

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate ) DOCKET NO. 910976-WS  
increase in Brevard County by )  
FLORIDA CITIES WATER COMPANY, ) ORDER NO. PSC-92-0027-FOF-WS  
Barefoot Bay Division )  
\_\_\_\_\_ ) ISSUED: 3/10/92

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK  
J. TERRY DEASON  
LUIS J. LAUREDO

ORDER SUSPENDING PROPOSED RATES AND GRANTING  
INTERIM RATE INCREASE SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Florida Cities Water Company, Barefoot Bay Division, (FCWC or utility) is a class "A" utility providing water and wastewater service for a predominantly residential area in Barefoot Bay, Florida. As of August 31, 1991, the utility was serving about 4,300 customers.

On December 13, 1991, the utility filed the instant request for interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. On January 6, 1992, the utility cured the deficiencies which we found in its original filing, so that date is the official date of filing for this proceeding. Pursuant to Section 367.081(8), Florida Administrative Code, the utility requested that we process this case using our proposed agency action (PAA) procedure. The utility's rate request is based on historical information for the test year ending August 31, 1991.

SUSPENSION OF PROPOSED RATES

Pursuant to Section 367.081(6), Florida Statutes, the utility may implement its proposed rates within sixty (60) days of filing unless this Commission withholds consent to those rates. From our initial review of the filing, we note that the increases in operating expenses and rate base investments are substantial,

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apparently pervasive in scope, and as yet not fully explained. Upon consideration of the above, we find it reasonable and necessary to require further explanation, amplification, and corroboration of the utility's filing. Accordingly, we hereby withhold consent to the utility's implementation of its requested rates.

#### INTERIM RATES REQUEST

The utility's requested interim rates, as well as its final rates, are designed to generate the following in annual revenues: \$719,387 for the water system, an increase of \$123,982 (20.8%); \$851,106 for the wastewater system, an increase of \$360,726 (73.5%).

We find it appropriate to increase FCWC's rates on an interim basis as set forth below and in the schedules attached hereto, which are by reference incorporated herein.

#### Rate Base

Our calculation of the appropriate rate bases are depicted on Schedule No. 1-A for the water system and Schedule No. 1-B for the wastewater system. Adjustments appear on Schedule No. 1-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Used and Useful

In its minimum filing requirements (MFRs), the utility contends that all of its plant facilities should be considered 100% used and useful. For interim purposes, we will not make any used and useful adjustments to the utility's water treatment plant, water distribution facilities, or wastewater collection facilities. It appears that the water treatment plant is 100% used and useful since existing capacity is less than current demand and fire flow requirements. Also, our preliminary review indicates that the water distribution and wastewater collection lines are largely or wholly contributed. Any used and useful adjustment we might make to distribution or collection plant would be inconsequential, since such an adjustment would be matched by an offsetting adjustment to contributions-in-aid-of-construction (CIAC).

In order to be consistent with the used and useful calculation used in the utility's last rate case, however, we believe that an adjustment to the utility's proposed calculation for the wastewater treatment plant is appropriate. In its proposed used and useful calculation (page 187, MFRs), the utility compares the projected level of future connections, which is evidently based on development potential, to existing connections and then adds a 15% growth factor to arrive at a 100% used and useful figure.

The utility's proposed calculation is not consistent with our conventional method for calculating used and useful. Under the conventional method, used and useful is determined by comparing current demand to available capacity. Page 185 of the MFRs shows the information necessary to make this calculation; current demand is equivalent to 67.8% of available capacity. Therefore, for interim purposes, we have applied this percentage to plant and related accumulated depreciation, resulting in a \$215,056 net reduction to plant-in-service.

#### Advances for Construction

The utility's proposed rate bases are reduced by advances for construction, \$107,238 for the water system and \$186,500 for the wastewater system. These advances are credit accounts that offset debit provisions for plant-in-service. The utility's proposed rate bases include both advances and CIAC in their entirety, but the utility also claims that all of its plant is 100% used and useful.

In the utility's last rate case, we approved used and useful adjustments to plant, but denied all of the utility's proposed used and useful adjustments to CIAC and advances. See Order No. 12191, issued July 1, 1983, in Docket No. 820014-WS. We decided that CIAC should be wholly included, but that advances should be wholly excluded.

As noted above, for interim purposes in this case, we have made a \$215,056 used and useful adjustment to wastewater plant. Consistent with our treatment of advances in the utility's last rate case, we have removed the \$186,500 in advances shown in the MFRs for the wastewater system. The impact of these adjustments is a \$28,556 net reduction to rate base for the wastewater system.

For interim purposes, we shall make no adjustments for advances in the water system rate base calculation. If we removed

the \$107,238 balance for advances, water system rate base would exceed the utility's requested amount. In addition, unlike the wastewater system rate base, we have made no used and useful adjustments to the water system; therefore, any excluded advances would represent an uncounted source of funds.

#### Working Capital

In its MFRs, the utility used the formula method (one-eighth of operation and maintenance expense) to calculate working capital. As this was the method which we used in the utility's last rate case, we shall use the same method here.

Since we have reduced test year operating expenses, as is shown below, we must make a corresponding adjustment to working capital. The working capital provision which we shall allow for interim purposes are \$58,717 for the water system and 57,745 for the wastewater system.

#### Interim Rate Base

In consideration of the foregoing, we find that the proper average rate bases by which to measure interim increases are \$950,961 for the water system and \$1,726,300 for the wastewater system.

#### Cost of Capital

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

As mentioned above, the utility requested approval of the same revenues on a final and interim basis. It did not submit a separate calculation for its interim revenue requirement, but it did submit a separate rate calculation for interim rates. The utility's requested return on equity was derived using our current leverage formula as contained in Order No. 24246, issued March 18, 1991. Therefore, the requested cost of capital for interim rates was not calculated in accordance with Section 367.082, Florida Statutes.

According to Section 367.082, we must compare a utility's achieved rate of return during the most recent twelve-month period with its required rate of return. The required rate of return, according to the aforementioned section, is calculated using the lower end of the range of the utility's last authorized return on equity.

We have calculated the required rate of return using the 15.26% minimum of the range of the return on equity which we established for this utility in Order No. 12191, issued July 1, 1983. Accordingly, we find that the utility's required rate of return for interim purposes is 11.2%.

#### Net Operating Income

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

As noted above, pursuant to Section 367.082, an interim rate increase must be based on a utility's failure to achieve its required rate of return during the most recent twelve months. The utility's achieved rate of return must be measured consistent with adjustments used in its most recent rate case. Furthermore, we interpret Section 367.082, so as to generally preclude adjustments which reflect post-test year conditions, such as pro forma adjustments, since such items did not affect the utility's achieved rate of return.

The utility's requested revenue requirement, being the same for both final and interim purposes, includes pro forma provisions for rate case charges and added depreciation expenses. For interim purposes, we shall disallow recovery of these two items. By removing the rate case costs, we reduce test year expenses by \$16,250 for each system. By removing the pro forma depreciation charges, we reduce test year expense by \$6,629 for the water system and by \$34,894 for the wastewater system.

Finally, we note that our used and useful adjustment to the wastewater treatment plant, which is discussed above, necessitates

a \$5,892 reduction to depreciation expense for the wastewater system.

Revenue Requirement

In order to give the utility the opportunity to recover its actual operating expenses for the year ended August 31, 1991, and to earn a 11.2% rate of return on average rate base, we shall allow the utility to collect interim rates designed to generate the following in annual revenues: \$711,911 for the water system, an increase of \$113,964 (19.06%), and \$817,948 for the wastewater system, an increase of \$336,337 (69.84%).

Interim Rates

The utility's current rates, proposed interim rates, proposed final rates, and our approved interim rates are shown below. The approved interim rates are designed to give the utility the opportunity to earn the interim revenue requirements determined above.

BAREFOOT BAY DIVISION

Water Rates

Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 5.07	\$ 6.10	\$ 6.10	\$ 6.04
3/4"	7.59	9.14	9.15	9.05
1"	12.66	15.24	15.25	15.09
1-1/2"	25.29	30.44	30.50	30.14
2"	40.48	48.72	48.80	48.25
3"	80.95	97.43	97.60	96.48
4"	126.47	152.22	152.50	150.74
6"	252.99	304.50	305.00	301.54
Gallonge Charge	\$ 1.55	\$ 1.87	\$ 1.87	\$ 1.85

Wastewater Rates

Residential Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
All Sizes	\$ 4.33	\$ 7.66	\$ 7.88	\$ 7.35
Gallonge Charge	\$ 1.59	\$ 2.81	\$ 2.72	\$ 2.70
Maximum Gallons	6M	6M	6M	6M
Minimum Bill	\$ 4.33	\$ 7.66	\$ 7.88	\$ 7.35
Maximum Bill	\$13.87	\$24.52	\$24.20	\$23.55

Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 4.33	\$ 7.66	\$ 7.88	\$ 7.35
3/4"	6.54	11.58	11.82	11.11
1"	10.88	19.26	19.70	18.48
1-1/2"	21.75	38.50	39.40	36.94
2"	34.79	61.59	63.04	59.09
3"	69.57	123.15	126.08	118.16
4"	108.69	192.40	197.00	184.60
6"	217.38	384.81	394.00	369.20
Gallonge Charge (No Maximum)	\$ 1.59	\$ 2.81	\$ 3.26	\$ 2.70

To implement the approved interim rates, the utility must submit tariff sheets revised to be consistent with our decision. Said tariff sheets shall be accompanied by a proposed customer notice which shows the approved interim increase and which explains the reasons and conditions therefor.

The approved interim rates cannot be implemented until the revised tariff sheets are stamped approved. The interim rates shall be effective for meters read on or after thirty days from the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision herein, that the proposed notice to the customers of the approved interim increase is adequate, and that the security required below has been filed and accepted.

#### SECURITY FOR REFUND

Pursuant to Section 367.082(2)(a), Florida Statutes, the excess of interim rates over previously authorized rates shall be collected under guarantee subject to refund with interest. We believe that a corporate undertaking in the amount of \$250,000 is sufficient to protect any potential refund of revenues collected under interim conditions. As described above, the utility must provide said security prior to its implementation of the interim rates approved herein. Furthermore, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide us with a report by the 20th of each month indicating the monthly and total revenues collected subject to refund.

It is, therefore

ORDERED by the Florida Public Service Commission that the rates and schedules proposed by Florida Cities Water Company, Barefoot Bay Division, are hereby suspended in accordance with Section 367.081(6), Florida Statutes. It is further

ORDERED that the request for an interim increase in water and wastewater rates by Florida Cities Water Company, Barefoot Bay Division, is hereby granted in part, as set forth in the body of this Order. It is further

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ORDERED that the difference between the interim rates granted herein and Florida Cities Water Company, Barefoot Bay Division's previously authorized rates shall be collected subject to refund, with interest. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, shall provide a corporate undertaking in the amount of \$250,000 as guarantee for any potential refund of interim revenues. It is further

ORDERED that prior to its implementation of the interim rates approved herein, Florida Cities Water Company, Barefoot Bay Division, shall file and have approved tariff pages revised in accordance with the provisions of this Order, a proposed customer notice, and the appropriate security for a refund. It is further

ORDERED that the interim rates approved herein shall become effective for meters read on or after thirty days from the stamped approval date on the revised tariff sheets. The tariff sheets will be stamped approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the appropriate security has been provided. It is further

ORDERED that during the time that interim rates are in effect, Florida Cities Water Company, Barefoot Bay Division, shall pursuant to Rule 25-30.360(6), Florida Administrative Code, file a report by the twentieth (20th) day of each month indicating the monthly and total revenues collected subject to refund.

By ORDER of the Florida Public Service Commission this 10th day of MARCH, 1992.

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STEVE TRIBBLE, Director,  
Division of Records and Reporting

( S E A L )

MJF

By Kay Flynn  
Chief, Bureau of Records

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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 sewer 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.

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION				SCHEDULE NO. 1-A	
SCHEDULE OF WATER RATE BASE				DOCKET NO. 910976-WS	
TEST YEAR ENDED AUGUST 31, 1991					
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 4,146,293	\$ 0	\$ 4,146,293	\$	4,146,293
2 LAND	5,637	0	5,637		5,637
3 NON-USED & USEFUL COMPONENTS		0	0		0
4 ACCUMULATED DEPRECIATION	(726,681)	0	(726,681)		(726,681)
5 CONSTRUCTION WORK IN PROGRESS	28,306	(28,306)	0		0
6 CIAC	(2,936,285)	0	(2,936,285)		(2,936,285)
7 AMORTIZATION OF CIAC	510,518	0	510,518		510,518
8 ADVANCES FOR CONSTRUCTION	(107,238)	0	(107,238)		(107,238)
9 WORKING CAPITAL ALLOWANCE	58,717	2,031	60,748	(2,031)	58,717
<b>RATE BASE</b>	<b>\$ 979,267</b>	<b>\$ (26,275)</b>	<b>\$ 952,992</b>	<b>(2,031)</b>	<b>950,961</b>

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
 SCHEDULE OF WASTEWATER RATE BASE  
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 1-B  
 DOCKET NO. 910976-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 4,374,860	\$ 0	\$ 4,374,860	\$ 0	4,374,860
2 LAND	363,923	0	363,923	0	363,923
3 NON-USED & USEFUL COMPONENTS	0	0	0	(215,056)	(215,056)
4 ACCUMULATED DEPRECIATION	(795,024)	0	(795,024)	0	(795,024)
5 CONSTRUCTION WORK IN PROGRESS	5,802	(5,802)	0	0	0
6 CIAC	(2,557,980)	0	(2,557,980)	0	(2,557,980)
7 AMORTIZATION OF CIAC	497,832	0	497,832	0	497,832
8 ADVANCES FOR CONSTRUCTION	(186,500)	0	(186,500)	186,500	0
9 WORKING CAPITAL ALLOWANCE	57,745	2,031	59,776	(2,031)	57,745
<b>RATE BASE</b>	<b>\$ 1,760,658</b>	<b>\$ (3,771)</b>	<b>\$ 1,756,887</b>	<b>\$ (30,587)</b>	<b>1,726,300</b>

**FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION**  
**ADJUSTMENTS TO RATE BASE**  
**TEST YEAR ENDED AUGUST 31, 1991**

**SCHEDULE NO. 1-C**  
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EXPLANATION	WATER	WASTEWATER
<b>NON-USED &amp; USEFUL COMPONENTS</b>		
1) Used and useful adjustment to plant		\$ (234,311)
2) Used and useful adjustment to accumulated depreciation		19,255
		-----
		\$ (215,056)
		=====
<b>ADVANCES FOR CONSTRUCTION</b>		
Adjustment to exclude advances for construction in setting interim rate base		\$ 186,500
		=====
<b>WORKING CAPITAL</b>		
Adjustment to reflect use of formula approach and interim reduction to operating expenses	\$ (2,031)	\$ (2,031)
	=====	=====

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION						SCHEDULE NO. 2-A DOCKET NO. 910976-WS				
CAPITAL STRUCTURE TEST YEAR ENDED AUGUST 31, 1991										
DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMM.	
1 LONG TERM DEBT	\$ 23,124,375	40.12%	10.01%	4.02%	\$ (22,050,392)	\$ 1,073,983	40.12%	10.01%	4.02%	
2 SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 CUSTOMER DEPOSITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
4 PREFERRED STOCK	4,500,000	7.81%	9.00%	0.70%	(4,291,003)	208,997	7.81%	9.00%	0.70%	
5 COMMON EQUITY	22,907,139	39.74%	12.74%	5.06%	(21,843,245)	1,063,894	39.74%	15.26%	6.06%	
6 INVESTMENT TAX CREDITS	2,132,581	3.70%	10.15%	0.38%	(2,033,536)	99,045	3.70%	11.20%	0.41%	
7 DEFERRED TAXES	4,981,109	8.64%	0.00%	0.00%	(4,749,768)	231,341	8.64%	0.00%	0.00%	
8 TOTAL CAPITAL	\$ 57,645,204	100.00%		10.15%	\$ (54,967,944)	\$ 2,677,260	100.00%		11.20%	
RANGE OF REASONABLENESS							LOW	HIGH		
							15.26%	17.26%		
							11.20%	11.99%		

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION			SCHEDULE NO. 2-B	
ADJUSTMENTS TO CAPITAL STRUCTURE			DOCKET NO. 910976-WS	
TEST YEAR ENDED AUGUST 31, 1991				
DESCRIPTION	SPECIFIC ADJUSTMENT (EXPLAIN)	SPECIFIC ADJUSTMENT (EXPLAIN)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$	\$	0 \$ (22,050,392)\$	(22,050,392)
2 SHORT TERM DEBT			0	0
3 CUSTOMER DEPOSITS			0	0
4 PREFERRED STOCK			(4,291,003)	(4,291,003)
5 COMMON EQUITY		0	(21,843,245)	(21,843,245)
6 INVESTMENT TAX CREDITS			(2,033,536)	(2,033,536)
7 DEFERRED INCOME TAXES			(4,749,768)	(4,749,768)
8 TOTAL CAPITAL	\$	0 \$	0 \$ (54,967,944)\$	(54,967,944)

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
 STATEMENT OF WATER OPERATIONS  
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 3-A  
 DOCKET NO. 910976-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
1 OPERATING REVENUES	\$ 572,433	\$ 146,954	\$ 719,387	(\$ 121,440)	\$ 597,947	\$ 113,964	\$ 711,911
<b>OPERATING EXPENSES</b>						19.06%	
2 OPERATION AND MAINTENANCE	\$ 469,736	\$ 16,250	\$ 485,986	(\$ 16,250)	\$ 469,736	\$	\$ 469,736
3 DEPRECIATION	35,659	6,629	42,288	(6,629)	35,659		35,659
4 AMORTIZATION	1,134	0	1,134		1,134		1,134
5 TAXES OTHER THAN INCOME	55,920	6,613	62,533	(5,465)	57,068	5,128	62,197
6 INCOME TAXES	39,087	(8,369)	30,718	(34,959)	(4,241)	40,955	36,713
7 TOTAL OPERATING EXPENSES	\$ 601,536	\$ 21,123	\$ 622,659	(\$ 63,303)	\$ 559,356	\$ 46,063	\$ 605,439
8 OPERATING INCOME	\$ (29,103)	\$ 125,831	\$ 96,728	(\$ 58,137)	\$ 38,591	\$ 67,881	\$ 106,472
9 RATE BASE	\$ 979,267		\$ 952,992		\$ 950,961		\$ 950,961
RATE OF RETURN	-2.97%		10.15%		4.06%		11.20%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
 STATEMENT OF WASTEWATER OPERATIONS  
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 3-B  
 DOCKET NO. 910976-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
1 OPERATING REVENUES	\$ 470,063	\$ 381,538	\$ 851,601	(369,990)	\$ 481,611	\$ 336,337	\$ 817,948
<b>OPERATING EXPENSES</b>						69.84%	
2 OPERATION AND MAINTENANCE	\$ 461,961	\$ 16,250	\$ 478,211	(16,250)	\$ 461,961	\$	\$ 461,961
3 DEPRECIATION	29,802	34,894	64,696	(40,786)	23,910		23,910
4 AMORTIZATION	977	0	977	0	977		977
5 TAXES OTHER THAN INCOME	55,697	17,170	72,867	(16,650)	56,217	15,135	71,353
6 INCOME TAXES	2,800	53,727	56,527	(110,925)	(54,398)	120,888	66,470
7 TOTAL OPERATING EXPENSES	\$ 551,237	\$ 122,041	\$ 673,278	(184,611)	\$ 488,667	\$ 136,004	\$ 624,671
8 OPERATING INCOME	\$ (81,174)	\$ 259,497	\$ 176,323	(185,379)	(7,056)	\$ 200,334	\$ 193,277
9 RATE BASE	\$ 1,760,658		\$ 1,756,887		\$ 1,726,300		\$ 1,726,300
RATE OF RETURN	-4.61%		10.15%		-0.41%		11.20%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION  
 ADJUSTMENTS TO OPERATING STATEMENTS  
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 3-C  
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EXPLANATION	WATER	WASTEWATER
<b>OPERATING REVENUES</b>		
Adjustment to reflect annualized test year revenues prior to interim rate increases	\$ (121,440)	\$ (369,990)
<b>OPERATING EXPENSES</b>		
Adjustment to remove pro forma provision for rate case expense	\$ (16,250)	\$ (16,250)
<b>DEPRECIATION</b>		
1) Adjustment to remove pro forma provision for added depreciation expense	\$ (6,629)	\$ (34,894)
2) Used and useful adjustment		(5,892)
	\$ (6,629)	\$ (40,786)
<b>TAXES OTHER THAN INCOME TAXES</b>		
Adjustment to reflect provision for RAF taxes consistent with annualized revenues	\$ (5,465)	\$ (16,650)
<b>INCOME TAXES</b>		
Adjustment to reflect provision for income taxes consistent with test year income	\$ (34,959)	\$ (110,925)
<b>OPERATING REVENUES</b>		
Recommended provision for interim rate increase	\$ 113,964	\$ 336,337
<b>TAXES OTHER THAN INCOME TAXES</b>		
Adjustment for RAF taxes	\$ 5,128	\$ 15,135
<b>INCOME TAXES</b>		
Adjustment to reflect increased income	\$ 40,955	\$ 120,868