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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for emergency) DOCKET NO. 911206-SU
limited proceedings on wastewater)
service in Pasco County by MAD) ORDER NO. 25711
HATTER UTILITY, INC.)
_____) ISSUED: 2/12/92

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER GRANTING EMERGENCY TEMPORARY WASTEWATER RATE INCREASE,
SUBJECT TO REFUND, AND ESTABLISHING PROVISIONS FOR
DEPOSIT AND RELEASE OF ESCROWED FUNDS

BY THE COMMISSION:

BACKGROUND

Mad Hatter Utility, Inc. (MHU or utility) is a class "B" utility located in Lutz, Florida. The utility has three water and wastewater systems: Linda Lakes, Foxwood, and Turtle Lakes.

On October 18, 1991, MHU met the minimum filing requirements for water and wastewater rate increases for its systems. We are currently processing that rate case in Docket No. 910637-WS, and, at MHU's request, we will consider same using our proposed agency action (PAA) procedure. By Order No. 25589, issued January 9, 1992, we suspended MHU's requested rates and granted MHU an interim rate increase, subject to refund.

Prior to the MFRs for the rate case being filed, the Florida Department of Environmental Regulation (DER) revoked MHU's operating permit for the Foxwood wastewater treatment plant. The operating permit for the Turtle Lakes wastewater plant expired, and DER advised the utility that the permit will not be renewed. Consequently, MHU negotiated to interconnect its lines with Pasco County's regional wastewater system. Pasco County received, treated, and disposed of most of the wastewater from the Foxwood and Turtle Lakes treatment plants in September, October, and

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November of 1991. However, on December 4, 1991, the County cut off its service to MHU because MHU was unable to pay. MHU subsequently resumed treating 100% of its wastewater at the Foxwood and Turtle Lakes plants without permits.

In its request for interim rates in Docket No. 910637-WS, MHU sought recovery of costs associated with its interconnection with Pasco County. We denied recovery of those costs in interim rates in Order No. 25589 because we interpret Section 367.082, Florida Statutes, to require that we calculate interim rates based on historical data only. The interconnect costs occurred outside the interim test year.

On December 16, 1991, MHU filed the instant petition for an emergency limited proceeding whereby it seeks to recover the costs disallowed under our interim rate Order. In its petition, MHU states that it is requesting emergency temporary rates because it cannot presently afford to pay Pasco County for the purchased wastewater treatment. Given the potential environmental problems arising from its continued operation of its disposal facilities, MHU states that it should send raw wastewater from both Foxwood and Turtle Lakes to the County for treatment and disposal. MHU asks that we base our decision for this emergency request on the information contained in the MFRs filed in its concurrent rate case.

EMERGENCY TEMPORARY RATE PETITION

Given the facts set forth in the petition and the information we have received from the County and other sources, we believe that the situation requires our immediate action in order to preserve the public health, safety, and welfare. Therefore, we think that it is appropriate to grant in part the instant request for emergency rates.

We view this request for emergency temporary rates as similar to a request for interim rates in the sense that the rates approved herein are not final, will be subject to refund, and will receive our final consideration in the rate case, Docket No. 910637-WS. We have approved similar relief for Commercial Utilities, a Division of Grace and Co., in Docket No. 910069-WS, Order No. 25076, issued September 17, 1991.

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Our calculation of the appropriate revenues for the Foxwood and Turtle Lakes systems are set forth on Schedules Nos. 1-A, pages 1 and 2, with adjustments shown on Schedules Nos. 1-B, pages 1 and 2. All of these schedules are attached hereto and by reference are incorporated herein.

MHU has requested wastewater rates designed to generate annual revenues of \$476,287 for Foxwood and \$216,685 for Turtle Lakes. These increases exceed those which would be generated under the interim rates we approved in Order No. 25589 by 105.63% for Foxwood and 103.18% for Turtle Lakes.

Both the Foxwood and Turtle Lakes wastewater systems will incur increased operating expenses as a result of the interconnection with Pasco County. MHU has also proposed adjustments to reflect offsetting savings in chemical and sludge hauling costs resulting from the diversion of all of its wastewater from Turtle Lakes and 80% of its wastewater from Foxwood to Pasco County. Pasco County charges \$4.12 per 1,000 gallons of wastewater flow. The utility does not seek to recover the capital costs for interconnection in the instant petition. We will thoroughly examine such costs and offsetting retirements in the rate case.

In addition to the suggested reductions to chemical and sludge hauling expenses, we believe that purchased power and labor expenses should also be reduced. Discontinued use of the Turtle Lakes treatment plant should eliminate purchased power costs for that plant and also reduce labor costs. Since 80% of Foxwood's wastewater will be treated by the County, purchased power expenses should be reduced for that system as well.

In reducing purchased power expense, we have used the most accurate data available, MHU invoices for electric service during the three months that Pasco County was treating MHU's wastewater. To make a reduction to labor expense to the Turtle Lakes system, we calculated the difference in hours spent by that system's operator. We increased the adjusted amounts for regulatory assessment fees (RAFs). The net increases/decreases are shown below.

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Description	FOXWOOD	TURTLE LAKES	TOTAL
Treatment Services	\$232,986	\$108,274	\$341,260
- Chemicals	(1,941)	(1,507)	(3,448)
- Sludge Removal	(2,773)	(3,588)	(6,361)
- Purchased Power	(1,750)	(6,791)	(8,541)
- Salaries & Wages		(3,458)	(3,458)
- Payroll Taxes		(265)	(265)
Net Increase	226,522	92,665	319,187
- Added RAF	10,674	4,366	15,040
Increased Revenues	\$237,196	\$97,031	\$334,227

In consideration of the foregoing, we hereby grant in part MHU's request for an emergency limited proceeding. MHU is temporarily authorized to earn annual revenue requirements of \$468,819 for its Foxwood system and \$203,679 for its Turtle Lakes system. This emergency rate increase, just as the interim increase granted in Order No. 25589, is subject to refund.

Emergency Rates

The wastewater rates below are designed to allow the utility the opportunity to generate additional annual operating revenues of \$237,196 (102.41% increase) for Foxwood and \$97,031 (90.98% increase) for Turtle Lakes. The emergency rates shown below were calculated by applying the percentage increase discussed earlier to the interim rates approved in Order No. 25589.

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WASTEWATER

Turtle Lakes

Monthly Rates

	<u>Current</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Limited Filing</u>	<u>Commission Approved Limited Filing</u>
<u>Residential Service</u>				
Meter Size:				
All Meter Sizes (Flat Rate)	\$ 15.03	\$ 21.03	\$ 42.72	\$ 40.16
<u>General Service</u>				
Minimum Charge				
Meter Size:				
5/8"x3/4" (3,000 Minimum)	\$ 11.72	\$ 16.40	\$ 33.32	\$ 31.32
1" (6,000 Minimum)	22.30	31.20	63.38	59.59
1 1/2" (9,000 Minimum)	33.46	46.81	95.13	89.40
2" (12,000 Minimum)	44.62	62.42	126.84	119.21
3" (15,000 Minimum)	56.04	78.40	159.30	149.73
4" (18,000 Minimum)	67.26	94.10	191.20	179.71
6" (21,000 Minimum)	78.46	109.77	233.06	209.64
Excess Charge per 1,000 G.	\$ 1.56	\$ 2.18	\$ 4.42	\$ 4.16
<u>Multi-Residential Service</u>				
Meter Size:				
All Meter Sizes (Flat Rate Per Unit)	\$ 10.02	\$ 14.02	\$ 28.48	\$ 26.78

Remarks:

- (1) The Turtle Lakes system's current rate structure consists of a flat rate for residential service, a general service minimum charge including minimum gallonage, and a flat rate per unit for multi-residential service. The Commission approved interim, Utility's requested limited filing and Commission approved limited filing rates maintain this rate structure.

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WASTEWATER

Foxwood

Monthly Rates

	<u>Current</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Limited Filing</u>	<u>Commission Approved Limited Filing</u>
<u>Residential Service</u>				
Meter Size:				
All Meter Sizes	\$ 5.26	\$ 5.80	\$ 11.92	\$ 11.74
Gallage Charge per 1,000 G. (Maximum 10,000 G.)	\$ 2.40	\$ 2.64	\$ 5.44	\$ 5.34
<u>General Service</u>				
Minimum Charge				
Meter Size:				
5/8"x3/4"	\$ 5.26	\$ 5.80	\$ 11.92	\$ 11.74
1"	13.16	14.50	29.82	29.35
1 1/2"	26.30	28.98	59.60	58.66
2"	42.09	46.38	95.38	93.88
3"	84.20	92.79	190.80	187.82
4"	131.56	144.98	298.11	293.45
6"	263.13	289.97	596.25	586.93
Charge per 1,000 G.	\$ 2.40	\$ 2.64	\$ 5.44	\$ 5.34

The rates will become effective for service rendered on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets consistent with our decision herein and a proposed notice to its customers showing the rate increase and explaining the reasons therefor. Since this increase is exclusively related to the added cost of purchased wastewater treatment, we think it is appropriate to receive official notice from Pasco County that treatment of the utility's wastewater has been resumed prior to allowing the emergency rates to go into effect. Therefore, the revised tariff sheets will be approved once the following conditions are met: our staff

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determines that the revised tariff sheets are accurate, and that the customer notice is adequate, the utility submits or we receive an official notice from Pasco County that it has resumed treating wastewater from Foxwood and Turtle Lakes, and the utility files appropriate documentation for the escrow agreement as set forth in the section below.

ESCROW AGREEMENT

We think it necessary to secure MHU's payment of its treatment bill to the County. Therefore, MHU shall establish an escrow account with an independent financial institution and shall file with the Commission all necessary documentation therefor.

The utility shall deposit \$27,852 per month (pro rata) in the escrow account pending further Order of the Commission in the rate case, Docket No. 910637-WS. The utility shall deposit the funds in the escrow account by the 20th of each month, with the first deposit to be made during the first month following implementation of the rates approved herein. The utility shall provide a monthly report showing its monthly collections and the aggregate balance in the escrow account.

The primary purpose of the escrow account is to secure funds for payment of the Pasco County bulk wastewater service bills. Accordingly, we shall allow release of the escrowed monies on periodic basis for payment of MHU's bulk wastewater service bills. The funds will only be released upon submittal of the appropriate invoices and verification of same by our staff. Disposition of funds remaining in the escrow account will be provided for in our final order in the rate case.

It is therefore,

ORDERED by the Florida Public Service Commission that the petition of Mad Hatter Utility, Inc., for an emergency limited proceeding increase in wastewater rates is hereby granted in part, as set forth in the body of this Order, subject to refund. It is further

ORDERED that the utility shall submit revised tariff sheets consistent with our decision herein and a proposed notice to its

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customers showing the rate increase and explaining the reasons therefor. It is further

ORDERED that the rates approved herein will become effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved once the following conditions are met: our staff determines that the revised tariff sheets are accurate and that the customer notice is adequate, the utility submits or we receive an official notice from Pasco County that it has resumed treating wastewater from Foxwood and Turtle Lakes, and the utility files appropriate documentation for the escrow agreement as set forth herein. It is further

ORDERED that Mad Hatter Utility, Inc., shall establish an escrow account with an independent financial institution and shall file all necessary documentation for the establishment thereof. It is further

ORDERED that Mad Hatter Utility, Inc., shall deposit \$27,852 per month (pro rata) in the escrow account pending further Order of the Commission in Docket No. 910637-WS. The utility shall deposit said funds in the escrow account by the 20th of each month, with the first deposit to be made during the first month following implementation of the rates approved herein. It is further

ORDERED that Mad Hatter Utility, Inc., shall file a monthly report showing its monthly collections and the aggregate balance in the escrow account. It is further

ORDERED that funds shall be released from the escrow account to pay for the Pasco County bulk wastewater treatment on a periodic basis upon submittal of the appropriate invoices and verification by the staff of this Commission. It is further

ORDERED that upon the filing and staff's approval of the revised tariff sheets, this docket shall be closed, as final disposition of escrowed funds will be considered in Docket No. 910637-WS.

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By ORDER of the Florida Public Service Commission, this 12th
day of February, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MJF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) 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. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

MAD HATTER UTILITY, INC. - TURTLE LAKES
STATEMENT OF WASTEWATER OPERATIONS
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-A
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION INCR. / DECR.	COMMISSION APPROVED INTERIM TY	COMMISSION APPROVED INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 74,119	\$ 142,566	\$ 216,685	(110,037)\$	106,648	97,031	203,679
OPERATING EXPENSES						90.98%	
2 OPERATION AND MAINTENANCE	\$ 87,553	\$ 104,650	\$ 192,203	(103,629)\$	88,574	92,665	181,239
3 DEPRECIATION	3,160	0	3,160	0	3,160	0	3,160
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	10,049	7,227	17,276	(4,956)	12,320	4,366	16,686
6 INCOME TAXES	0	83	83	(32)	51	0	51
7 TOTAL OPERATING EXPENSES	\$ 100,762	\$ 111,960	\$ 212,722	(108,617)\$	104,105	97,031	201,136
8 OPERATING INCOME	\$ (26,643)\$	\$ 30,606	\$ 3,963	(1,420)\$	2,543	0	2,543
9 RATE BASE	\$ 12,570	\$ 36,595	\$ 36,595	\$ 23,641	\$ 23,641	\$ 23,641	\$ 23,641
RATE OF RETURN	-211.96%		10.83%		10.76%		10.76%

MAD HATTER UTILITY, INC. - FOXWOOD
STATEMENT OF WASTEWATER OPERATIONS
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-A
DOCKET NO. 911206-SU
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION INCR. / DECR.	COMMISSION APPROVED INTERIM TY	COMMISSION APPROVED INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 183,775 \$	292,512 \$	476,287 \$	(244,664)\$	231,623 \$	237,196 \$	468,819
OPERATING EXPENSES						102.41%	
2 OPERATION AND MAINTENANCE	\$ 113,660 \$	229,914 \$	343,574 \$	(228,272)\$	115,302 \$	226,522 \$	341,824
3 DEPRECIATION	18,631	(3,427)	15,204	(450)	14,754	0	14,754
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	38,501	11,455	49,956	(11,010)	38,946	10,674	49,620
6 INCOME TAXES	0	1,378	1,378	(459)	919	0	919
7 TOTAL OPERATING EXPENSES	\$ 170,792 \$	239,320 \$	410,112 \$	(240,191)\$	169,921 \$	237,196 \$	407,117
8 OPERATING INCOME	\$ 12,983 \$	53,192 \$	66,175 \$	(4,473)\$	61,702 \$	0 \$	61,702
9 RATE BASE	\$ 713,680		\$ 611,033		\$ 573,481		\$ 573,481
RATE OF RETURN	1.82%		10.83%		10.76%		10.76%

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MAD HATTER UTILITY, INC. - TURTLE LAKES
ADJUSTMENTS TO OPERATING STATEMENTS
DOCKET NO. 911206-SU

SCHEDULE NO. 1-B
DOCKET NO. 911206-SU
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EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES		

To reflect increase in revenues due to purchase treatment	\$ 0	\$ 97,031
	=====	=====
(2) OPERATION AND MAINTENANCE EXPENSE		

A. To adjust for removal of purchased sewage treatment cost	\$ 0	\$ 108,274
B. To remove chemical adjustment relating to purchase treatment.		(1,507)
C. To remove sludge hauling adjustment relating to purchase treatment.	0	(3,588)
D. To remove purchased power assoc. with treatment plant.		(6,791)
E. To remove salaries & wages assoc. with treatment plant.		(3,458)
F. To remove benefits assoc. with above adjustment for salaries & wages.		(265)
	-----	-----
NET ADJUSTMENT	\$ 0	\$ 92,665
	=====	=====
(3) TAXES OTHER THAN INCOME		

To reflect RAF's associated with revenue	\$ 0	\$ 4,366
	=====	=====

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MAD HATTER UTILITY, INC. - FOXWOOD ADJUSTMENTS TO OPERATING STATEMENTS DOCKET NO. 911206-SU		SCHEDULE NO. 1-B DOCKET NO. 911206-SU PAGE 2 OF 4	
EXPLANATION	WATER	WASTEWATER	
(1) OPERATING REVENUES			

A. To reflect increase in revenue due to purchase treatment.	\$ 0	\$	237,196
	=====	=====	=====
(2) OPERATION AND MAINTENANCE EXPENSE			

A. To reflect provision for purchased treatment cost.	\$	0	\$ 232,986
B. Adjustment to chemical relating to purchase treatment.		0	(1,941)
C. To remove sludge hauling adjustment relating to purchase treatment.			(2,773)
D. To remove purchased power assoc. with treatment plant.			(1,750)
		-----	-----
NET ADJUSTMENT	\$	0	\$ 226,522
	=====	=====	=====
(3) TAXES OTHER THAN INCOME			

To reflect RAF's associated with revenue	\$	0	\$ 10,674
	=====	=====	=====