

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-assisted rate case in Sumter County by MAGNOLIA MANOR WATER WORKS

DOCKET NO. 900968-WU
ORDER NO. 24928
ISSUED: 8/19/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
MICHAEL McK. WILSON

FINAL ORDER GRANTING TEMPORARY RATES
IN THE EVENT OF PROTEST AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

Magnolia Manor Water Works (Magnolia Manor or the utility) is a Class C water facility located in Sumter County, Florida, which provides water service to approximately 48 residences.

Sumter County came under Commission jurisdiction January 13, 1987. By Order No. 18707, issued January 19, 1988, Magnolia Manor was granted Certificate No. 495-W. On October 17, 1988, Magnolia Manor applied for a staff-assisted rate case. During the processing of the case, the utility owner notified the Commission, pursuant to Section 367.165, Florida Statutes, of his intent to abandon the utility. On January 10, 1989, USA Utilities, Inc. (USA or the receiver), was appointed receiver by the circuit court. The receiver continued with the rate case and rates became final on April 28, 1989 (Order No. 20990, issued April 6, 1989).

DOCUMENT NUMBER-DATE

08349 AUG 19 1991

FPSC-RECORDS/REPORTING

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 2

USA, as the utility's receiver, filed the application for the instant staff-assisted rate case on December 7, 1990. For purposes of setting rates, we have selected the test year ended December 31, 1990. During that period, the utility's books reflected \$11,521 in operating revenues and \$3,301 in net operating income.

QUALITY OF SERVICE

In determining the quality of service, we considered input from three sources: the customers, the utility's regulatory compliance, and our field investigation. The customer meeting was conducted by our staff in the service area on May 22, 1991. At the meeting, customers complained of low pressure, sand in the water, and poor customer relations. They complained that the walls of a tin utility shed had become an eyesore after it was damaged during a storm, and the damaged parts were nailed back onto the pump house, rather than replaced. Also, the customers complained that the receiver responded very slowly or not at all to reported line breaks. In addition, customers complained that they were required to call long distance, and in some instances several telephone calls were necessary, to register their problem. Also, during our field inspection, one customer expressed displeasure with the length of time and the way in which her billing complaints were handled.

The Department of Environmental Regulation (DER) indicated the utility was in compliance with their standards, and no active complaints or orders were on file against the utility. The Public Service Commission Divisions of Consumer Affairs and Water and Sewer had no outstanding complaints or orders against this utility.

Our field investigation identified the following problems with the water plant: the main pump was producing less than half its designed capacity while consuming twice its power rating; the site and equipment was in disrepair and appeared to have received only the minimum maintenance required to keep it running; the distribution system is made of material which was not designed for water distribution and which has caused frequent service interruptions, low pressure, and a high level of unaccounted-for-water.

The utility's records indicate that the total water sold during the test year was 2,492,000 gallons. The receiver did not install a master water meter until April 1990, so the exact number of gallons pumped during the test year is not available. However, to estimate total water pumped during the test year, we annualized the available eight months of metered data. Using existing flow,

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 3

with purchased power and chemical consumption data, the estimated amount of water pumped during the test year was over 8,220,000 gallons. Allowing 10 percent for reasonable waste, we find that the utility had an estimated 220 percent level of unaccounted-for-water (using water sold as the base 100), which far exceeds the 10 percent generally allowed by this Commission.

We find one reason for the high level of unaccounted-for-water is the use of non-American Water Works Association (AWWA) approved mains in the distribution system. The existing mains were not designed for the hydraulic pressures and hammers common to water distribution systems, and tend to break rather frequently. However, since the receiver was not responsible for the installation of these substandard lines, we are not imposing a separate fine against the receiver. However, as discussed below, we are requiring the receiver to install a new distribution system. In addition, to restore efficiency and to reduce service interruptions, the main pump must be repaired to original specifications. We have allowed \$2,000 (amortized over a five year period) for the pump repair, which is to be completed within 90 days from the effective date of this Order.

In consideration of the foregoing, we find that the utility's quality of service is unsatisfactory, and that it is appropriate under the circumstances to require the receiver to submit a plan to replace the distribution system within 90 days from the effective date of this Order. Also by that date, the receiver is to submit a proposed method of financing the plan for our review. Further, the receiver is to design and implement a maintenance program to restore and maintain the plant and distribution system's components. The program is to be implemented immediately and a copy of that program is to be submitted for our review within 30 days from the date of this Order. In addition, the receiver shall include a statement on its bills which informs customers that the utility accepts collect calls during business hours and will reimburse customers for calls placed after business hours. In addition, this information is to be posted at the water treatment plant site.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 4

in the body of this Order. The major adjustments are discussed below.

Depreciable Plant-in-Service

The utility's books reflected a balance of \$11,756 at the beginning of the test period, with no changes to the account recorded during the test year. This depreciable plant-in-service balance was established in its most recent rate case (Order No. 20990). Since the utility recorded no additions to plant accounts since Order No. 20990 was issued and the beginning of the test period in the instant case, we find that \$11,756 is the appropriate beginning balance.

However, based upon the results of our audit, we find that the utility incurred \$3,084 in unrecorded plant additions and \$1,020 in unrecorded plant retirements during the test year. The plant additions included \$788 of markups charged to the utility by USA. We have disallowed these markups for ratesetting purposes. Therefore, we find plant-in-service at the end of the test year was \$13,032. We made an averaging adjustment of \$638 which reduced the year end average plant balance to \$12,394.

Used and Useful

In Order No. 20990 we found the water treatment plant to be 100 percent used and useful. The water treatment plant has no storage, so the plant must meet minimum hourly demands. In this case the nominal capacity of the pump is 218 gallons per minute (gpm). However, our field investigation found that the pump was producing only 75 gpm. We find it appropriate, in order for the utility to properly serve its customers, to require the utility to restore the pump to its original specifications. Based on the foregoing, we find the plant is 100 percent used and useful.

The distribution system was also found to be 100 percent used and useful in Order No. 20990. Since that time, the utility installed a master meter and replaced approximately one-half of the customers' service meters. These additions and replacements were used to provide service to the existing customers, and did not add capacity to the system. Therefore, we find the distribution system is 100 percent used and useful.

Land

The land on which the utility is located is owned by Mr. George Wilkins, subject to two mortgages. The appropriate value of

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 5

land included in rate base in the previous rate case was \$2,000. Since that time, the utility assets and property have remained in receivership. No changes have occurred relating to the ownership or value of the land. Therefore, we find the value of land to be \$2,000.

Accumulated Depreciation

In the previous rate case, we found that the appropriate balance of accumulated depreciation was \$5,422. Our audit revealed a test year beginning balance of \$7,916, while the utility's 1990 Annual Report listed a test year ending balance of \$8,459. Applying the composite depreciation rate approved in Order No. 20990 to the appropriate plant-in-service balance results in the appropriate beginning balance in the instant case of \$6,138. This necessitated an adjustment of \$1,778 to reduce the utility's beginning balance for the test period. Applying the composite depreciation rate approved in the utility's last rate case, as well as making the appropriate adjustment to reflect plant retirements, results in a test period ending balance of \$5,686. An averaging adjustment increases the balance by \$226. Thus, we find the appropriate amount of accumulated depreciation is \$5,912.

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

When rate base for this utility was established in Order No. 20990, CIAC was \$265. There have been no changes to the account since that time. Therefore, we find the appropriate balance of CIAC is \$265.

Accumulated Amortization of CIAC

In the previous rate case, we found that the appropriate balance of accumulated amortization of CIAC was \$6. The utility's books reflected a \$22 balance at the beginning of the test period, while the 1990 Annual Report listed a test period ending balance of \$34. Applying the prescribed composite depreciation rate to the appropriate CIAC account balance results in balances at the beginning and the end of the test period of \$22 and \$34, respectively. An averaging adjustment of \$6 reduces the accumulated amortization of CIAC balance to \$28. Thus, we find that the appropriate amount of accumulated amortization of CIAC is \$28.

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 6

Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirement of this utility. In a later section of this Order, we find that the appropriate amount of operation and maintenance expenses is \$11,317. Therefore, we have included one-eighth of that amount, \$1,415, in rate base as the utility's working capital allowance.

However, as discussed in the Operation and Maintenance section of this Order, if the receiver is allowed an increase in management fees to \$250 per month at a later date, adjustments to working capital will be required. The effects of the increase in management fees is discussed in that section below.

Test Year Rate Base

Based on the foregoing, we find that the appropriate test year rate base is \$9,660.

CAPITAL STRUCTURE

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

Return on Equity

The utility's capital structure consists of 100 percent equity. Using the current leverage formula, approved by this Commission in Order No. 24246, effective April 9, 1991, we find the utility's allowable return on equity is 11.22 percent, with a range of reasonableness of 10.22 to 12.22 percent.

Overall Rate of Return

Since equity is the only component in the utility's capital structure and we have found the return on equity to be 11.22 percent, we find that the appropriate overall rate of return is 11.22 percent.

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 7

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedule No. 3-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenue

The utility recorded water system revenues of \$11,521 during the test period. However, in December 1990 the utility received a price index and regulatory assessment fee pass through rate adjustment. Based on the number of test year bills and gallons sold, the annualized revenues for the test period was calculated to be \$12,042.

Operation and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances. A summary of our adjustments follows.

We reduced purchased power by \$1,980. This reflects an adjustment of \$922 in markups and \$1,058 attributable to an inefficient pump which were disallowed. As a result of these adjustments, we find the appropriate annual allowance for purchased power is \$450. We reduced the chemical account by \$194 to remove expenses associated with excess unaccounted-for water. Thus, we find the appropriate annual allowance for chemicals is \$110. We have removed USA's markups, which we believe to be inappropriate, of \$34 for materials and supplies, and have added an allowance of \$97 for office electricity and an allowance of \$300 for telephone expense (including an allowance for collect calls). Therefore, we find the appropriate annual allowance for materials and supplies is \$785.

We have included an additional allowance of \$233 to contractual services for plant operator expense and \$2,000 (amortized over five years) to repair the inefficient water pump.

During the test year, the utility recorded actual accounting services expenses of \$981. We have allowed \$100 for bookkeeping services, \$600 for year-end close out of books and Annual Report

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 8

preparation, and \$550 for preparation of tax returns. In addition, we allowed \$100 of the \$600 requested for review by the Certified Public Accountant of index and pass-through applications. Thus, we find the appropriate allowance for accounting services is \$2,450.

The receiver requested an allowance of \$17,760 for unbilled management fees during the test period. However, based on our finding that the receiver has been seriously deficient in complying with the Emergency Receivership Order, and on the receiver's past performance, we find that the appropriate allowance for management fees is \$100 per month, or \$1,200 on an annual basis. As further discussed in other parts of this Order, we find that the receiver must comply with the Emergency Receivership Order, as well as submit a plan for the financing and construction of a new distribution system. If the receiver complies with the Commission requirements in this regard, we find that an increase of \$150 in the monthly management fee allowance would be appropriate. This results in a monthly allowance of \$250, or a total annual allowance of \$3,000. However, if the receiver fails to comply with the requirements of this Order, the allowance for management fees shall remain at \$100 per month. The effect the potential \$150 per month increase in management fees will have on the overall revenue requirement is discussed in a later part of this Order.

We have also included allowances for several expenses not recorded on the utility's books: \$576 for billing expenses; \$600 for meter reading expenses; and \$325 for reclassification from regulatory Commission expense. Based on the foregoing, we find that the appropriate annual allowance for contractual services expense is \$9,398.

We have removed \$22 of nonrecurring rent expense. The operations for the utility, as well as operations for two other utility systems owned by USA (Riverhaven and The Woods) and USA's plant operator contractual service operations are all handled out of USA's Homosassa office. Therefore, we find that a reasonable allocation of utility office rent expense is \$318 per year.

The utility recorded \$444 in the regulatory Commission expense account during the test year. We have reclassified \$325 to Contractual Services. The remaining balance of \$119 (which represents professional fees for services performed in the instant case) results in a four year amortization of \$30; therefore, we have removed \$89 associated with the unamortized portion of the expense. We have added allowances of \$38 to reflect the amortized filing fee, and \$189 to reflect an amortization of additional

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 9

projected rate case expenses. Thus, we find that the appropriate annual allowance for regulatory Commission expense is \$256.

Based on the adjustments and reclassifications we have made, we find the appropriate amount of operation and maintenance expenses to be \$11,317. However, if the receiver complies with the requirements of the this Order as described in other parts of this Order, an increased allowance in management fees will be allowed which will result in a \$1,800 increase in operation and maintenance expenses.

Depreciation Expense (Net of Amortization of CIAC)

Applying the prescribed composite depreciation rate to the appropriate plant-in-service balance results in depreciation expense of \$568 during the test year. Applying the same rate to the appropriate CIAC account balance offsets depreciation expense by \$12 during the test year. Therefore, we find that the appropriate annual net depreciation expense is \$556.

Taxes Other Than Income Taxes

The utility recorded \$3 in this account during the test year. This amount was a late fee associated with the payment of regulatory assessment fees and has been removed. Regulatory assessment fees associated with test year revenues are \$542, and the additional fees based on the revenue increase are \$74, which have been allowed. The utility also incurred tangible property tax of \$122 during the test year and this amount has been allowed. Therefore, we find that the utility's annual allowance for taxes other than income taxes is \$738.

Income Taxes

The utility is a Section 1120 corporation, and as such would normally be subject to income tax expense. However, the utility has accumulated net operating loss carryforwards that are sufficient to offset the utility's potential tax liability. Therefore, we have allowed \$0 for income tax expense.

Test Year Operating Loss

We find that the appropriate test year operating revenues are \$12,042, and the corresponding operating expenses are \$12,537. Thus, we find that the utility experienced a test year loss of \$495.

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 10

REVENUE REQUIREMENT

Based on our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement for this utility is \$13,695. This revenue requirement represents an annual increase in revenue of \$1,653 (13.73 percent). The revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn an 11.22 percent on its investment.

Subsequent Increase in Management Fee

As discussed above, due to the receiver's past performance, we have allowed a monthly management fee allowance of \$100. However, if the receiver complies with the requirements of the Emergency Receivership Order, as well as submits a plan for the financing and construction of a new distribution system, both within 90 days from the date of the order, we find that the receiver will have demonstrated a willingness to operate the utility in a manner that meets with the Commission's approval and would be allowed a monthly management fee of \$250. The effects of this increase on the revenue requirement would be as follows:

	Balances Based on Management Fee Allowances of:	
	\$100 per Month	\$250 per Month
<u>Rate Base Items:</u>		
Working Capital	\$ 1,415	\$ 1,640
Rate Base	9,660	9,885
<u>Operating Statement:</u>		
Contractual Services	\$ 9,398	\$ 11,198
Total O&M Expenses	11,317	13,117
Taxes Other Than Income -		
RAF Increase Due to Recommended Revenue Increase	74	160
Total Operating Expenses -		
Test Year	12,537	14,337
After Revenue Increase	12,611	14,497
Test Year Operating Loss	495	2,295
<u>Revenue Requirement:</u>	\$ 13,695	\$ 15,606
<u>Revenue Increase:</u>		
Amount	\$ 1,653	\$ 3,564
Percent	13.73%	29.60%

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 11

RATES AND CHARGES

Monthly Rates

The utility currently uses the base facility charge (BFC) rate structure. This is the Commission's preferred rate structure, because it allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the BFC and pays for his or her usage through the gallonage charge.

We have calculated new rates for the utility which are designed to allow it to achieve the revenue requirements approved herein. We find that these new rates are fair just and reasonable, and are not unduly discriminatory. The utility's existing rates and the rates which we hereby approve are set forth below for comparison.

MONTHLY RATES - WATER

Residential and General Service

<u>Base Facility Charge</u>	<u>Current Rate</u>	<u>Commission Approved Rate</u>
Meter Sizes:		
5/8" x 3/4"	\$ 6.69	\$ 8.73
3/4"	10.03	13.09
1"	16.72	21.81
1 1/2"	33.45	43.63
2"	53.51	69.81
3"	107.03	139.62
4"	167.23	218.15
6"	334.47	436.30

Consumption Charge

Per 1,000 Gallons	\$ 3.27	\$ 3.46
-------------------	---------	---------

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 12

staff's verification that the tariff sheets are consistent with our decision herein and the proposed customer notice is adequate.

Service Availability Charges

The utility's current tariff contains a provision for a combined meter installation and customer connection charge of \$265. As discussed above, the utility's system is 100 percent used and useful, and the existing capacity and condition of the plant render it unable to serve additional connections. Therefore, we find it appropriate to remove the customer connection portion of the charge from the tariff. However, due to the high level of unaccounted-for water, the treatment plant may have excess capacity. Therefore, in the unlikely event a new customer hooks onto the system, we find that the appropriate amount for a meter installation charge is \$100 (for a 5/8 inch x 3/4 inch meter) and for installation of meters larger than 5/8 inch x 3/4 inch the amount is based on the cost of the installation. Service availability charges shall be effective for connections made on or after the stamped approval date of the revised tariff sheets.

Miscellaneous Service Charges

The utility's current tariff contains provisions for miscellaneous service charges which we find are appropriate. Therefore, we have made no changes in the utility's miscellaneous service charge provisions.

Statutory Rate Reduction

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 the utility be reduced immediately after the four year period by the amount of rate case expense previously included in the rates.

The rate case expenses in the instant case are the \$150 filing fee, plus an allowance for actual and projected rate case expenses of \$875. The annual amount of allowable recovery, including a gross-up for regulatory assessment fees, is \$268.

At the end of four years, Magnolia's rates should be reduced by \$268 annually. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is an approximate \$0.17 reduction in the base facility charge for a 5/8 inch x 3/4 inch meter. The gallonage

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 13

charge will be reduced by \$0.07. Our calculations are shown on Schedule No. 4

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. At the same time, the utility should also file a proposed customer notice 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 should 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.

Temporary Rates in the Event of Protest

This Order proposes an increase in water rates. A timely protest could delay what may prove to be a justified rate increase pending the completion of a formal hearing and issuance of a final order, thus resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund, provided that the utility furnishes adequate security for a potential refund through a bond, letter of credit, or escrow account which is approved by Staff.

The utility must keep an accurate and detailed account of all monies received as a result of its implementing the temporary rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month that the temporary rates are in effect, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

If the receiver chooses a bond as security, the bond shall be in the amount of \$1,150 and 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.

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 14

The receiver shall 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 receiver shall 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 receiver chooses a letter of credit as a security, it should 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 should 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.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 15

- 8) The Director of the Division of Records and Reporting must be a signatory to the agreement since no funds may be released without Commission approval.

In no instance should 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 receiver, an account of all monies received as a result of the rate increase should be maintained by the receiver. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be undertaken in accordance with Rule 25-30.360(4), Florida Administrative Code.

UNIFORM SYSTEM OF ACCOUNTS

The utility's books have not been maintained in conformity with the NARUC Uniform System of Accounts (USOA) as required by Rule 25-30.115, Florida Administrative Code. However, subsequent to the end of the test period, the receiver hired a Certified Public Accountant with expertise in regulatory accounting. Under the circumstances we are not penalizing the utility for its failure to maintain its books as required; however, we find it appropriate to order the utility to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code.

COMPLIANCE WITH RECEIVERSHIP ORDER

On January 10, 1989, Circuit Judge John W. Booth issued an Emergency Order appointing USA receiver for Magnolia Manor Water Works. The Order directed the receiver to assume certain responsibilities and to file certain reports, including the filing of a monthly statement of revenues and expenses, a copy of which was to be filed with this Commission. Our review of the circuit court receivership file indicated that other than the initial filings, the only document filed in the court file was a copy of the 1989 Annual Report for Magnolia Manor Water Works filed with this Commission.

We find, based on our review of the record, that the receiver has failed to file or perform the following tasks which were required by the Receivership Order: inventory of the real and personal estate; payment of all receivership and reasonable operating expenses; analysis and plan for repairs or improvements to bring Magnolia Manor Water Works into compliance with all regulatory agencies; monthly statement of revenues and expenses

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 16

with a copy of said report provided to the Commission; efficient and effective operation of the utility; and remaining in compliance with all provisions of the receivership order.

Based on the receiver's apparent failure to comply with the provisions of the receivership order as described above, we find it appropriate to require the receiver to comply or initiate compliance within ninety days of the effective date of this Order. Failure of the receiver to correct these deficiencies within ninety days shall warrant further Commission action. Further, we find that, should it come to our attention that the receiver has continued to fail to comply with the provisions of the receivership order, the Commission will be obligated to inform the Circuit Court of the receiver's noncompliance.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of USA Utilities, Inc. as receiver for Magnolia Manor Water Works for an increase in its water rates in Sumter County is approved as 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

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

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the 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 USA Utilities, Inc. as receiver for Magnolia Manor Water Works is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. It is further

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 17

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, USA Utilities, Inc. as receiver for Magnolia Manor Water Works is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that USA Utilities, Inc. as receiver for Magnolia Manor Water Works has submitted, and Staff has approved, revised tariff sheets, a proposed customer notice, and satisfactory security for any potential refund. The temporary rates are not proposed agency action. It is further

ORDERED that USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall maintain the books and records of Magnolia Manor Water Works in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall comply with or initiate compliance with the provisions of the receivership order within ninety days of the effective date of this Order. It is further

ORDERED that USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall submit a plan to replace the distribution system and a proposed method of financing the plan for review within 90 days from the effective date of this Order. It is further

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 18

ORDERED that USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall design and implement a maintenance program to restore and maintain the plant and distribution system's components to be implemented immediately. A copy of that program is to be submitted for review within 30 days from the date of this Order. It is further

ORDERED that USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall include a statement on its bills which informs customers that the utility accepts collect calls during business hours and will reimburse customers for calls placed after business hours. In addition, this information is to be posted at the water treatment plant site. It is further

ORDERED that USA Utilities, Inc. as receiver for Magnolia Manor Water Works shall complete the pump repair within 90 days from the effective date of this Order. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 19th
of AUGUST, 1991.

STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)

CB

by: Kay Dugay
Chief, Bureau of Records

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

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 19

should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions taken herein, except for the granting of temporary rates in the event of a protest, are 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 9/9/91. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 20

Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ORDER NO. 24928
 DOCKET NO. 900968-WU
 PAGE 21

MAGNOLIA MANOR WATER WORKS
 DOCKET NO. 900968-WU
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1
 RATE BASE

Account Title	Balance per Utility	Commission Adjustments to Utility Balance	Balance per Commission
Depreciable Plant in Service	\$11,756	\$638 A	\$12,394
Land/Nondepreciable Assets	2,000	0	2,000
Amortizable Plant (Organization)	0	0	0
Contributions in Aid of Construction	(265)	0	(265)
Accumulated Depreciation	(7,916)	2,004 B	(5,912)
Accumulated Amortization (Organization)	0	0	0
Accumulated Amortization of CIAC	22	6 C	28
Working Capital Allowance	0	1,415 D	1,415
RATE BASE	\$5,597	\$4,063	\$9,660

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 22

MAGNOLIA MANOR WATER WORKS
DOCKET NO. 900968-WU
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1A
ADJUSTMENTS TO
RATE BASE

WATER

A. DEPRECIABLE PLANT IN SERVICE:

1. To record additions to plant	2,296
2. To record retirements to plant	(1,020)
3. Averaging adjustment	(638)
Subtotal	638

B. ACCUMULATED DEPRECIATION:

1. Adjustment that results in appropriate balance at beginning of test year	1,778
2. To record test year additions	(568)
3. To remove retired plant items at cost	1,020
4. Averaging adjustment	(226)
Subtotal	2,004

C. ACCUMULATED AMORTIZATION OF CIAC:

1. To record test year additions	12
2. Averaging adjustment	(6)
	6

D. WORKING CAPITAL ALLOWANCE:

1. To reflect working capital allowance based on one-eighth of O&M expenses	1,415

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 23

MAGNOLIA MANOR WATER WORKS
DOCKET NO. 900968-WU
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2
COST OF CAPITAL

Component	Commission					Percent			Weighted Cost
	Balance Utility	Adjustments to Utility	Adjusted Balance	Pro Rata Adjustments	Balance per Comm.	of Total	Cost		
Equity	\$5,597	\$4,063	\$9,660	\$0	\$9,660	100.00%	11.22%	11.22%	=====
Debt	\$0	0	\$0	\$0	\$0	0.00%	N/A	0.00%	=====
TOTAL	\$5,597	\$4,063	\$9,660	\$0	\$9,660	100.00%		11.22%	=====

ORDER NO. 24928
 DOCKET NO. 900968-WU
 PAGE 24

MAGNOLIA MANOR WATER WORKS
 DOCKET NO. 900968-WU
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3
 OPERATING INCOME
 WATER

		Commission			
	Balance	Adjustments	Test Year	Commission	
	Per	to Utility	Balance	Adjustments	Balance
	Utility	Balance	per Comm.	for Increase	per Comm.
	*****	*****	*****	*****	*****
Operating Revenues	\$11,521	\$521 A	\$12,042	\$1,653 E	\$13,695
Operating Expenses:					
Operation and Maintenance	\$8,217	\$3,100 B	\$11,317	\$0	\$11,317
Depreciation	0	556 C	556	0	556
Amortization	0	0	0	0	0
Taxes Other Than Income	3	661 D	664	74 F	738
Income Taxes	0	0	0	0	0
Total Operating Expenses	\$8,220	\$4,317	\$12,537	\$74	\$12,611
Operating Income (Loss)	\$3,301	(\$3,796)	(\$495)	\$1,579	\$1,084
Rate Base	\$5,597		\$9,660		\$9,660
Rate of Return	58.97%		-5.13%		11.22%
	*****		*****		*****

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 25

MAGNOLIA MANOR WATER WORKS
DOCKET NO. 900968-WU
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 1 OF 3

A. OPERATING REVENUES:	WATER
1. To annualize test year operating revenues for a test year price index rate increase	521

B. OPERATION AND MAINTENANCE EXPENSES:	
1. Purchased Power Expense:	
1. To remove disallowed markup	(922)
2. To remove disallowed portion of purchased power expense	(1,058)

	(1,980)

2. Chemicals Expense:	
1. To remove disallowed portion of chemical expense	(194)

3. Materials and Supplies Expense:	
1. To remove disallowed markup	(34)
2. To record allowance for office electricity not recorded on utility's books	97
3. To record allowance for telephone expense (including collect calls) not included on utility's books	300

Subtotal	363

4. Contractual Services Expense:	
1. To reflect additional allowance for plant operator expense	233
2. To record allowance for management fees not recorded on utility's books	1,200
3. To record allowance for amortization of pump repair expense	400
4. To record allowance for billing expense not recorded on utility's books	576

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 26

MAGNOLIA MANOR WATER WORKS
DOCKET NO. 900968-WU
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 2 OF 3

	WATER
4. Contractual Services Expense, cont.	
5. To record allowance for meter reading expense not recorded on utility's books	600
6. To reflect reclassification from Regulatory Commission Expense	325
7. To reflect additional allowance for accounting services	1,469

Subtotal	4,803

5. Rents Expense:	
1. To remove nonrecurring expense	(22)
2. To record allowance for rent not recorded on utility's books	318

Subtotal	296

6. Regulatory Commission Expense:	
1. To reflect reclassification to Contractual Services Expense	(325)
2. To add amortization of regulatory commission expense associated with the filing fee in the instant case	38
3. To remove unamortized portion of professional fees booked during test year	(89)
4. To add Commission's approved amortization of projected rate case expense	189

Subtotal	(188)

O&M Adjustments	3,100

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 27

MAGNOLIA MANOR WATER WORKS
DOCKET NO. 900968-WU
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 3 OF 3

WATER

C. DEPRECIATION EXPENSE:

1. Adjustment to reflect test year depreciation expense	568
2. Adjustment to reflect test year amortization	(12)
Subtotal	556
	=====

D. TAXES OTHER THAN INCOME:

1. To remove regulatory assessment fee late charge	(3)
2. To record taxes associated with regulatory assessment fees	542
3. To record taxes associated with tangible property tax	122
Subtotal	661
	=====

E. OPERATING REVENUES:

1. To reflect Commission's approved revenue increase	1,653
	=====

F. TAXES OTHER THAN INCOME:

1. To reflect the additional regulatory assessment fees associated with Commission's approved revenue increase	74
	=====

ORDER NO. 24928
 DOCKET NO. 900968-WU
 PAGE 28

MAGNOLIA MANOR WATER WORKS
 DOCKET NO. 900968-WU
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3B
 DETAIL OF OPERATION AND
 MAINTENANCE EXPENSES

----- Account -----		Balance per Utility	Commission Adjustments	Balance per Commission
No.	Description	*****	*****	*****
601	Salaries and Wages - Employees	\$0	\$0	\$0
603	Salaries and Wages - Officers	0	0	0
604	Employee Pensions and Benefits	0	0	0
610	Purchased Water	0	0	0
615	Purchased Power	2,430	(1,980) 1	450
616	Fuel for Power Production	0	0	0
618	Chemicals	304	(194) 2	110
620	Materials and Supplies	422	363 3	785
630	Contractual Services	4,595	4,803 4	9,398
640	Rents	22	296 5	318
650	Transportation Expenses	0	0	0
655	Insurance Expense	0	0	0
665	Regulatory Commission Expense	444	(188) 6	256
670	Bad Debt Expense	0	0	0
675	Miscellaneous Expenses	0	0	0
TOTAL OPERATION AND MAINTENANCE EXPENSES		\$8,217	\$3,100	\$11,317
		*****	*****	*****

ORDER NO. 24928
DOCKET NO. 900968-WU
PAGE 29

MAGNOLIA MANOR WATER WORKS
DOCKET NO. 900968-WU
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 4
RATE REDUCTION AFTER
RECOVERY OF RATE
CASE EXPENSE

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE	Commission Approved Rates	Rate Decrease
<hr/>		
BASE FACILITY CHARGE:		
Meter Size:		
5/8" X 3/4"	\$ 8.73	\$ 0.17
3/4"	13.09	0.26
1"	21.81	0.43
1-1/2"	43.63	0.86
2"	69.81	1.37
3"	139.62	2.74
4"	218.15	4.28
6"	436.30	8.55
GALLONAGE CHARGE PER 1000 GALLONS	\$ 3.46	\$ 0.07