

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate  
increase in Polk County by Park  
Water Company Inc.

DOCKET NO. 991627-WU  
ORDER NO. PSC-00-1774-PAA-WU  
ISSUED: September 27, 2000

The following Commissioners participated in the disposition of  
this matter:

J. TERRY DEASON, Chairman  
E. LEON JACOBS, JR.  
LILA A. JABER  
BRAULIO L. BAEZ

ORDER REQUIRING UTILITY TO FILE APPLICATION FOR TRANSFER OF  
MAJORITY ORGANIZATION CONTROL AND REQUIRING THE  
UTILITY'S ACCOUNTS AND RECORDS TO BE KEPT IN CONFORMANCE WITH THE  
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS  
UNIFORM SYSTEM OF ACCOUNTS  
AND  
NOTICE OF PROPOSED AGENCY ACTION ORDER  
APPROVING INCREASED WATER RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

On May 14, 1996, the Board of County Commissioners of Polk  
County (County) adopted a resolution, pursuant to Section 367.171,  
Florida Statutes, declaring the water and wastewater utilities in  
the County subject to the provisions of Chapter 367, Florida  
Statutes. The resolution was acknowledged by Order No. PSC-96-0896-  
FOF-WS, issued July 11, 1996, in Docket No. 960674-WS.

Park Water Company Inc. (Park or utility) is a Class C utility  
which provides water service to single family residences, duplexes,  
mobile homes, and general service customers in Polk County.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORDER NO. PSC-00-1774-PAA-WU  
DOCKET NO. 991627-WU  
PAGE 2

According to the utility's 1999 annual report it served 814 customers and has operating revenues of \$190,113, operating expenses of \$185,460, and a net operating income of \$4,653. In its minimum filing requirements (MFRs) for this rate proceeding, the utility requested a revenue increase of \$46,825, which would result in annual revenues of \$236,988. The utility requested a rate of return of 10.01%.

According to the application, the utility was incorporated in the State of Florida on September 12, 1955, under the name of Crooked Lake Park Water Company, Inc. The name was changed to Park Water Company Inc. on September 9, 1996.

Park originally requested a staff assisted rate case but learned that it would not be eligible because its annual revenues were over \$150,000. Although Park is considered a Class C utility by National Association of Regulatory Utility Commissioners (NARUC) standards (annual revenues of less than \$200,000), Section 367.0814(1), Florida Statutes, limits staff assisted rate cases to companies with annual revenues of \$150,000 or less. To obtain rate relief, the utility filed this file and suspend rate case, pursuant to Section 367.081, Florida Statutes. Staff assisted the utility with its MFRs, rate case synopsis, initial customer notice, customer meeting notice, and actual filing with the Commission, since it is a Class C utility and has no experience with a file and suspend rate case.

Park filed its application for a rate increase on March 22, 2000. Our staff found several deficiencies in the MFRs which were subsequently corrected. The official filing date is April 19, 2000. The utility requested that its application be processed using our Proposed Agency Action (PAA) procedure, and did not request interim rates. By Order No. PSC-00-1161-PCO-WU, issued June 26, 2000, this Commission suspended Park Water's proposed rates in accordance with Section 367.081(6), Florida Statutes, pending further investigation.

Commission staff audited the utility's records for compliance with Commission rules and orders and examined all components necessary for rate setting. In addition, the staff engineer conducted a field investigation, which included a visual inspection of the water plant and water distribution facilities along with the service area. The utility's operating expenses, maps, files and rate application were also reviewed to determine the reasonableness of maintenance expenses, regulatory compliance,

utility plant-in-service, and quality of service. The utility's rate case is based on an historical base year of December 31, 1999.

Two customer meetings were conducted on June 15, 2000 at the Lake Wales Community Center in Lake Wales, Florida. An afternoon meeting was held with our staff and representatives of homeowner's associations, and an evening general session, conducted by the Chairman, was held for all the customers. Approximately 12 customers, the utility president, and a representative of the Polk County Health Department attended the evening meeting. Approximately three customers spoke regarding the utility's quality of service, the proposed rate increase, and other issues related to the case.

#### QUALITY OF SERVICE

Rule 25-30.433(1), Florida Administrative Code, states that:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of the utility's product (water and wastewater); operational conditions of the utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and the county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' comments or testimony concerning quality of service as well as the complaints or testimony of utility's customers shall be considered.

The utility's service area is in Polk County, south of Lake Wales, Florida. The utility provides water service to 740 residential customers (740 ERCs) and 10 general service customers (74 ERCs). The utility obtains its raw water from 2 wells in the area surrounding the water plant. The water treatment plant includes a 305,000 gallon stand pipe storage facility.

#### Quality of Utility's Product

In Polk County, the potable water program is regulated by the Polk County Health Department (PCHD). According to the PCHD, the

utility is up-to-date with all chemical analysis and the test results have been satisfactory for the past three years. The utility's testing program indicates that it serves water which meets or exceeds the safe drinking water standards. Therefore, we find that the water quality is satisfactory.

#### Operational Conditions at the Plant

The condition of the utility's plant-in-service is generally reflective of the quality of the utility's product. The water plant has recently been upgraded to include sufficient storage capacity to supply the service area with drinking water at pressures between 45 to 49 pounds per square inch (psi). Also, the utility is completing the construction of a high service pumping station sufficient to maintain fire flow pressure of 60 psi. This new high service station is equipped with an auxiliary power generator for emergency outages, and will be backed up by a future interconnection with the City of Lake Wales. Maintenance of the buildings which house the wells and pumps at the water treatment plant is satisfactory. The operator's work space inside the building is tidy. Although the PCHD has had a few minor plant-in-service deficiencies over the last three years, the utility's compliance with these issues was responsive. Presently, the utility has no outstanding violations, citations, or corrective orders. Therefore, we find that the operational conditions at the water treatment plant are satisfactory.

#### Utility's Attempt to Address Customer Satisfaction

At the June 15, 2000 customer meetings, customers were complimentary of the utility, with the exception of one customer, Mr. Richard Frazier. Mr. Frazier stated that the water has dirt and other particles in it, and expressed the need for the utility to make improvements to the existing lines. Furthermore, Mr. Frazier wanted the utility to provide fire protection. Mr. Frazier lives in an established neighborhood east of U.S. Highway 27 which has mains that are primarily 2-inch and 4-inch mains. The street where Mr. Frazier lives has a flush valve about half-way along the street, above Mr. Frazier's home, and not at the end of the cul-de-sac below his home. In response to Mr. Frazier's comments, the utility has agreed to provide a 2-inch flush valve at the end of the street to flush out any particles that may be collecting at the end of the water line. The smaller sized lines in Mr. Frazier's neighborhood will not support fire hydrants; however, the utility has future plans to replace the smaller lines along the major

throughways, at which time fire protection will be more evenly distributed. Meanwhile, our staff had discussions with the utility owner about a more immediate resolution to the fire flow problem in the older neighborhoods. The utility has agreed to install two fire hydrants along First Avenue North which will qualify the eastern portion of the service area for a fire credit on the homeowners' insurance policies.

The utility appears to be putting forth a good faith effort to provide the best quality service within its means. Upon consideration of the three components discussed above, we find that the quality of service provided by Park Water Company, Inc. is satisfactory.

#### RATE BASE

##### Year-end Rate Base

The utility was required to make major plant additions in the amount of \$461,414 during the test year ending December 31, 1999, which represents over 52% of its rate base. To allow the utility an opportunity to recover the amount spent on plant improvements, the utility shall be allowed a year-end rate base for the reasons stated below.

This Commission has the authority to apply a year-end rate base. Citizens of Florida v. Hawkins, 356 So. 2d 254, (Fla. 1978). Historically, a year-end rate base has only been applied in extraordinary circumstances. Id. In this instance, we find that extraordinary circumstances do exist because the utility has made major improvements representing over 52% of its rate base during the test year. The year-end rate base will provide the utility with an opportunity to recover the investment made to comply with PCHD standards and will insure compensatory rates for this utility in this rate case. Moreover, pursuant to Section 367.081(2)(a), Florida Statutes, we are required to consider the investment in plant made by the utility in the public service. Therefore, we approve a year-end rate base for this utility.

##### Growth Allowance

Section 367.081(2)(a)(2), Florida Statutes, requires that the Commission consider utility property needed to serve customers five years after the end of the test year used and useful in the Commission's final order on a rate request. In accordance with

Section 367.081(2)(a)(2)(b), Florida Statutes, the growth rate for ERCs should not exceed five percent per year. Therefore, a five year period has been used in our calculations.

Growth in Park's service area is undergoing a tremendous up-swing, which has required substantial additions to its plant and distribution system. The utility hired an engineering and consulting company to do a feasibility study and report on improvements necessary to match growth. The report, issued February 2000, advised the utility how to achieve "a system of handling flows for expansion and fire flow demand while maintaining a solid operating pressure around 60 psi." The report included demand projections based on population, with the year 1999 having a population of 1,900. This equates to 2.4 persons per ERC when compared to the 801 ERCs calculated by our staff. The report projected the population of the utility to be 2,400 people by the year 2004. A calculation based upon 2.4 people per ERC will result in 1,000 ERCs in 2004, a growth of 199 ERCs in five years or 40 ERCs per year. Since the end of the test year, the utility has added a local Moose Lodge and a mobile home park. A large adult living facility is now under construction and will soon be connected. In addition, several new customers are waiting to be connected as soon as the utility completes other water main extensions.

Our usual method of projecting growth is regression analysis which is the historical growth for the past five years projected into the future to estimate the number of ERCs expected for a given year. Park experienced a decreasing growth slope over the past five years. Consequently, the usual method of regression analysis resulted in a negative growth for future years. Recent actual increases in growth indicate that the results of the regression analysis calculations were not appropriate in this instance. Therefore, we used the projections of the engineering report. While this is a deviation from the usual Commission practice, the 199 ERC estimated growth over the next five years or 40 ERCs per year does not exceed the five percent per year specified in Section 367.081(2)(a)(2)(b), Florida Statutes. Forty ERCs per year times the five-year growth period times 315 gallons per ERC results in a 63,154 gallons per day (gpd) growth allowance for the water treatment plant.

Used and Useful

Water Treatment Plant

The water treatment plant draws raw water from two wells at a total rate of 4,000 gallons per minute (gpm). Well number one is equipped with a 30 horsepower vertical turbine pump, and has a rated capacity of 1,500 gpm. Well number two is equipped with a 60 horsepower vertical turbine pump that has a rated capacity of 2,500 gpm. To properly evaluate an open system plant, the highest capacity well is removed from the calculation to compensate for any emergency that would render a well "out-of-service." Well-point draw down and groundwater recovery time limits the well to a reliable extraction time equal to a 12 hour day. The firm reliable capacity of the Park water treatment plant, with the highest capacity well removed from the calculation plus the storage capacity, minus the dead storage space, is 1.381 million gpd (1,500 gpm X 12 hour day + 305,000 gallons in storage - 3,854 gallons of dead storage).

From the growth activity witnessed during the engineering field audit, we find that the engineering report is a more accurate estimate than the results of the regression formula which are based on unusual historical data. Therefore, we find that since 40 ERCs per year does not exceed 5 percent a year, 40 ERCs shall be used as the growth factor for the used and useful calculation.

By the used and useful formula, we find that the water treatment plant is 46.34% used and useful. We calculated used and useful by taking the five maximum days average flow and added the growth allowance and the fire flow requirements. Then, we subtracted the excess unaccounted for water which produces the flows that are then divided by the plant capacity. The calculation is summarized in Attachment A, page 1 of 2, which by reference is incorporated herein.

The 46.34% used and useful shall be applied to the following accounts:

- 304 Structures and Improvements
- 307 Wells and Springs
- 309 Supply Mains (except the 10,400 LF noted below)
- 310 Power Generation Equipment
- 311 Pumping Equipment
- 320 Water Treatment Equipment

Water Distribution System

The water distribution system is estimated to have the potential of serving 1,803 ERCs (2,013 total capacity in ERCs minus those 210 ERCs associated with contributed lines) without the construction of additional distribution mains. The additional distribution lines were removed in making this calculation because they are for future customers and contributed, which has a negative effect on rate base. The end of year number of ERCs served are 801 (814 total active ERCs minus those 13 ERCs associated with contributed lines). Growth over the past five years has been static. However, the engineering report projects the population to be 2,400 in the year 2004, or 1,000 ERCs. As previously discussed, we have approved a growth factor of 40 ERCs per year. By the formula, which calculates ERCs currently being served (801) plus a growth factor (40 ERCs) divided by potential ERCs (1,803) that can be served without expansion, we find that the water distribution system is 55.52% used and useful, with the exception of Account Nos. 334 & 336 (Meters & Meter Installations, and Backflow Prevention Devices) which are installed based upon growth and are respectively 100% used and useful. The calculation is summarized in Attachment A, page 2 of 2.

Additionally, the supply main related to the interconnection fulfills a requirement by the PCHD for a secondary water source. Therefore, the portion of Account No. 309 (Supply Mains) directly related to the 10,400 linear feet of eight-inch PVC which was constructed as an interconnection with the City of Lake Wales is 100% used and useful. Moreover, there were two lines installed during the test year and contributed by the two customers. For the purposes of this Order, since the two customers' lines were contributed, we consider them 100% used and useful.

The 55.52% used and useful should be applied to the following accounts:

- 330 Distribution Reservoirs and Standpipes
- 331 Transmission and Distribution Mains
- 333 Services
- 335 Hydrants

Plant, Land and Depreciation Adjustments

Our auditors conducted an audit of Park's MFR schedules. The resulting audit report contained a number of exceptions (AE) and



recommendations for adjustments. No response to the audit was filed.

Plant-in-Service

The Commission audit showed that utility plant was charged to operation and maintenance expenses during the test year. We find the following adjustments are necessary to capitalize the expensed utility plant:

Reclassify plant from Acct. #675 to Acct. #304 per AE #2.	\$ 639
Reclassify plant from Acct. #675 to Acct. #311 per AE #2.	1,442
Reclassify plant from Acct. #675 to Acct. #341 per AE #7.	2,663
Reclassify plant from Acct. #675 to Acct. #334 per AE #10.	858
Reclassify plant from Acct. #675 to Acct. #335 per AE #10.	795
Reclassify plant from Acct. #620 to Acct. #343 per AE #13.	<u>2,017</u>
Total	\$ <u>8,414</u>

The utility has requested that the Commission include the following pro forma plant in this docket:

<u>Account No.</u>	<u>Description</u>	<u>Cost</u>
334	Water Meter Replacement Program	\$ 64,797
304	Pump House	20,018
310	Emergency Generator	18,574
311	High Service Pumps	<u>62,325</u>
Total		<u>\$165,714</u>

Generally, we do not include pro forma plant in a file and suspend rate case unless it is requested in the utility's MFRs or a projected test year is submitted. In this case, the utility did not submit a projected test year or request pro forma with its MFRs. However, as previously noted, Park is a Class C utility and did not have the knowledge to request or hire outside consultants to request the pro forma in its MFRs. However, during the audit, the utility submitted copies of signed contracts detailing all the work and costs for the pump house project which includes the pump house, emergency generator, and high service pumps. After reviewing the contracts, we find that the above pro forma plant is reasonable and prudent because it is being installed for the benefit of the customers, and it is needed due to the high growth rate (40 ERCs per year). The pump house project is scheduled to be

completed August 30, 2000. However, one adjustment to the pro forma plant is the meter change-out program because it is a three year program and only one year of the meter change-out costs, \$21,599, shall be included. Therefore, we find that pro forma plant of \$122,516 shall be included in rate base.

#### Land and Land Rights

Pursuant to Audit Exception No. 3, the original cost of the land is not reflected in the MFRs or recorded in the utility's books. The cost of the land was transferred to the utility at a value of \$100 according to the warranty deed (Book 492, page 513) reflecting documentary stamps of \$0.20 filed May 19, 1961. Therefore, we made an adjustment to utility test year land of \$100.

#### Non-Used and Useful Plant

As previously stated, the water treatment plant is 46.34% used and useful and the water distribution system is 55.52% used and useful. The non-used and useful percentages multiplied by the appropriate accounts reflect non-used and useful plant of (\$283,486), and non-used and useful accumulated depreciation of \$93,358. Accordingly, we made an adjustment of (\$190,128) to reflect Park's non-used and useful water plant.

#### Accumulated Depreciation

Polk County processed a rate case for this utility using a test year ending December 31, 1995. Both Polk County and the utility used depreciation rates which were inconsistent with Rule 25-30.140, Florida Administrative Code. To calculate depreciation for this rate case, we started with the balances approved by Polk County as of December 31, 1995, and worked forward using depreciation rates in accordance with Rule 25-30.140, Florida Administrative Code. Therefore, we find that an adjustment of \$36,254 shall be made to test year accumulated depreciation. Additionally, we find that an adjustment of (\$6,532) shall be made to accumulated depreciation to include one year of depreciation on pro forma plant.

Schedule 1-B, which by reference is incorporated herein, summarizes the above adjustments which result in a total reduction to test year accumulated depreciation of \$29,722.

Depreciation Expense

The utility's MFRs include a depreciation expense of \$15,068. We calculated test year depreciation in accordance with Rule 25-30.140, Florida Administrative Code, which resulted in a depreciation amount of \$19,086. We also calculated one year of depreciation on pro forma plant to be \$6,532. Therefore, we find that an adjustment of \$10,550 shall be made to reflect test year depreciation calculated in accordance with Rule 25-30.140, Florida Administrative Code.

In addition, we calculated non-used and useful test year depreciation expense which resulted in an amount of (\$8,580). We find that an adjustment to test year depreciation of (\$8,580) to reflect non-used and useful test year depreciation expense is appropriate.

Accordingly, depreciation expense shall be increased by \$1,970. Schedule No. 3B (Page 2), which by reference is incorporated herein, summarizes the above adjustments.

CIAC and Amortization of CIAC

The MFRs show \$100,406 of CIAC and \$1,241 of accumulated amortization for the test year. Audit Exception No. 5 states that the utility did not include the CIAC or accumulated amortization approved by Polk County as of December 31, 1995, and did not include any additions up to the test year. We find it appropriate that CIAC shall be increased by \$90,110, and the accumulated amortization shall be increased by \$32,390 to include the items identified in the Audit Exception.

Furthermore, the MFRs include test year CIAC amortization of \$1,241. However, where applicable we calculated a test year amortization expense of \$4,238 by using rates in accordance with Rule 25-30.140, Florida Administrative Code, and composite depreciation rates where no specific plant could be identified. Therefore, we hereby approve an increase in CIAC amortization of \$2,997.

Working Capital

Rule 25-30.433(2), Florida Administrative Code, states that Class C utilities shall use the formula method (one-eighth of operation and maintenance (O&M) expenses) to calculate working

capital. The utility used the formula method and included a working capital of \$18,910 in its MFRs. As discussed below, we have made several adjustments to the utility's O&M expenses, which result in an adjusted working capital of \$18,183. Therefore, an adjustment of (\$727) to test year working capital shall be made.

#### Rate Base Summary

We have calculated Park's year-end rate base to be \$383,388 by using the utility's MFRs with our adjustments as stated above.

#### COST OF CAPITAL

##### Rate of Return on Equity

Based on our audit, the utility's capital structure consists of long term debt of \$357,858 at a cost of 10.00%, customer deposits of \$510 at a cost of 6.00%, and common equity of \$129,471. Using the current leverage formula approved by Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, the rate of return on common equity shall be 9.94% with a range of 8.94% - 10.94%.

##### Overall Rate of Return

Applying the weighted average method to the total capital structure yields an overall rate of return of 9.98% with a range of 9.71% - 10.25%. The company's test year capital structure balance has been adjusted to match the total of the water rate base.

Park's return on equity and overall rate of return are shown on Schedule No. 2, which by reference is incorporated herein.

#### NET OPERATING INCOME

##### Test Year Revenues

Park's records indicate revenues of \$190,113 for the test year ending December 31, 1999. The utility made an adjustment of \$46,875 to reflect its 24.65% requested increase of test year revenues to \$236,988.

We made adjustments of (\$7,735) to remove CIAC collected during the test year and included it as income, \$108 to include miscellaneous income for rental of utility equipment (backhoe)

during the test year, and (\$46,875) to remove the utility's requested rate increase to reflect our calculated test year revenue. Therefore, the test year revenues are \$182,486.

Operating Expenses

The MFRs included O&M expenses of \$151,281 for the test year. A summary of adjustments we have made to the utility's recorded expenses follows:

(615) Purchased Power

The utility recorded a test year purchased power expense of \$7,740. We hereby approve an adjustment of \$917 to reflect the estimated additional purchased power expense which will be incurred by the new high service pumps included in pro forma plant, and an adjustment of \$244 to annualize the purchased power expense as recommended by Audit Exception No. 12.

(616) Fuel for Power Production

The utility did not record any amount in this account during the test year. However, a \$46 propane fuel expense for the emergency generator was recorded in the chemical expense account. We therefore are reclassifying the emergency generator fuel expense to Account No. 616.

(618) Chemicals

The utility recorded a chemical expense of \$1,769 during the test year. We hereby approve an adjustment of (\$46) to reclassify an emergency generator propane fuel expense to Account No. 616, and an adjustment of (\$55) to reclassify a chemical test kit to Account No. 620.

(620) Materials and Supplies

The utility recorded materials and supplies expenses of \$3,451 for the test year. We hereby approve an adjustment of (\$2,017) to reclassify expensed utility plant to Account No. 343 as recommended by Audit Exception No. 13, and an adjustment of \$55 to reclassify a chemical test kit from Account No. 618.

(635) Contractual Services - Testing

The utility did not record an expense in this account for the test year. We annualized the testing costs based on the required testing frequency. Additionally, we hereby approve an adjustment of \$2,464 to reflect the annualized water testing cost for the test year. The required tests and frequency at which those tests must be repeated are as follows:

Required Water Testing

<u>Test</u>	<u>Frequency</u>	<u>Annualized Cost</u>
Microbiological	Monthly	\$ 360
Lead and Copper	Biannual	\$ 475
Primary Inorganics	36 months	\$ 122
Secondary Inorganics	36 months	\$ 70
Asbestos	1/9 years	\$ 35
Nitrate and Nitrite	12 months	\$ 40
Volatile Organics	qtr'ly/1st yr/36 mos. Subsequent/Annual	\$ 350
Pesticides & PCB	36 months	\$ 312
Radio nuclides		
Group I	36 months	\$ 42
Group II	36 months	\$ 250
Unregulated Organics		
Group I	qtr'ly/1st yr/9yr.	\$ 275
Group II	36 months	\$ 50
Group III	36 months	\$ 83
	Annual Cost	<u>\$ 2,464</u>

Therefore, we find it reasonable to approve a contractual services - testing expense of \$2,464 for the test year.

(655) Insurance Expense

The utility recorded insurance expense of \$8,787 for the test year. Per Audit Exception No. 6, we hereby find it appropriate to approve an adjustment of (\$1,085) to disallow non-utility automobile insurance, \$1,262 to reflect an additional worker's compensation premium for the test year, \$693 to reflect a worker's compensation reclassification of the utility operator, and \$1,906 to annualize the amount of utility insurance expense for the test year per Audit Exception No. 6 and Audit Disclosure No. 3. We also

approve an adjustment of (\$2,148) to reflect insurance on non-used and useful utility property.

(665) Regulatory Commission Expense

The utility has supported \$11,221 of rate case costs applicable to its current rate filing. The utility's MFRs included \$2,250 of rate case amortization expense in Account No. 407, Amortization. This amount was to amortize rate case expense over four years which per the NARUC Uniform System of Accounts shall be included in Account No. 665, Regulatory Commission Expense. We find it appropriate to make an adjustment of \$2,250 to reclassify amortized rate case expense to Account No. 665. In addition, an adjustment of \$555 shall be made to include the utility's updated, supported rate case expense amortized over a four year period in accordance with Section 367.0816, Florida Statutes.

(675) Miscellaneous Expense

The utility's MFRs include \$43,426 of miscellaneous expenses for the test year. We find it reasonable and appropriate to make the following adjustments to miscellaneous expenses:

a)Reclassify utility plant to Acct. No. 304 per AE #2.	\$ (639)
b)Reclassify utility plant to Acct. No. 311 per AE #2.	(1,442)
c)Reclassify utility plant to Acct. No. 341 per AE #7.	(2,663)
d)Disallow non-utility auto repair expense per AE #7.	(831)
e)Amortize \$3,196 of computer programs over 5 yrs AE #9.	(2,557)
f)Disallow two charitable contributions per AE# 9 &AE #14.	(352)
g)Correct a misclassification per AE #9.	(310)
h)Reclassify utility plant to Acct. No. 334 per AE #10.	(858)
i)Disallow non-utility telephone expense per AE #8.	(956)
j)Reflect utility billing software maintenance agreement.	406
k)Reclassify utility plant to Acct. No. 335 per AE #10.	(795)
l)Disallow non-utility lawn care expense per AE #11.	(1,450)
m)Annualize cost of new lawn care contract per AD #3.	<u>1,585</u>
Total	<u>\$ (10,862)</u>

The total adjustments to miscellaneous expenses amount to (\$10,862) for the test year.

Operation and Maintenance Expense Summary

Total O&M adjustments amount to (\$5,821) resulting in a total test year O&M expense of \$145,460. O&M expenses are shown in Schedule No. 3C, which by reference is incorporated herein.

Amortization Expense

The utility's MFRs include \$2,250 of amortization expense in Account No. 407 for the test year. This amount was to amortize rate case expense over four years which according to the NARUC Uniform System of Accounts should have been included in Account No. 665, Regulatory Commission Expense. We find that an adjustment of (\$2,250) shall be made to Account No. 407 to reclassify amortized rate case expense to Account No. 665, regulatory commission expense.

Taxes other than Income

The utility's MFRs include \$22,462 of taxes other than income for the test year. This amount included \$228 in Polk County utility taxes which are listed as a separate line item on the utility's bills and should not be included in test year taxes other than income. We find it reasonable and appropriate to make an adjustment of (\$228) to remove the Polk County utility taxes, and an adjustment of (\$2,096) to reflect regulatory assessment fees on test year revenue.

Furthermore, we find it necessary to make an adjustment of (\$1,823) to reflect taxes on non-used and useful tangible personal property.

Test Year Operating Income

As shown on the attached schedule No. 3-A, which by reference is incorporated herein, after applying our adjustments, net operating income for the test year is \$5,911. Our adjustments to operating income are listed on attached Schedule No. 3-B.

REVENUE REQUIREMENT

Park's requested final rates are designed to generate annual revenues of \$236,988 which reflected a 24.63% increase over utility calculated test year revenues of \$190,113.



Based on our adjustments concerning the underlying rate base, cost of capital, and operating income issues, we approve rates that are designed to generate an annual revenue requirement of \$216,361. This reflects an 18.56% increase over our adjusted test year revenues of \$182,486 as shown on Schedule No. 3A, for an annual increase of \$33,875. This will provide the utility with the opportunity to recover its expenses and earn a 9.98% return on its investment in rate base.

#### RATES AND CHARGES

##### Rates and Rate Structure

The utility currently uses an inverted block rate structure which was required by the Southwest Florida Water Management District (SWFWMD) in the utility's 1995 rate case processed when the utility was under the jurisdiction of Polk County. We contacted SWFWMD regarding the current rate case and the existing inverted block rate structure. SWFWMD stated that it would like Park to maintain the inverted block rate structure. Residential average monthly consumption for a 5/8" x 3/4" meter is 5,836 gallons, which is below the 10,000 gallon standard that has traditionally been the benchmark figure used by this Commission as an initial indication of possible excessive consumption. We find that the conservation goals initiated with the inverted block rate structure in 1995 shall continue and that there is no reason to change the rate structure at this time.

During the test year, Park provided water service to approximately 725 connections, estimated to be 801 ERCs. Approximately 36% (or \$78,471) of the revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on an annualized number of factored ERCs. The remaining 64% (or \$137,890) of the revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period. Rates have been calculated using the number of bills and the number of gallons of water billed during the test year. Schedules of the utility's existing rates, utility proposed rates, and the approved rates are as follows:

**Residential Service**

	Existing Monthly Rates	Utility Requested Rates	Commission Approved Rates
<u>Base Facility Charge:</u>			
Individually Metered	\$ 5.64	\$ 7.03	\$ 6.95
Multi-Family	\$ 3.95	\$ 4.92	\$ 5.56

Residential Gallonage Charge:  
 (Per 1,000 Gallons)

0 - 6,000 Gallons	\$ 1.21	\$ 1.51	\$ 1.41
6,001 - 12,000 Gallons	\$ 1.83	\$ 2.28	\$ 2.13
12,001 - 22,000 Gallons	\$ 2.44	\$ 3.04	\$ 2.84
Over 22,000 Gallons	\$ 3.65	\$ 4.55	\$ 4.25

**General Service**

	Existing Monthly Rates	Utility Requested Rates	Commission Approved Rates
<u>Base Facility Charge:</u>			
5/8" x 3/4"	\$ 5.64	\$ 7.03	\$ 6.95
1"	\$ 14.10	\$ 17.58	\$ 17.37
1-1/2"	\$ 28.21	\$ 35.17	\$ 34.75
2"	\$ 45.14	\$ 56.27	\$ 55.60
3"	N/A	N/A	\$ 111.20
4"	N/A	N/A	\$ 173.75
6"	N/A	N/A	\$ 347.50

General Service Gallonage Charge (Per 1,000 Gallons)

5/8" x 3/4" Meter:

0 - 6,000 Gallons	\$ 1.21	\$ 1.51	\$ 1.41
6,001 - 12,000 Gallons	\$ 1.83	\$ 2.28	\$ 2.13
12,001 - 22,000 Gallons	\$ 2.44	\$ 3.04	\$ 2.84
Over 22,000 Gallons	\$ 3.65	\$ 4.55	\$ 4.25

1" Meter:

0 - 15,000 Gallons	\$ 1.21	\$ 1.51	\$ 1.41
15,001 - 30,000 Gallons	\$ 1.83	\$ 2.28	\$ 2.13
3001 - 55,000 Gallons	\$ 2.44	\$ 3.04	\$ 2.84
Over 55,000 Gallons	\$ 3.65	\$ 4.55	\$ 4.25

1-1/2" Meter:

0 - 30,000 Gallons	\$ 1.21	\$ 1.51	\$ 1.41
30,001 - 60,000 Gallons	\$ 1.83	\$ 2.28	\$ 2.13
60,001 - 110,000 Gallons	\$ 2.44	\$ 3.04	\$ 2.84
Over 110,000 Gallons	\$ 3.65	\$ 4.55	\$ 4.25

2" Meter:

0 - 48,000 Gallons	\$ 1.21	\$ 1.51	\$ 1.41
48,001 - 96,000 Gallons	\$ 1.83	\$ 2.28	\$ 2.13
96,001 - 176,000 Gallons	\$ 2.44	\$ 3.04	\$ 2.84

Based on the utility's present and proposed rates, the following shows the estimated average residential monthly billings for the stated consumption:

<u>Monthly Consumption (In Gallons)</u>	<u>Present Monthly Billing</u>	<u>Utility Requested Billing</u>	<u>Approved Monthly Billing</u>	<u>Percent Increase</u>
5,000	\$ 11.69	\$ 14.58	\$ 14.00	19.76%
7,500	\$ 15.65	\$ 19.51	\$ 18.61	18.91%
10,000	\$ 20.22	\$ 25.21	\$ 23.93	18.35%
15,000	\$ 31.20	\$ 38.89	\$ 36.71	17.66%

The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

#### Customer Deposits

The utility's existing tariff does not include a provision for customer deposits. However, the utility initiated a \$30 customer deposit during the test year without Commission approval. The total amount of customer deposits collected in the test year amounted to \$510. The unauthorized customer deposits are discussed in the show cause portion of this Order.

The utility has requested that a \$50 customer deposit fee be approved. Rule 25-30.311(1), Florida Administrative Code, states:

Each utility may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with utilities' rules for prompt payment of bills.

Rule 25-30.311(7), Florida Administrative Code, states:

A utility may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required deposit shall not exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the utility shall base its new or additional deposit upon the average monthly billing available.

We find that the amount of customer deposits shall be an amount equal to the average charge for water service for two months. Because the average residential consumption for a 5/8" x 3/4" meter is 5,836 gallons resulting in an average monthly bill of \$15.18, we approve a residential customer deposit of \$30 for a 5/8" x 3/4" meter. Larger residential meters and all general service meters customer deposits shall be calculated at two times the customer's estimated average monthly bill.

The utility shall file revised tariff sheets which are consistent with this Order. Our staff shall have the administrative authority to approve the revised tariff sheets upon its verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

#### Late Payment Charge

The utility provided information that 27% of its customers consistently pay water bills after the due date. The utility has requested a late fee of \$10 for customer bills paid after the 20-day payment period. This Commission has previously approved late payment charges based on the rationale that the general body of ratepayers should not shoulder the burden of costs caused by those customers who do not timely pay their bills.

By Order No. PSC-93-1824-FOF-SU, issued December 23, 1993, this Commission stated:

The utility has requested a late fee of \$5 plus 1.5 percent monthly interest on accounts delinquent for more than 20 days. However, the utility has provided no detailed, cost-based documentation that would support its request. Therefore, we find it appropriate to deny the utility's request for late fees. However, as discussed earlier, approximately 7 percent of the utility's customers do not timely pay their bills. The Commission has approved late payment charges for other utilities in the past, based on the rationale that the general body of ratepayers should not shoulder the burden of costs caused by those customers who do not timely pay their bills. In addition, a late fee provides customers with an incentive to pay their bills within the 20-day period provided in the utility's tariff. Based on the typical incremental costs associated with collecting from late-paying customers, the Commission has found that a late fee of \$3 recovers those incremental collection costs. Therefore, we find it appropriate to approve a \$3 late fee in this instance.

In this instance also, the utility has not provided detailed cost-based documentation necessary to support its request for the \$10 late payment. The utility stated that the \$10 figure was requested to enable the utility to motivate its customers to pay bills on time.

We find that the \$10 requested late payment fee is excessive. However, a late payment fee is justified given that 27% of the utility's customers consistently pay their bills late. We find that a late payment charge of \$3 is fair and reasonable, and shall be allowed for customer bills paid after the 20-day payment period provided for in the utility's tariff. The utility shall file a revised tariff sheet which is consistent with the Commission's vote. Our staff shall have the administrative authority to approve the revised tariff sheet upon its verification that the tariff is consistent with the our decision. If a revised tariff sheet is filed and approved, the late payment fee shall become effective for service rendered on or after the stamped approval date of the revised tariff sheet, if no protest is filed.

SERVICE AVAILABILITY

By Order No. PSC-98-0361-FOF-WU, issued March 5, 1998, in Docket No. 961226-WU, the Commission grandfathered-in the utility's existing service availability policy which includes a customer connection (tap-in) fee of \$400 for a 5/8" x 3/4" meter (\$550 for 1-inch and above), meter installation fee of \$175, and back-flow preventor installation fee of \$50 for a 5/8" x 3/4" meter (actual cost for larger). The utility requested a change in the meter installation fees and tap-in fees. The existing, utility-requested, and Commission approved service availability charges are discussed below.

Meter Installation Fees

The utility's existing meter installation fee is \$175 for all meter sizes. The utility provided a cost breakdown for installation of meters based on size. The cost breakdown shows the utility includes the cost of a back-flow preventor and ball valve with each installation. Since installation of a back-flow preventor is not a requirement for every meter installation, we removed the cost of back-flow preventor installation from each cost breakdown. Back-flow preventors are only required where a cross connection is discovered which could jeopardize the utility's public water supply. The utility already has approved back-flow preventor installation charges (\$50.00 for a 5/8" x 3/4" meter with all larger size back-flow installation charges at cost) in its tariff and has not requested an increase in that charge. The cost of the ball valves was removed since they are not necessary because a corporation valve is used in each meter installation. The following shows the utility's existing meter charge, the utility's requested meter charge, and Commission approved meter charge.

Meter Installation Fees

<u>Meter Size</u>	<u>Existing Charge</u>	<u>Utility Requested Charge</u>	<u>Commission Approved Charge</u>
5/8" x 3/4"	\$175.00	\$175.00	\$150.00
1"	\$175.00	\$400.00	\$300.00
1 1/2"	\$175.00	\$750.00	\$575.00
2"	\$175.00	\$875.00	\$700.00
Over 2"	\$175.00	Actual Cost	Actual Cost

Customer Connection Charges

The utility's existing customer connection (tap-in) fee is \$400 for a 5/8" x 3/4" meter, and \$550.00 for all larger size meters. The utility requested revised tap-in fees for all meters larger than 5/8" x 3/4". The utility calculated the requested tap-in fees by using the present 5/8" x 3/4" charge, dividing it by the maximum flow through a 5/8" x 3/4" meter, then multiplying that figure upward by the size of the other meters.

When Polk County approved the existing service availability charges in 1988, all plant and line service availability costs were included as a tap-in charge. By definition, a tap-in charge covers the cost of installing the service line between the meter and the main extension line. We find that the utility's plant and lines cost shall be allocated between a plant capacity charge and main extension charge to better reflect the costs associated with the plant and lines. A plant capacity charge covers the utility's capital costs in construction or expansion of treatment facilities, and the main extension charge covers capital costs in extending its off-site water facilities to provide service to a specified property. Accordingly, we find it appropriate to replace the \$400 tap-in fee with a plant capacity charge of \$127 and main extension charge of \$423 which were calculated using the standard service availability worksheet and ratio of plant and lines in rate base.

Plant Capacity & Main Extension Charges

	Commission Approved <u>Charge</u>
<u>Plant Capacity Charge</u>	
Residential-per ERC(350gpd)	\$ 127.00
All others-per gallon	\$ 0.36
<u>Main Extension Charge</u>	
Residential-per ERC(350gpd)	\$ 423.00
All others-per gallon	\$ 1.21

Park's CIAC contribution level is presently 26.32% which is less than the maximum 75% recommended amount of CIAC as prescribed by Rule 25-30.580(1)(a), Florida Administrative Code. In addition, initiating the new charges will not cause the utility to exceed the 75% contribution level. Therefore, we find it appropriate to

revise the utility's service availability policy. The utility shall file revised tariff sheets which are consistent with this Order. In addition, our staff shall have administrative authority to approve the revised tariff sheets upon its verification that the tariffs are consistent with our decision herein. If revised tariff sheets are filed and approved, the revised service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

NO SHOW CAUSE

Failure to Maintain Books and Records

As previously stated, Audit Exception No. 1 states that the utility does not maintain its books and records in the manner required by Commission rules. Park maintains its books and records on a cash basis for income tax purposes and its accounting system does not use the prescribed accounts and accounting format as required by the NARUC Uniform System of Accounts (USOA). The company also improperly depreciates all utility assets in its capital asset ledger using various service lives depending on the individual asset instead of using the prescribed asset lives set out in Rule 25-30.140, Florida Administrative Code.

Rule 25-30.115(1), Florida Administrative Code, states "Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners."

Section 367.161, Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 per day for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to maintain its accounts and records in conformance with the USOA, would meet the standard for a "willful violation." In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund for



1988 and 1989 For GTE Florida, Inc., Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, the Commission having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Although the utility does not maintain its accounts and records in accordance with Commission rules, we find that the utility books can be converted using in-house personnel at no additional cost. Although the utility's failure to maintain its books and records is an apparent violation of Rule 25-30.115, Florida Administrative Code, a show cause proceeding shall not be initiated at this time because our auditors were still able to complete an audit of the utility's books and records. However, based on the foregoing, we find that the utility shall maintain its accounts and records in conformance with the 1996 NARUC USOA, and submit a statement from its accountant by March 31, 2001 along with its 2000 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with this Order.

#### Unauthorized Customer Deposits

Audit Exception No. 17 states that the utility collected \$510 of customer deposits during the test year ended December 31, 1999. There is presently no provision made for the collection of customer deposits in the utility's tariff, and no customer deposits were approved in the grandfather certificate docket. Section 367.081(1), Florida Statutes, provides that a utility may only charge rates and charges that have been approved by the Commission. Section 367.091(3), Florida Statutes, provides that "each utility's rates, charges, and customer service policies must be contained in a tariff approved by and on file with the [C]ommission." Rule 25-30.311(1), Florida Administrative Code, provides that a utility's tariff "shall contain its specific criteria for determining the amount of the initial deposit." Park violated these provisions of the statutes and the rule.

Park requested that a \$50 customer deposit be approved in this docket. However, as previously discussed, we have approved a \$30 customer deposit for a 5/8" x 3/4" meter.

Although ordinarily we would order a refund of unauthorized charges, in this instance, a refund of the \$30 customer deposits

collected during the test year (\$510 total) and initiation of a \$30 customer deposit on a prospective basis would not be efficient. We find that a show cause proceeding shall not be initiated at this time. In addition, we find that the utility should be allowed to keep the deposits collected during the test year and be put on notice that customer deposits must be maintained in accordance with Rule 25-30.311, Florida Administrative Code, including the refund of deposits after the customer has established a satisfactory payment record of 23 months, and payment of interest as prescribed in the Rule. Also, the utility is hereby admonished that, pursuant to Section 367.081(1), and 367.091(3), Florida Statutes, it may only collect rates and charges approved by this Commission.

Transfer Prior to Commission Approval

Audit Disclosure No. 4 states that the utility transferred majority organizational control on January 1, 1999. The transfer of utility stock was a cash transaction between father and son, Mr. Louis Staiano and Mr. Anthony Staiano, respectively. At the time of the transfer, Mr. Louis Staiano was in poor health and his frail condition left him unable to properly run the utility. Therefore, Mr. Louis Staiano and Mr. Anthony Staiano entered into an agreement for the transfer of the utility's stock in which Mr. Anthony Staiano purchased all of Park's stock in a \$150,000 cash transaction. By entering into the contract for the sale of the utility to Anthony Staiano prior to Commission approval, Park is in apparent violation of Section 367.071, Florida Statutes.

Section 367.071(1), Florida Statutes, requires that a utility may not transfer its majority organizational control without the determination and approval of the Commission that the proposed transfer is in the public interest and that the buyer will fulfill the commitments, obligations, and representations of the utility. Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated, any provision of Chapter 367, Florida Statutes.

Nevertheless, under the circumstances, the utility's apparent violation of Section 367.071(1), Florida Statutes, does not rise to the level of warranting a show cause. According to Mr. Anthony Staiano, his father's poor health and frail condition left him without the capacity to run the utility the way he had in the past. There were a number of pending matters that required immediate

ORDER NO. PSC-00-1774-PAA-WU  
DOCKET NO. 991627-WU  
PAGE 27

attention by the utility which included replacement of four hydropneumatic tanks, a necessity for additional water storage required by DEP rules, and initiation of a secondary water source required by the PCHD. Mr. Louis Staiano passed away on April 27, 2000. Mr. Anthony Staiano is in the process of completing all of these necessary upgrades.

For the foregoing reasons, we find that Park's apparent violation of Section 371.071, Florida Statutes, does not warrant the initiation of a show cause action. However, the utility shall file an application for the transfer of majority control within 90 days of the effective date of this Order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Park Water Company Inc.'s application for increased water rates is hereby approved to the extent set forth in the body of this Order. It is further

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

ORDERED that all matters contained herein, whether set forth in the body of this Order or in the attachments and schedules attached hereto, are incorporated herein by reference. It is further

ORDERED that Park Water Company Inc. is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Park Water Company Inc.'s shall charge a \$3 late payment charge for customer bills paid after the 20-day payment period. It is further

ORDERED that the increased rates and charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, in accordance with Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Park Water Company Inc. shall submit and have approved a proposed customer notice of the increased rates and

ORDER NO. PSC-00-1774-PAA-WU  
DOCKET NO. 991627-WU  
PAGE 28

charges and the reasons therefor. The notice will be approved upon our staff's verification that it is consistent with our decision herein. It is further

ORDERED that Park Water Company Inc. Shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Park Water Company Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that Park Water Company Inc. shall maintain its accounts and records in conformance with the 1998 NARUC USOA, and submit a statement from its accountant by March 31, 2001, along with its 2000 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with this Order. It is further

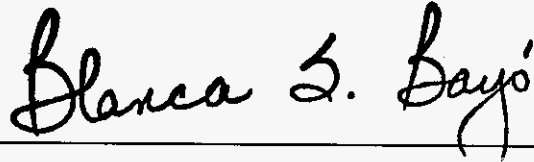
ORDERED that Park Water Company Inc. shall file an application for transfer of majority organizational control within 90 days of the effective date of this Order. It is further

ORDERED that the provisions of this Order regarding our granting increased rates and charges are issued as proposed agency action, and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall be closed upon the issuance of the Consummating Order, and upon the utility's filing and staff's approval of the revised tariff sheets and the customer notice, as set forth herein.

ORDER NO. PSC-00-1774-PAA-WU  
DOCKET NO. 991627-WU  
PAGE 29

By ORDER of the Florida Public Service Commission this 27th  
day of September, 2000.



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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

DTV

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions approving increased rates and charges are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 18, 2000. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

ORDER NO. PSC-00-1774-PAA-WU  
DOCKET NO. 991627-WU  
PAGE 30

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.

Any party adversely affected by the Commission's final action in this matter requiring compliance with the Uniform System of Accounts and requiring a statement from the utility's accountant that the utility's books have been reconciled with this Order 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 wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days 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.

PARK WATER COMPANY TEST YEAR ENDING DECEMBER 31, SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 991627-WU		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR
1. UTILITY PLANT IN SERVICE	\$873,964	\$0	\$873,964	\$130,930	\$1,004,894
2. LAND & LAND RIGHTS	0	0	\$0	100	100
3. NON-USED AND USEFUL	0	0	\$0	(190,128)	(190,128)
4. CIAC	(100,406)	0	(\$100,406)	(90,110)	(190,516)
5. ACCUMULATED DEPRECIATION	(322,498)	0	(\$322,498)	29,722	(292,776)
6. AMORTIZATION OF CIAC	1,241	0	\$1,241	32,390	33,631
7. WORKING CAPITAL ALLOWANCE	<u>18,910</u>	<u>0</u>	<u>\$18,910</u>	<u>(727)</u>	<u>18,183</u>
8. WATER RATE BASE	<u>\$471,211</u>	<u>\$0</u>	<u>\$471,211</u>	<u>(\$87,823)</u>	<u>\$383,388</u>

**PARK WATER COMPANY**  
**TEST YEAR ENDING DECEMBER 31, 1999**  
**ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-B**  
**DOCKET NO. 991627-WU**

**WATER**

**UTILITY PLANT IN SERVICE**

1. To reclassify plant from Acct. # 675, to Acct. # 304 per AE #2.	\$639
2. To reclassify plant from Acct. # 675, to Acct. # 311 per AE #2.	\$1,442
3. To reclassify plant from Acct. # 675, to Acct. # 341 per AE #7.	\$2,663
4. To reclassify plant from Acct. # 675, to Acct. # 334 per AE #10.	\$858
5. To reclassify plant from Acct. # 675, to Acct. # 335 per AE #10.	\$795
6. To reclassify plant from Acct. # 620, to Acct. # 343 per AE #13.	\$2,017
7. To include 1 year of the meter replacement program.	\$21,599
8. To include pro forma pump house.	\$20,018
9. To include pro forma generator.	\$18,574
10. To include pro forma pumping equipment.	<u>\$62,325</u>
	<u>\$130,930</u>

**LAND AND LAND RIGHTS**

1. To reflect the original cost of utility land not included in MFRs.	<u>\$100</u>
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**NON-USED AND USEFUL PLANT**

1. To reflect non-used and useful plant.	(\$283,486)
2. To reflect non-used and useful accumulated depreciation.	<u>\$93,358</u>
	<u>(\$190,128)</u>

**CONTRIBUTIONS IN AID OF CONSTRUCTION**

1. To reflect Commission approved CIAC.	<u>(\$90,110)</u>
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**ACCUMULATED DEPRECIATION**

1. To reflect Commission approved accumulated depreciation.	\$36,254
2. To include one year of depreciation on pro forma plant.	<u>(6,532)</u>
	<u>\$29,722</u>

**AMORTIZATION OF CIAC**

1. To reflect Commission approved accumulated amortization.	<u>\$32,390</u>
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**WORKING CAPITAL ALLOWANCE**

1. To reflect 1/8 of test year O & M expenses.	<u>(\$727)</u>
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PARK WATER COMPANY TEST YEAR ENDING DECEMBER 31, 1999 SCHEDULE OF CAPITAL STRUCTURE			SCHEDULE NO. 2 DOCKET NO. 991627-WU					
CAPITAL COMPONENT	PER AUDIT	SPECIFIC ADJUST- MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST- MENTS	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$129,471	\$0	129,471	(27,721)	101,750	26.54%	9.94%	2.64%
LONG TERM DEBT	357,858	0	357,858	(76,621)	281,237	73.36%	10.00%	7.34%
SHORT TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	<u>510</u>	<u>0</u>	<u>510</u>	<u>(109)</u>	<u>401</u>	<u>0.10%</u>	6.00%	<u>0.01%</u>
<b>TOTAL</b>	<b><u>\$487,839</u></b>	<b><u>\$0</u></b>	<b><u>\$487,839</u></b>	<b><u>(\$104,451)</u></b>	<b><u>\$383,388</u></b>	<b><u>100.00%</u></b>		<b><u>9.98%</u></b>
RANGE OF REASONABLENESS						<b><u>LOW</u></b>	<b><u>HIGH</u></b>	
RETURN ON EQUITY						<b><u>8.94%</u></b>	<b><u>10.94%</u></b>	
OVERALL RATE OF RETURN						<b><u>9.71%</u></b>	<b><u>10.25%</u></b>	

PARK WATER COMPANY TEST YEAR ENDING DECEMBER 31, 1999 SCHEDULE OF OPERATING INCOME						SCHEDULE NO. 3-A DOCKET NO. 991627-WU	
	TEST PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	COMM. ADJUST- MENTS	COMM. ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$190,113</u>	<u>\$46,875</u>	<u>\$236,988</u>	<u>(\$54,502)</u>	<u>\$182,486</u>	<u>\$33,875</u> 18.56%	<u>\$216,361</u>
OPERATING EXPENSES:							
2. OPERATION & MAINTENANCE	151,281	0	\$151,281	(5,821)	145,460	0	145,460
3. DEPRECIATION (NET)	13,827	0	\$13,827	(1,027)	12,800	0	12,800
4. AMORTIZATION	0	2,250	\$2,250	(2,250)	0	0	0
5. TAXES OTHER THAN INCOME	20,352	2,110	\$22,462	(4,147)	18,315	1,524	19,839
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$185,460</u>	<u>\$4,360</u>	<u>\$189,820</u>	<u>(\$13,245)</u>	<u>\$176,575</u>	<u>\$1,524</u>	<u>\$178,100</u>
8. OPERATING INCOME/(LOSS)	<u>\$4,653</u>		<u>\$47,168</u>		<u>\$5,911</u>		<u>\$38,262</u>
9. WATER RATE BASE	<u>\$471,211</u>		<u>\$471,211</u>		<u>\$383,388</u>		<u>\$383,388</u>
10. OVERALL RATE OF RETURN	<u>0.99%</u>		<u>10.01%</u>		<u>1.54%</u>		<u>9.98%</u>

**PARK WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1999  
 ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-B  
 DOCKET NO. 991627-WU  
 PAGE 1 OF 2**

**WATER**

**OPERATING REVENUES**

1. To reclassify service availability revenue to CIAC.	(\$7,735)
2. To include backhoe rental income.	\$108
3. To reflect Commission approved test year revenue.	<u>(\$46,875)</u>
	<u>(\$54,502)</u>

**OPERATION AND MAINTENANCE EXPENSES**

<b>1. Purchased Power</b>	
To reflect additional expense for new high service pumps.	\$917
To annualize purchased power expense per AE #12.	<u>244</u>
Subtotal	<u>\$1,161</u>
<b>2. Fuel for Power Production</b>	
To reclassify propane fuel from Account # 618.	<u>\$46</u>
<b>3. Chemicals</b>	
To reclassify generator propane fuel to Account #616.	(\$46)
To reclassify chemical test kit to Account #620.	<u>(55)</u>
Subtotal	<u>(\$101)</u>
<b>4. Materials and Supplies</b>	
To reclassify utility plant to Acct. #343 per AE #13.	(\$2,017)
To reclassify a chemical test kit from Account #618.	<u>55</u>
Subtotal	<u>(\$1,962)</u>
<b>5. Contractual Services - Testing</b>	
To reflect required water testing costs.	<u>\$2,464</u>
<b>6. Insurance Expenses</b>	
To disallow non-utility automobile insurance per AE #6.	(\$1,085)
To include additional workers compensation premium per AE #6.	\$1,262
To reflect worker's comp reclassification of utility operator.	\$693
To annualize cost of insurance per AE #6 and AD #3.	\$1,906
To reflect non-used and useful plant liability insurance adjustment.	<u>(\$2,148)</u>
Subtotal	<u>\$628</u>
<b>7. Regulatory Commission Expense</b>	
To reclassify rate case expense from Account #407.	\$2,250
To include rate case expense amortized over 4 years.	<u>\$555</u>
Subtotal	<u>\$2,805</u>

(Operation and Maintenance Expenses continued on Page 2)

**PARK WATER COMPANY  
TEST YEAR ENDING DECEMBER 31, 1999  
ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-B  
DOCKET NO. 991627-WU  
PAGE 2 OF 2**

**OPERATION AND MAINTENANCE EXPENSES (continued)**

**8. Miscellaneous Expenses**

To reclassify utility plant to Acct. No. 304 per AE #2.	(\$639)
To reclassify utility plant to Acct. No. 311 per AE #2.	(\$1,442)
To reclassify utility plant to Acct. No. 341 per AE #7.	(\$2,663)
To disallow non-utility auto repair expense per AE #7.	(\$831)
To amortize \$3,196 of computer programs over 5 years AE #9.	(\$2,557)
To disallow two charitable contributions per AE #9 & AE #14.	(\$352)
To correct a misclassification per AE #9.	(\$310)
To reclassify utility plant to Acct. No. 334 per AE #10.	(\$858)
To disallow non-utility telephone expense per AE #8.	(\$956)
To reflect utility billing software maintenance agreement.	\$406
To reclassify utility plant to Acct. No. 335 per AE #10.	(\$795)
To disallow non-utility lawn and grounds expense per AE #11.	(\$1,450)
To annualize cost of new lawn care contract.	<u>\$1,585</u>
Subtotal	<u>(\$10,862)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<u><b>(\$5,821)</b></u>

**DEPRECIATION EXPENSE**

1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$10,550
2. To reflect non-used and useful test year depreciation.	(\$8,580)
3. To reflect test year CIAC amortization.	<u>(\$2,997)</u>
Total	<u>(\$1,027)</u>

**AMORTIZATION**

1. To reclassify rate case expense to Account #665.	<u>(\$2,250)</u>
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**TAXES OTHER THAN INCOME**

1. To adjust regulatory assessment fees on test year revenue.	(\$2,096)
2. To remove Polk County utility tax listed as separate line item.	(\$228)
3. To reflect tangible taxes on non-used and useful plant.	<u>(1,823)</u>
Total	<u><b>(\$4,147)</b></u>

PARK WATER COMPANY		SCHEDULE NO. 3-C	
TEST YEAR ENDING DECEMBER 31, 1999		DOCKET NO. 991627-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER AUDIT	COMMISSION ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$31,220	\$0	\$31,220
(603) SALARIES AND WAGES - OFFICERS	47,000	0	47,000
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	7,740	1,161 [1]	8,901
(616) FUEL FOR POWER PRODUCTION	0	46 [2]	46
(618) CHEMICALS	1,769	(101) [3]	1,668
(620) MATERIALS AND SUPPLIES	3,451	(1,962) [4]	1,489
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	0	0
(635) CONTRACTUAL SERVICES - TESTING	0	2,464 [5]	2,464
(636) CONTRACTUAL SERVICES - OTHER	713	0	713
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	3,820	0	3,820
(655) INSURANCE EXPENSE	8,787	628 [6]	9,415
(665) REGULATORY COMMISSION EXPENSE	3,355	2,805 [7]	6,160
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	43,426	(10,862) [8]	32,564
	<u>\$151,281</u>	<u>(\$5,821)</u>	<u>\$145,460</u>

ATTACHMENT A PAGE 1 OF 2

WATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 991627-WU - Park Water Company, Inc.

- 1) Firm Reliable Capacity of Plant 1,381,146 gallons per day
- 2) Average of 5 Highest Days From Maximum Month 456,800 gallons per day
- 3) Average Daily Flow 252,932 gallons per day
- 4) Fire Flow Capacity 120,000 gallons per day
  - a) Required Fire Flow: 1,000 gallons per minute for 2 hours (State if utility is not providing required fire flow)
- 5) Growth 63,154 gallons per day
  - a) Test year Customers in ERCs:

Begin	787
End	801
Average	794
  - b) Customer Growth in ERCs 40 ERCs
  - c) Statutory Growth Period 5 Years

(Due to plant additions in 1999, Use end of year customer count)

(b)x(c)x [3\ (a)] = 63,154 gallons per day for growth
- 6) Excessive Unaccounted for Water 0 gallons per day
  - a) Total Unaccounted for Water 21,501 gallons per day  
Percent of Average Daily Flow 9
  - b) Reasonable Amount 25,293 gallons per day  
(10% of average Daily Flow)
  - c) Excessive Amount 0 gallons per day

USED AND USEFUL FORMULA

$$[(2)+(4)+(5)-(6)]/(1) = 46.34\% \text{ Used and Useful}$$

**WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA**

**Docket No. 991627-WU - Park Water Company, Inc.**

- |  |            |
|--|------------|
| 1) <b>Capacity of System</b> (Number of Potential Customers, ERCs or Lots Without Expansion) | 1,803 ERCs |
| 2) <b>Test year connections</b>  |            |
| a) Beginning of Test Year  | 787 ERCs   |
| b) End of Test Year  | 801 ERCs   |
| c) Average Test Year   | 794 ERCs   |
| 3) <b>Growth</b>   | 200 ERCs   |
| (Due to plant additions in 1999, Use end of year customer count)                             |            |
| a) customer growth in ERCs per the Knepper and Willard Report                                | 40 ERCs    |
| b) Statutory Growth Period   | 5 Years    |
| (a)x(b) = 200 connections allowed for growth   |            |

**USED AND USEFUL FORMULA**

$$[(2b+(3)) / (1)] = 55.52\% \text{ Used and Useful}$$