1	$707
603	Salaries and Wages - Officers	0	0		0
604	Employee Pensions and Benefits	0	141	2	141
610	Purchased Water	0	0		0
615	Purchased Power	14,188	(10,212)	3	3,976
616	Fuel for Power Production	144	(144)	4	0
618	Chemicals	0	2,721	5	2,721
620	Materials and Supplies	2,455	(2,379)	6	76
630	Contractual Services	10,998	(215)	7	10,783
640	Rents	0	300	8	300
650	Transportation Expenses	757	(562)	9	195
655	Insurance Expense	1,634	(743)	10	891
665	Regulatory Commission Expense	50	175	11	225
670	Bad Debt Expense	1,891	(1,891)	12	0
675	Miscellaneous Expenses	18,266	(18,081)	13	185
	TOTAL OPERATION AND MAINTENANCE EXPENSES	$50,383	($30,184)		$20,199

AQUARINA DEVELOPMENTS, INC.
DOCKET NO. 900168-WS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3B
DETAIL OF OPERATION AND
MAINTENANCE EXPENSES
PAGE 2 OF 2
WASTEWATER

---- Account ----- No.	Description	Balance per Utility	Commission Adjustments		Balance per Commission
701	Salaries and Wages - Employees	$0	$707	1	$707
703	Salaries and Wages - Officers	0	0		0
704	Employee Pensions and Benefits	0	141	2	141
710	Purchased Sewage Treatment	0	0		0
711	Sludge Removal Expense	0	0		0
715	Purchased Power	14,187	(9,927)	3	4,260
716	Fuel for Power Production	144	(144)	4	0
718	Chemicals	0	89	5	89
720	Materials and Supplies	698	(622)	6	76
730	Contractual Services	10,998	(535)	7	10,463
740	Rents	0	300	8	300
750	Transportation Expenses	757	(562)	9	195
755	Insurance Expense	1,634	(743)	10	891
765	Regulatory Commission Expense	50	175	11	225
770	Bad Debt Expense	1,878	(1,878)	12	0
775	Miscellaneous Expenses	8,179	(7,994)	13	185
	TOTAL OPERATION AND MAINTENANCE EXPENSES	$38,525	($20,994)		$17,531