

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate) DOCKET NO. 920148-WS  
increase in Pasco County by ) ORDER NO. PSC-92-1120-FOF-WS  
JASMINE LAKES UTILITIES ) ISSUED: 10/06/92  
CORPORATION )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

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

ORDER SUSPENDING PROPOSED RATES  
AND GRANTING INTERIM RATES, SUBJECT TO REFUND

BY THE COMMISSION:

Jasmine Lakes Utilities Corporation (Jasmine Lakes or Utility) is a Class B Utility providing water and wastewater services to over 1,500 residential customers of Jasmine Lakes subdivision and approximately 34 commercial customers in Port Richey, Florida. According to the information contained in the minimum filing requirements (MFRs), the total annual revenue for the water system for 1991 was \$341,585 and the net operating loss was \$15,548. The total annual revenue for the wastewater system filed in this application for 1991 was \$125,979 and the net operating loss was \$90,370.

On June 22, 1992, the Utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. The MFRs were deficient. On July 17, 1992, the Utility submitted the required information, and that date was established as the official filing date. The Utility has requested that the application be processed as a proposed agency action (PAA) pursuant to Section 367.081(8), Florida Statutes. The Utility's present rate of return was established in Order No. 9484, issued August 5, 1980.

The Utility has requested interim rates designed to generate annual revenues of \$389,640 for water and \$290,840 for wastewater. This represents a total increase of \$37,191 (10.55 percent) for water and \$164,861 (130.86 percent) for wastewater according to the Utility's MFRs. The Utility has requested final rates designed to generate annual revenues of \$520,486 for water and \$389,640 for wastewater. This represents a total increase, according to the

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Utility's MFRs, of \$168,037 (47.68 percent) for water and \$310,082 (246.14 percent) for wastewater. The test year for both interim and final purposes is the historical period ended December 31, 1991.

On January 1, 1992, Docket No. 920010-WU was opened to investigate the appropriate rate level for water service by the Utility. This investigation involves the Utility's nonpayment of purchased water costs to Pasco County. The docket is in monitor status as a result of litigation between Pasco County and the Utility. Two orders have been issued in that docket to escrow monies subject to refund as a result of the nonpayment to the County. Purchased water costs for the instant proceeding are at currently assessed rates, with an adjustment to be made to the final rates, pending resolution of the litigation.

#### SUSPENSION OF PROPOSED RATES

Pursuant to Section 367.081(6), Florida Statutes, the Utility may implement its proposed rates within sixty days of filing unless this Commission withholds consent to those rates. From our initial review of the filing, we find it reasonable and necessary to require further explanation, amplification, and corroboration of the Utility's filing. Accordingly, we hereby withhold consent of the Utility's implementation of its requested rates.

In addition, under the provisions of Section 367.081(8), Florida Statutes, the Utility may implement its requested rates, under bond and subject to refund, at the expiration of five months, if the Commission has not acted upon the requested rate increase or if the Commission's PAA action is protested by a party other than the Utility.

#### INTERIM RATES

Upon review of the information filed in the application, we find that, pursuant to Section 367.082, Florida Statutes, it is appropriate to increase Jasmine Lakes' annual revenues, on an interim basis by \$38,968 for water and by \$164,860 for wastewater.

#### Rate Base

The Utility's requested working capital amount is one-eighth of operation and maintenance expenses, which is consistent with the

Utility's last rate case. Since Jasmine Lakes is an "S" corporation and incurs no income tax liability, we find it appropriate not to allow income taxes.

In consideration of the foregoing, we find that the proper interim rate base for the water system is \$289,882 and for wastewater is \$625,667. The difference between the amount requested by the Utility and the amount approved herein results from the adjustment described below for private fire protection. While the incremental increase we are approving is greater than the amount requested by the Utility, the total approved interim revenue amount for water is the same as that requested by the Utility.

Our calculation of the appropriate rate bases is depicted on Schedule No. 1-A for the water system and on Schedule No. 1-B for the wastewater system.

#### Cost of Capital

Our calculation of the appropriate cost of capital is depicted on Schedule No. 2-A. This Commission established a return on equity for this Utility of 14% to 16% in Order No. 9484, issued August 5, 1980. Based on this rate of return on equity, we find the appropriate overall rate of return for interim purposes is 10.72%.

#### Net Operating Income

Our calculation of net operating income 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, Florida Statutes, 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. Further, we interpret Section 367.082, Florida Statutes, 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 requested recovery of additional expense for private fire protection. We believe an adjustment is appropriate in determining the interim revenue amount. This adjustment reflects the reduction in water revenue due to the elimination of income received for private fire protection. This revenue amount, \$1,777, is not permitted under the Utility's current tariff and therefore cannot be allowed in this interim rate determination.

#### Revenue Requirement

Based upon recovering of actual operating expenses for the year ended December 31, 1991, and allowance for the Utility's earning a 10.72 percent on average water system rate base and a 10.72 percent return on average wastewater rate base, we find it appropriate to increase, on an interim basis, the Utility's annual revenue requirement by \$38,968, or 11.11 percent, for water and \$164,860, or 130.86 percent, for wastewater.

#### 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 allow the Utility the opportunity to generate additional revenues of \$38,968 for the water system and \$164,860 for the wastewater system. This is an increase of 11.11 percent for water and 130.86 percent for wastewater over existing rates. We find these rates to be fair, just and reasonable.

WATER

Residential and General Service

<u>Meter Size</u>	<u>Existing Rates</u>	<u>Requested Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 2.96	\$ 3.27	\$ 11.83	\$ 3.27
1"	7.42	8.20	29.58	8.20
1-1/2"	14.84	16.41	59.15	16.41
2"	23.39	25.86	94.64	25.86
3"	47.40	52.40	189.28	52.40
4"	74.06	81.87	295.75	81.87
6"	148.12	163.75	591.50	163.75
8"	-		946.40	-
Gallon Charge (per 1,000 gallons)	\$ 3.33	\$ 3.68	\$ 3.29	\$ 3.68

WASTEWATER

Residential

<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>
<u>All Sizes</u>	\$ 3.50	\$ 8.08	\$ 14.57	\$ 8.08
Gal. Charge	\$ .77	\$ 1.78	\$ 2.07	\$ 1.78
Max.Gallons	10M	10M	10M	10M
Minimum Bill	\$ 3.50	\$ 8.08	\$ 14.57	\$ 8.08
Maximum Bill	\$ 11.20	\$ 25.88	\$ 35.27	\$ 25.88

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"	\$ 3.50	\$ 8.08	\$ 14.57	\$ 8.08
1"	8.80	20.32	36.43	20.32
1-1/2"	17.57	40.56	72.85	40.56
2"	28.11	64.89	116.56	64.89
3"	-	-	233.12	-
4"	-	-	364.25	-
6"	-	-	728.50	-
8"	-	-	1,165.60	-
Gallon Charge	\$ .77	\$ 1.78	\$ 2.49	\$ 1.78

(per 1,000 gallons)  
(No Maximum)

The interim rates shall be effective for meter readings 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 this Commission's decision, 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. The amount of a potential refund in this case has been calculated to be \$108,615. A review of the Utility's financial statements indicates that the Utility cannot support a corporate undertaking for \$108,615. Therefore, we find it appropriate to require the Utility to provide a bond, letter of credit or escrow agreement to guarantee the funds collected subject to refund. This bond, letter of credit or escrow agreement is in addition to the monies required to be escrowed by Orders Nos. 25790 and PSC-92-0260-FOF-WU in Docket No. 920010-WU.

If the security provided is an escrow account, said account should be established between the Utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of this Commission for the purpose set forth above, that no withdrawals of funds should occur without the prior approval of the Commission through the Director of the Division of Records and Reporting, that the account should be interest bearing, that information concerning the escrow account should be available from the institution to the Commission or its representative at all times, and that pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d. DCA 1972), escrow accounts are not subject to garnishments.

The Utility should deposit the funds to be escrowed, \$18,103, into the escrow account each month. If a refund to the customers is required, all interest earned by the escrow account should be distributed to the customers. If a refund to the customers is not required, the interest earned by the escrow account should revert to the Utility.

If the security provided is a bond or a letter of credit, said instrument should be in the amount of \$108,615. If the Utility chooses a bond as security, the bond should state that it will be released or should terminate upon subsequent order of the Commission addressing overearnings or requiring a refund. If the Utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered addressing overearnings or requiring a refund.

Irrespective of the type of security provided, the Utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the Utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the proposed final rate schedules proposed by Jasmine Lakes Utilities Corporation, 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 Jasmine Lakes Utilities Corporation is hereby approved to the extent set forth in the body of this Order. It is further

ORDERED that, prior to its implementation of the interim rates approved herein, Jasmine Lakes Utilities Corporation 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 water and wastewater rates shall be effective for meter readings on or after 30 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 Jasmine Lakes Utilities Corporation, shall guarantee the interim funds collected subject to refund as set forth in the body of this Order. It is further

ORDERED that during the time that interim rates are in effect, Jasmine Lakes Utilities Corporation, 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 6th day of October, 1992.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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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 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.

JASMINE LAKES UTILITIES CORPORATION  
SCHEDULE OF WATER RATE BASE  
TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 1-A  
DOCKET NO. 920148-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 595,751	\$ 0	\$ 595,751	\$ 0	595,751
2 LAND	2,570	0	2,570	0	2,570
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(238,399)	0	(238,399)	0	(238,399)
5 CIAC	(193,231)	0	(193,231)	0	(193,231)
6 AMORTIZATION OF CIAC	83,476	0	83,476	0	83,476
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
9 DEFERRED TAXES	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	39,715	0	39,715	0	39,715
<b>RATE BASE</b>	<b>\$ 289,882</b>	<b>\$ 0</b>	<b>\$ 289,882</b>	<b>\$ 0</b>	<b>289,882</b>

JASMINE LAKES UTILITIES CORPORATION  
SCHEDULE OF WASTEWATER RATE BASE  
TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 1-B  
DOCKET NO. 920148-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 918,016	\$ 0	\$ 918,016	\$ 0	918,016
2 LAND	5,802	0	5,802	0	5,802
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(215,661)	0	(215,661)	0	(215,661)
5 CIAC	(162,245)	0	(162,245)	0	(162,245)
6 AMORTIZATION OF CIAC	58,270	0	58,270	0	58,270
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
9 DEFERRED TAXES	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	21,485	0	21,485	0	21,485
<b>RATE BASE</b>	<b>\$ 625,667</b>	<b>\$ 0</b>	<b>\$ 625,667</b>	<b>\$ 0</b>	<b>625,667</b>

JASMINE LAKES UTILITIES CORPORATION  
 CAPITAL STRUCTURE  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 2 - A  
 DOCKET NO. 920148-WS

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 COMMISSION
1 LONG TERM DEBT	\$ 784,150	85.65%	10.21%	8.74%	\$ 0	\$ 784,150	85.65%	10.21%	8.74%
2 SHORT-TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY	127,652	13.94%	14.00%	1.95%	0	127,652	13.94%	14.00%	1.95%
5 CUSTOMER DEPOSITS	3,747	0.41%	8.00%	0.03%	0	3,747	0.41%	8.00%	0.03%
7 DEFERRED ITC'S	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
8 OTHER	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
9 TOTAL CAPITAL	\$ 915,549	100.00%		10.72%	\$ 0	\$ 915,549	100.00%		10.72%

RANGE OF REASONABLENESS

LOW HIGH

RETURN ON EQUITY

14.00% 16.00%

OVERALL RATE OF RETURN

10.72% 11.00%

JASMINE LAKES UTILITIES CORPORATION  
 STATEMENT OF WATER OPERATIONS  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 3-A  
 DOCKET NO. 920148-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 341,585	\$ 48,055	\$ 389,640	(\$ 38,968)	\$ 350,672	\$ 38,968	\$ 389,640
OPERATING EXPENSES:						11.11%	
2 OPERATION AND MAINTENANCE	\$ 317,720	\$ 0	\$ 317,720	\$ 0	\$ 317,720	\$	\$ 317,720
3 DEPRECIATION	11,505	0	11,505	0	11,505		11,505
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	27,908	1,432	29,340	(1,754)	27,586	1,754	29,340
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 357,133	\$ 1,432	\$ 358,565	(\$ 1,754)	\$ 356,811	\$ 1,754	\$ 358,565
8 OPERATING INCOME	\$ (15,548)	\$ 46,623	\$ 31,075	(\$ 37,214)	(\$ 6,139)	\$ 37,215	\$ 31,075
9 RATE BASE	\$ 289,882		\$ 289,882		\$ 289,882		\$ 289,882
RATE OF RETURN	-5.36%		10.72%		-2.12%		10.72%

JASMINE LAKES UTILITIES CORPORATION  
 STATEMENT OF WASTEWATER OPERATIONS  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 3-B  
 DOCKET NO. 920148-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 125,979	\$ 164,861	\$ 290,840	(\$ 164,861)	\$ 125,979	\$ 164,860	\$ 290,839
OPERATING EXPENSES							130.86%
2 OPERATION AND MAINTENANCE	\$ 171,879	\$ 0	\$ 171,879	\$ 0	\$ 171,879	\$	\$ 171,879
3 DEPRECIATION	20,248	0	20,248	0	20,248		20,248
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	24,222	7,419	31,641	(7,419)	24,222	7,419	31,641
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 216,349	\$ 7,419	\$ 223,768	(\$ 7,419)	\$ 216,349	\$ 7,419	\$ 223,768
8 OPERATING INCOME	\$ (90,370)	\$ 157,442	\$ 67,072	(\$ 157,442)	\$ (90,370)	\$ 157,442	\$ 67,072
9 RATE BASE	\$ 625,667		\$ 625,667		\$ 625,667		\$ 625,667
RATE OF RETURN	-14.44%		10.72%		-14.44%		10.72%

JASMINE LAKES UTILITIES CORPORATION  
 ADJUSTMENTS TO OPERATING STATEMENTS  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 3-C  
 DOCKET NO. 920148-WS  
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EXPLANATION	WATER	WASTEWATER
<b>(1) OPERATING REVENUES</b>		
a) Reverse revenue increase that the utility contends is needed to achieve its revenue requirement	\$ (37,191)	\$ (164,861)
b) Adj. to remove fire protection revenue per rate analyst	(1,777)	0
	-----	-----
	\$ (38,968)	\$ (164,861)
	=====	=====
 <b>(2) TAXES OTHER THAN INCOME TAXES</b>		
Regulatory assessment fees related to revenue adjustment	\$ (1,754)	\$ (7,419)
	-----	-----
	\$ (1,754)	\$ (7,419)
	=====	=====
 <b>(3) OPERATING REVENUES</b>		
Additional revenues for receipt of compensatory earnings	\$ 38,968	\$ 164,860
	=====	=====
 <b>(4) TAXES OTHER THAN INCOME TAXES</b>		
Regulatory assessments fees related to revenue adjustment	\$ 1,754	\$ 7,419
	=====	=====