

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a) DOCKET NO. 920344-SU
Staff-Assisted Rate Case in) ORDER NO. PSC-92-1446-FOF-SU
Collier County by EAGLE CREEK) ISSUED: 12/14/92
UTILITY II, INC.)
_____)

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 TEMPORARY RATES IN
THE EVENT OF PROTEST AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

Eagle Creek Utility II, Inc. (Eagle Creek or utility) is a Class "C" wastewater utility located in Collier County. The utility provides wastewater service to approximately 240 residential customers and seven general service customers. Eagle Creek is wholly owned by Eagle Creek Holdings. Eagle Creek Utility Company (Eagle Creek Utility) was granted Certificate No. 406-S on October 5, 1987. By Order 19721, issued July 26, 1988, this Commission approved the transfer of Certificate Number 406-S from Eagle Creek Utility Company to Eagle Creek.

On April 15, 1992, the utility applied for the instant staff-assisted rate case and subsequently paid the appropriate filing fee. The test year is the twelve-month period ending March 31, 1992.

DOCUMENT NUMBER-DATE

14463 DEC 14 1992

FPSC-RECORDS/REPORTING

The utility's books reflect operating revenues of \$67,235 during the test year and \$225,542 in operating expenses, resulting in a recorded net operating loss of \$158,307.

The South Florida Water Management District has designated Collier County as a critical use area. Water users in critical use areas are required to initiate methods of conservation. The steps the utility has taken to implement a treated wastewater reuse program are discussed herein.

QUALITY OF SERVICE

On September 30, 1992, a customer meeting was held at the Eagle Creek Country clubhouse near Naples, Florida. Nine customers attended this meeting, and five customers testified. None of the customers commented negatively about the quality of service provided by the utility. Several customers complained about the date of the customer meeting.

By letter, one customer requested that the customer meeting be rescheduled to early 1993 to accommodate the large number of winter residents who would be unable to attend the meeting. The customer added that the utility's current operating losses were due to mismanagement and poor planning, and, therefore, the customers should not be required to pay for the utility's inefficiencies. By letter, our staff, informed the customer that statutory requirements for completing a staff-assisted rate case prohibited us from rescheduling the customer meeting to a later date.

One customer expressed concerns about the wastewater treatment plant expansion and that existing customers may be paying for capacity that is not needed. He also stated that some of the operating expenses may be excessive due to the expansion. Our review of operating expenses indicates that there is no appreciable difference in operating expenses associated with the plant expansion.

Another customer complained that because of Hurricane Andrew he had experienced backups and odors. However, he considered these problems isolated incidents. A third customer testified that the quality of service provided by the utility was very good.

All required wastewater tests are up-to-date and the results are satisfactory. The Department of Environmental Regulation (DER) does not have any open citations or deficiencies against Eagle Creek. Therefore, in consideration of the foregoing, we find that the utility's quality of service is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The wastewater treatment plant has a maximum capacity of 200,000 gallons per day (gpd). The average daily flow of the peak flow month during the test year was 46,000 gpd. With no adjustments for excessive infiltration, and 10,661 gallons per day allowed for margin reserve considerations, we find that the wastewater treatment plant is 28 percent used and useful.

The wastewater collection system currently has a connection capacity of 446 customers. With a test year average of 233 customers, and 47 customers added for margin reserve considerations, we find that the wastewater collection system is 63 percent used and useful.

Working Capital

We find it appropriate to use the formula method in calculating the working capital allowance of this utility, that is, one-eighth of operation and maintenance expenses. In a later section of this Order, we find that the appropriate operation and maintenance expense is \$79,324. Therefore, we have included one-eighth of that amount, \$9,916, in rate base as the utility's allowance.

Plant-in-Service

In Order No. 19721, issued July 26, 1988, we established year-end rate base as of November 9, 1987, of \$677,170. No adjustments were made to this amount for used and useful plant or any averaging adjustments. In addition, rates were not set based on this amount. However, as of November, 1987, the utility's plant balances did not agree with the balances established by Order No. 19721. Therefore, we have reconciled the utility's plant balances with the amount established by Order No. 19721 and updated the balances for plant additions through March 31, 1992.

According to our audit, an affiliated company, Eagle Creek Properties paid for and recorded utility plant of \$314,314 on its books. The utility failed to record this amount on its books. Therefore, to reflect this unrecorded plant we have increased plant by \$314,314. We have also increased plant by \$2,834 to reflect a reclassification from operation and maintenance expense. Having made these adjustments for average balances, we find that the appropriate plant-in-service amount is \$1,402,536.

Plant Held for Future Use

We calculated plant held use for future based on the used and useful percentages of plant. We have determined that the wastewater treatment plant is 28 percent used and useful and the wastewater collection system is 63 percent used and useful. By applying the appropriate nonused and useful percentages to the appropriate plant accounts we find that plant held for future use, net of contributed plant, is (\$588,567). Accumulated depreciation associated with plant held for future use is \$109,184 and the averaging adjustment to accumulated depreciation is (\$16,419). Therefore, we find plant held for future use is (\$495,802).

Land

By Order No. 19721, issued July 26, 1988, land value for the utility was established at \$86,074. There have been no additions to land since that date. Therefore, we find the appropriate amount to include in rate base for land is \$86,074.

Contributions-in-aid-of construction (CIAC)

Order No. 19721, reflected a CIAC balance of \$133,760. The utility's books, however, did not reflect this amount. In addition, we have reconciled the utility's CIAC balances with the amount established by Order No. 19721, and added the unrecorded contributed plant of \$314,314. The utility failed to record \$314,314 of plant paid for by the parent company. In addition, we have increased CIAC by \$50,160 because several connection fees were never transferred from Eagle Creek Properties' books to the utility's books. In addition, an allowance for funds prudently invested (AFPI) of \$54,723 was recorded in CIAC on the utility's books. We have removed the AFPI from the CIAC account because AFPI is a below-the-line item. Further, a CIAC fee of \$2,300 was recorded twice on the utility's books, so we have removed this amount from CIAC. In addition, we have imputed CIAC associated with margin reserve in the amount of \$71,440. The average

adjustment to CIAC is \$18,240. Therefore, we find the appropriate balance of CIAC is 762,714.

Accumulated Depreciation

Using the guidelines of Rule 25-30.140, Florida Administrative Code, we have updated the accumulated depreciation total established by Order No. 19721 through March 31, 1992. We find the appropriate average amount of accumulated depreciation to include in rate base is \$237,225.

Amortization of CIAC

We calculated amortization of CIAC using the guidelines of Chapter 25-30.140, Florida Administrative Code. We find the appropriate amount to include in rate base for amortization of CIAC is \$105,485.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base for this utility to be \$108,270.

COST OF CAPITAL

Return on Equity

According to our audit, 11.44 percent of the utility's total capital is equity. Using the leverage formula approved in Order No. PSC-92-0686-FOF-WS, issued July 21, 1992, we find that the appropriate return on equity is 12.44 percent.

Overall Rate of Return

88.56 percent of the utility's capital structure is debt. We calculated the cost of debt using the average year end balances of the various debt instruments, which resulted in a 7.92 percent cost of debt.

We reconciled the utility's capital structure components with the rate base approved herein. The resulting pro rata adjustments yield weighted costs of 1.42 percent on equity and 7.02 percent on debt. Using these figures, we have calculated that the proper overall rate of return is 8.44 percent.

Capital structure and the overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

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

Test Year Revenue

The utility recorded test year revenue of \$67,235. According to our audit the utility's billing register did not reconcile to the utility's general ledger. Therefore, we have increased test year revenue by \$2,643 in order to match the utility's test year authorized rates to the test year billing analysis. Further, in May, 1992, a price index increased wastewater rates. Therefore, an adjustment of \$4,160 is necessary to reflect annualize revenue at the indexed rate. We have therefore increased test year revenues by \$6,803.

Test Year Operating Expenses

The utility recorded operating expenses of \$225,542 during the test year. The components of the utility's expenses include operation and maintenance expense of \$121,403, depreciation expense of \$91,558, amortization of CIAC of \$8,931, and taxes other than income of \$3,650.

Operation and maintenance expenses reflected in the utility's records were traced to invoices and source documentation for verification of the appropriate account, amount, and reasonableness. A summary of the adjustments follows.

Operation and Maintenance Expense (O&M)

1. Sludge Removal Expense-We have adjusted this account by \$780 to reflect reclassification to the contractual services account.
2. Purchased Power Expense -The utility recorded purchased power expense of \$6,502. We have adjusted this account by \$74 to reflect the accrued total for the test year.
3. Contractual Services-The utility recorded contractual services expense of \$113,387. We have reduced this account by \$547 to reflect a non recurring lab expense. Further, we have reduced

plant operator expense by \$1,210 to reflect a non-recurring expense. The utility recorded an operator allowance of \$6,918 for January and March of 1991. We have reduced this expense by \$6,918 to remove a prior period expense.

The utility also contracts annually for operations, maintenance and labor costs at \$29,100. However, the utility recorded only \$27,421 for this allowance. Therefore, we have increased this expense by \$1,679 to reflect the contractual annual allowance.

An affiliated company provides management services for the utility at an annual cost of \$15,000. We believe that this fee is excessive for a utility the size of Eagle Creek and find that an annual allowance of \$4,800 is appropriate. Therefore, we have reduced the utility's management fee allowance by \$10,200.

We have also removed \$3,949 for a non-recurring legal expense, added \$3,995 for ground maintenance, and increased test year accounting expense by \$550. Further, we have reclassified several items including \$24,000 to rent; \$2,834 to plant-in-service; \$780 to the sludge removal account; and \$2,634 to insurance. In total, we reduced contractual services by \$46,848.

4. Rent - The utility recorded \$24,000 in the contractual service account for rent which has been reclassified to this account. The utility shares office space with four related companies. The office is located in a mobile home which is owned by the utility's parent Eagle Creek Holdings. We believe that this \$24,000 rent expense is excessive and find that an appropriate amount for a monthly rent allowance is 200. Therefore, we have reduced rent expense by \$21,600 to reflect our approved amount of \$2,400 annually.
5. Insurance Expenses - The utility recorded \$439 for insurance expense. According to our audit, test year insurance expense is \$2,634. We have therefore adjusted this amount to \$2,195 to reflect the appropriate test year amount.
6. Regulatory Commission Expense - We have increased this account by \$225 to reflect the filing fee for this rate case amortized over four years.
7. Miscellaneous Expense - We have reduced miscellaneous expense by \$905 to reflect the accrued total for the test year.

Depreciation Expense (Net of Amortization of CIAC)

By applying the prescribed depreciation rates to the appropriate used and useful plant-in-service account balances we have calculated depreciation expenses to be \$33,911 for the test year. Applying the composite depreciation rates to the appropriate CIAC account balances offsets depreciation expense by \$30,866 during the test year. Therefore, the net depreciation expense is \$3,045.

Taxes Other Than Income

The utility recorded property taxes of \$3,650. We have increased this expense by \$3,742 to reflect the test year amount based on the tax bill. This expense has been adjusted by an additional \$3,332 to reflect the regulatory assessment fee on test year revenue.

Taxes Other Than Income Taxes

This expense has been adjusted by an additional \$1,328 to reflect the regulatory assessment fee of 4.5 percent on the increase in revenue.

Operating Expenses Summary

Based on the foregoing, the appropriate amount of operating expenses results is \$94,421.

Test Year Operating Loss

The test year operating revenue for Eagle Creek is \$74,038, while the corresponding test year operating expenses \$93,093. Therefore, the utility has a test year operating loss of \$19,055.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and the adjustments made herein, we find that the appropriate revenue requirement is \$103,559. Accordingly, we find it appropriate to approve an annual increase in revenue of \$29,521 (39.87 percent). These revenue requirements will allow the utility the opportunity to recover its expenses and earn an 8.44 percent return on its investment.

RATES AND RATE STRUCTURE

The utility currently utilizes our preferred rate structure the base facility/gallongage charge structure (BFC); therefore, we are not changing the rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the BFC and pays for his or her usage through the gallongage charge.

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

WASTEWATER

QUARTERLY RATES

Residential Service

<u>Base Facility Charge</u>	
<u>Meter Size</u>	<u>Existing</u>
All Meter Sizes	\$50.06
Single family homes, villas, garden apartments and chalets.	
<u>Gallongage Charge</u>	
Per 1,000 gallons	
Maximum 27,000 Gallons	\$ 2.09
<u>Base Facility Charge</u>	Commission
<u>Meter Size</u>	Approved
All meter sizes	<u>Rates</u>
Single family homes, villas, garden apartments and chalets.	\$59.64
<u>Gallongage Charge</u>	
Per 1,000 gallons	
Maximum 30,000 gallons	\$ 3.18

Miscellaneous Service Charges

The utility's current tariff does not contain a provision for miscellaneous service charges. We hereby authorize the utility to charge the miscellaneous service charges set forth below. These charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the rate paying body as a whole. The applicable rates and definitions of the four types of miscellaneous service charges follow.

Wastewater Charges

Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	Actual Cost
Premises Visit	\$10.00

Where both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. Actual cost for a wastewater violation reconnection is limited to materials and equipment rental.

A definition of each charge is provided for clarification:

- 1) Initial Connection - This charge would be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection - This charge would be levied for transfer of service to a new customer account at a previously served location or reconnection of service subsequent to a customer requested disconnection.
- 3) Violation Reconnection - This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.
- 4) Premises Visit Charge (in lieu of disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectable bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved above will be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately after the four year period by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

The utility incurred rate case expense of \$900 in regulatory commission expense. Based on the above-mentioned statute, the appropriate recovery period for this expense is four years, which allows the utility to recover \$225 per year through its rates. Once the annual regulatory commission expense recovery is grossed up to reflect regulatory assessments fees, the annual recovery increases to \$236.

At the end of four years, Eagle Creek's rates shall be reduced by \$236. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this is an approximate \$.09 reduction in the base facility charge for a 5/8" X 3/4" meter, and \$.01 reduction in the gallonage charge for general service. Our rates are shown on Schedule No. 4.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

REUSE OF TREATED WASTEWATER

Water use in the utility's service area is under the jurisdiction of the South Florida Water Management District (SFWMD). SFWMD has designated the region where the utility is located as a critical use area, thereby requiring water conservation methods to be implemented.

In the instant case, effluent is transferred to at a golf course owned by the parent of the utility at no charge. We believe that this method for effluent disposal provides the lowest cost alternative for the utility. If the golf course was charged for the reuse water a negative impact on the utility may result. At the same time, although reuse goals are being satisfied, it appears that the golf course is under no active pressure to use effluent. In fact, the amount of effluent used is but a small fraction of the total quantity actually employed by the gold course for irrigation purposes. The majority of the water comes from surface water supplies. If necessary, the golf course has adequate permitted pumping capacity to accommodate itself without using treated effluent. Further, some disposal expenses are actually paid for by the golf course. These costs are for sample testing from monitoring wells located throughout the golf course area. The testing is necessary and would normally be incurred by the utility, thus bringing savings to the utility's customers.

We believe that wastewater reuse is adequately addressed in this proceeding. We find that it is not appropriate at this time to implement a charge for reuse. Therefore, the reuse charge is zero. A reuse charge may be appropriate in the future if effluent flows increase and requirements for conservation escalate.

The reuse charge of \$0 approved herein shall be effective on or after the stamped approval date on the revised tariff sheet. The revised tariff sheet will be approved upon our Staff's verification that the tariff sheet is consistent with our decision herein and that the proposed customer notice is adequate.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund, provided that the utility first furnishes and has approved by Commission Staff adequate security for a potential refund through a bond, letter of credit in the amount of \$20,159, or an escrow agreement, as well as a proposed customer notice and revised tariff sheets.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If the security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose (s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility should file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Eagle Creek Utility, II, Inc., for an increase in its wastewater rates in Collier County is approved as set forth in the body of this Order. It is further

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

ORDERED that all matters contained in the body of this Order and in the schedules attached hereto are by referenced incorporated herein. It is further

ORDERED that the provisions of this Order are issued as proposed agency action, except for the provision for temporary rates, subject to refund, in the event of a protest, and shall become final, unless an appropriate petition in the form provided by Rule 25-022.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Eagle Creek II, Inc., is authorized to charge the new rates and charges set forth in the body of this Order. It is further

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

ORDERED that the miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that prior to its implementation of the rates approved herein, Eagle Creek II, Inc. shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be improved upon Staff's verification that it is consistent with our decision herein. It is further

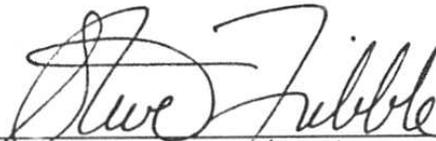
ORDERED that prior to its implementation of the temporary rates approved herein, Eagle Creek II, Inc. shall submit and have approved a bond or letter of credit in the amount of \$20,159 or an escrow agreement as a guarantee of any potential refunds collected on a temporary basis as set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the rates approved herein, Eagle Creek II, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Eagle Creek II, Inc. is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that the utility has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that in the event no timely protest is received, and Staff has approved both the revised tariff sheets, and the proposed customer notice, this Docket shall be closed.

By Order of the Florida Public Service Commission this 14th day of December, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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.

The action proposed herein, except for the granting of temporary rates in the event of a protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 4, 1993.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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DOCKET NO. 920344-SU
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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or 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 of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

EAGLE CREEK UTILITY II, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED MARCH 31, 1992

SCHEDULE NO. 1
 DOCKET NO.920344-SU

	TEST YEAR PER UTILITY	COMM. ADJUST TO UTIL. BAL.	BALANCE PER COMM.
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UTILITY PLANT IN SERVICE	\$ 1,077,017 A \$	325,519	\$ 1,402,536
LAND/NON-DEPRECIABLE ASSETS	86,074	0	86,074
PLANT HELD FOR FUTURE USE	0 B	(495,802)	(495,802)
ACQUISITION ADJUSTMENT	0	0	0
C.W.I.P.	0	0	0
C.I.A.C.	(268,303)C	(494,411)	(762,714)
ACCUMULATED DEPRECIATION	(288,289)D	51,064	(237,225)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	15,595 E	89,890	105,485
WORKING CAPITAL ALLOWANCE	0 F	9,916	9,916
WASTEWATER RATE BASE	\$ 622,094 \$	(513,824) \$	\$ 108,270
	=====	=====	=====

SCHEDULE NO. 1-A

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE

	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To adjust the utility's plant balance at November 1987 to amount established by Order No. 19721.	\$ 8,371
2. To reflect unrecorded plant paid for by the parent company.	314,314
3. To reflect reclassification from operation and maintenance expense.	<u>2,834</u>
	<u>\$ 325,519</u>
B. <u>PLANT HELD FOR FUTURE USE</u>	
1. To reflect plant held for future use net of contributed plant.	\$(588,567)
2. To reflect accumulated depreciation associated with plant held for future use.	109,184
3. To reflect the average adjustment to accumulated depreciation on plant held for future use.	<u>(16,419)</u>
	<u>\$ (495,802)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (C.I.A.C)</u>	
1. To reconcile the utility's balance at November 1987 with the balance established by Order No. 19721.	\$(133,760)

SCHEDULE NO. 1-A

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF ADJUSTMENT TO RATE BASE

2.	To reflect unrecorded C.I.A.C.	(50,160)
3.	To reflect unrecorded plant paid for by the parent company.	(314,314)
4.	To remove allowance for funds prudently invested (AFPI) from C.I.A.C.	54,723
5.	To reflect the average adjustment	18,240
6.	To remove a duplicate CIAC fee	2,300
7.	To reflect C.I.A.C. for margin reserve	<u>(71,440)</u>
		\$ (494,411)
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D.	<u>ACCUMULATED DEPRECIATION</u>	
1.	To adjust the utility's balance at November 1987 to the balance established by Order No. 19721 and reflect staff's calculated accumulated depreciation through March 31, 1992.	\$17,689
2.	To reflect the average adjustment	<u>33,375</u>
		<hr/> \$51,064
<hr/>		
E.	<u>AMORTIZATION OF C.I.A.C</u>	
1.	To adjust the utility's balance at November 1987 to the balance established by Order No. 19721.	\$ 5,625
2.	To reflect staff's calculated amortization of C.I.A.C. net of AFPI charges through March 31, 1992.	49,158
3.	To reflect amortization on unrecorded contributed plant.	45,428

SCHEDULE NO. 1-A

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE

	<u>WASTEWATER</u>
4. To reflect the average adjustment	(15,433)
5. To reflect amortization of C.I.A.C. associated with margin reserve	<u>5,112</u>
	\$ 89,890
	<hr/>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
To reflect one-eighth of operation and maintenance expense	\$ 9,916
	<hr/>

EAGLE CREEK UTILITY II, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED MARCH 31, 1992

SCHEDULE NO.2
 DOCKET NO. 920344-SU

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 36,270,423	\$ (36,174,539)	\$ 95,884	88.56%	7.92%	7.02%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	4,684,826	(4,672,440)	12,386	11.44%	12.44%	1.42%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 40,955,249	\$ (40,846,979)	\$ 108,270	100.00%		8.44%
	=====	=====	=====	=====		=====
RANGE OF REASONABLENESS	LOW	HIGH				
	-----	-----				
RETURN ON EQUITY	11.44%	13.44%				
OVERALL RATE OF RETURN	8.33%	8.55%				

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF WASTEWATER OPERATING INCOME
TEST YEAR ENDED MARCH 31, 1992

SCHEDULE NO.3
DOCKET NO.920344-SU

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 67,235 A	\$ 6,803	\$ 74,038 F	\$ 29,521	\$ 103,559
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	121,403 B	(42,079)	79,324	0	79,324
DEPRECIATION	91,558 C	(57,647)	33,911	0	33,911
AMORTIZATION (CIAC)	8,931 D	(39,797)	(30,866)	0	(30,866)
TAXES OTHER THAN INCOME	3,650 E	7,074	10,724 G	1,328	12,052
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 225,542	\$ (132,449)	\$ 93,093	\$ 1,328	\$ 94,421
OPERATING INCOME/(LOSS)	\$ (158,307)	\$ 139,252	\$ (19,055)	\$ 28,193	\$ 9,138
WASTEWATER RATE BASE	\$ 622,094		\$ 108,270		\$ 108,270
RATE OF RETURN	-25.45%		-17.60%		8.44%

SCHEDULE NO. 3-A

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF ADJUSTMENTS TO REVENUES AND OPERATING EXPENSES

	<u>WASTEWATER</u>
A. <u>OPERATING REVENUES</u>	
1. To adjust test year revenues to accrued total for the test year	\$ 2,643
2. To reflect annualized revenue based on existing rates	<u>4,160</u>
	<u>\$ 6,803</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>	
1. To reflect reclassification from account No. 730.	\$ 780
2. To adjust purchased power expense to accrued total	74
3. To remove a non-recurring expense	(547)
4. To remove a non-recurring allowance paid to USG	(1,210)
5. To remove two prior period operator allowances paid to PSG	(6,918)
6. To reflect contractual operator annual allowance	1,679
7. To reflect staff's recommended management fee	(10,200)
8. To reflect reclassification to account No. 740.	(24,000)
9. To remove a non-recurring Legal expense	(3,949)
10. To reflect reclassification to utility plant in service	(2,834)
11. To reflect reclassification to account No. 711	(780)
12. To reflect reclassification to account No. 755.	(2,634)

SCHEDULE NO. 3-A

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF ADJUSTMENTS TO REVENUES AND OPERATING EXPENSES

	<u>WASTEWATER</u>
13. To reflect contractual accounting expense	550
14. To reflect test year ground maintenance expense.	3,995
15. To reflect reclassification from account No. 730	24,000
16. To reflect staff's recommended annual rent allowance	(21,600)
17. To reflect test year insurance expense	2,195
18. To reflect rate case filing fee amortized over four years (\$900/4).	225
19. To adjust miscellaneous expense to audited total	<u>(905)</u> \$(42,079)
C. <u>DEPRECIATION EXPENSE</u> To reflect staff's calculated test year depreciation expense net of non-used and useful depreciation expense	 <u>\$ 57,647</u>
D. <u>AMORTIZATION EXPENSE CIAC</u>	
1. To adjust the utility's amortization of C.I.A.C. to a credit balance	\$(17,862)
2. To reflect staff's calculated test year amortization expense	<u>(21,935)</u> \$(39,797)
E. <u>TAXES OTHER THAN INCOME</u>	
1. To reflect unrecorded property taxes	\$ 3,742
2. To reflect regulatory assessment fee at 4.5% on test year revenue	<u>3,332</u> \$ 7,074

EAGLE CREEK UTILITY II, INC.
SCHEDULE OF ADJUSTMENTS TO REVENUES AND OPERATING EXPENSES

	WASTEWATER
F. <u>OPERATING REVENUE</u> To reflect increase in revenue required to cover expenses and allow recommended rate of return.	\$ <u>29,521</u>
G. <u>TAXES OTHER THAN INCOME</u> To reflect regulatory assessment fee at 4.5% on increase in revenue.	\$ <u>1,328</u>

EAGLE CREEK UTILITY II, INC.
 ANALYSIS OF WASTEWATER O & M EXPENSES
 TEST YEAR ENDED MARCH 31, 1992

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
SALARIES AND WAGES - OFFICERS	0	0	0
PENSIONS AND BENEFITS	0	0	0
PURCHASED SEWAGE TREATMENT	0	0	0
SLUDGE REMOVAL EXPENSE	0	780	780
PURCHASED POWER	6,502	74	6,576
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	0	0	0
MATERIALS AND SUPPLIES	0	0	0
CONTRACTUAL SERVICES	113,387	(46,848)	66,539
RENTS	0	2,400	2,400
TRANSPORTATION EXPENSE	0	0	0
INSURANCE EXPENSE	439	2,195	2,634
REGULATORY COMMISSION EXPENSES	0	225	225
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	1,075	(905)	170
TOTAL	\$ 121,403	\$ (42,079)	\$ 79,324

DOCKET NO. 920344-SU
 ORDER NO. PSC-92-1446-FOF-SU
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EAGLE CREEK UTILITY II, INC.
 TEST YEAR ENDED MARCH 31, 1992

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

RESIDENTIAL

QUARTERLY RATES

<u>BASE FACILITY CHARGE</u>	<u>COMMISSION APPROVED RATES</u>	<u>COMMISSION APPROVED DECREASE</u>
<u>METER SIZE</u>		
All Meter sizes	\$ 59.64	\$.09
<u>Gallonage Charge</u> Per 1,000 gallons	\$ 3.18	\$.00

GENERAL SERVICE

QUARTERLY RATES

<u>BASE FACILITY CHARGE</u>	<u>COMMISSION APPROVED RATES</u>	<u>COMMISSION APPROVED DECREASE</u>
<u>METER SIZE</u>		
5/8" x 3/4"	\$ 59.64	\$.09
3/4"	89.46	.12
1"	149.10	.21
1 1/2"	298.20	.45
2"	477.12	.72
3"	954.24	1.44
4"	1,491.00	2.25
6"	2,982.00	4.50
<u>Gallonage Charge</u> Per 1,000 gallons	\$ 3.82	\$.01