

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of BFF CORP.	)	DOCKET NO. 890916-SU
for a staff-assisted rate case	)	ORDER NO. 22570
in Marion County.	)	ISSUED: 2/19/90
_____)		

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, CHAIRMAN  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 JOHN T. HERNDON

ORDER AUTHORIZING TEMPORARY RATES IN EVENT OF PROTEST  
 OF PROPOSED AGENCY ACTION

AND

NOTICE OF PROPOSED AGENCY ACTION  
 ORDER SETTING FINAL RATES

BY THE COMMISSION:

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

CASE BACKGROUND

BFF Corp. (BFF or utility) is a Class C sewer utility in Marion County currently serving 81 residential customers. The utility began operations in late 1970 under the name of Panamint Corporation, and in 1983, by Order No. 12193, the certificate was transferred to LTB Utility, Inc. (LTB).

On March 1, 1988, the Marion County Circuit Court awarded Mr. Harvey Klein, Trustee, certificate of title to the assets

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of LTB through foreclosure. Shortly thereafter, Mr. Klein changed the name of the utility to BARF, Inc. In June of 1989, Mr. Klein filed an amendment with the Division of Corporations changing the name of the utility to BFF Corporation. On June 22, 1989, Mr. Klein deeded the utility and the property associated with the utility to BFF. By Order No. 22371, issued January 8, 1990, Sewer Certificate No. 318-S was transferred from LTB to BFF, and the certificated territory was amended.

BFF filed a request for a staff-assisted rate case on July 17, 1989. We used the average twelve-month period ended October 31, 1989, for setting rate base. For calculating revenues and expenses, we used the ten-month period ended October 31, 1989, annualizing and, where appropriate, adjusting for projected levels of expenses.

#### QUALITY OF SERVICE

On December 14, 1989, a customer meeting was held by our Staff in the Marion County Commission Chambers in Ocala, Florida, in order to learn more about the utility's quality of service. Approximately twelve persons attended, nine of whom testified or asked questions concerning the magnitude of the rate increase. None of the nine customers that spoke had any complaints concerning the quality of service. However, on December 13, 1989, we received a written complaint from a customer, Mr. Bell, that not all of the plant grounds were mowed regularly. According to BFF, there was a misunderstanding between the groundskeeper and the utility. The utility has conferred with the groundskeeper over the terms of their agreement and the property is now being properly mowed.

In addition to the customer meeting, we contacted the Department of Environmental Regulation (DER) to determine whether the utility was in compliance with their regulatory standards and we performed a field inspection of the utility's facilities. The utility has recently satisfied a consent order from DER. Neither DER nor this Commission have active complaints against the utility. The results of our investigation indicate that the plant is now in good condition. Based upon the facts described above, we find BFF's quality of service to be satisfactory.

#### RATE BASE

The calculation of BFF's sewer rate base is attached to

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this Order as Schedule No. 1. Adjustments to the rate base are shown on Schedule No. 1A. Those adjustments that are mechanical in nature are shown on these schedules without further explanation in the text of this Order. The major adjustments are explained below.

#### Plant-in-Service

Plant - Plant-in-service of \$156,273 was last established in Order No. 22371, as of February 28, 1988. Our audit in this staff-assisted rate proceeding indicates that there was no evidence of plant additions during the period March 1, 1988, through October 31, 1988. However, during the period November 1, 1988, through October 31, 1989, the new owners expended \$15,031 for surveying, engineering, and construction of a percolation pond; fencing; and rehabilitation of electrical equipment. The majority of the improvements were made in response to a DER "Notice of Violation and Orders for Corrective Action" dated February 27, 1989. We find it appropriate to include the \$15,031 in plant-in-service, resulting in a balance of \$171,304 as of October 31, 1989. We further find it appropriate to make an averaging adjustment of <\$7,516>, resulting in average test year plant of \$163,788, which we hereby approve.

Land - The cost of land of \$34,800 was last established in Order No. 22371, as of February 28, 1988. There have been no further additions of utility land. Therefore, we find the proper balance for land to be \$34,800.

#### Used and Useful

Treatment and Disposal Plant - Based on the average of the five highest days of flow in the peak month, we find the treatment and disposal plant to be 59.6 percent used and useful.

Collection System - The remaining vacancies within the service area are scattered among the occupied homesites. Our site inspection and analysis indicate that no less tie-in services, lift stations, receiving wells, and force mains could serve existing customers, but that 70.3 percent of the sewers are used and useful. Therefore, we find that only collection sewers - gravity, NARUC Account No. 361, is 70.3 percent used and useful, and that all other collection system accounts are 100 percent used and useful.

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Based on the foregoing, we find it appropriate to make a <\$53,325> adjustment to rate base on account of the plant and collection system, and another <\$14,059> adjustment on account of land associated with the plant.

#### Accumulated Depreciation

Accumulated depreciation of \$21,622 as of February 28, 1988, was established in Order No. 22371. Pursuant to Rule 25-30.140, Florida Administrative Code, a composite rate of 3.88 percent was used for the period March 1, 1988, through October 31, 1989, resulting in accumulated depreciation of \$32,016 at the end of the test year. We find it appropriate to make an averaging adjustment of <\$3,174> and a nonused and useful adjustment of <\$9,564>. Therefore, we find the proper amount of accumulated depreciation to be \$19,278.

#### Contributions-in-aid-of-Construction

Contributions-in-aid-of-construction (CIAC) of \$16,468 as of February 28, 1988, was last established in Order No. 22371. During the period March 1, 1988, through October 31, 1989, the utility collected \$2,148 for three connections. We find this amount to be properly considered as CIAC and find it appropriate to make an averaging adjustment of <\$358>, reducing the average test year CIAC to \$18,258.

Additionally, we find it appropriate to impute \$9,720 of CIAC on the margin reserve allowed in the used and useful plant calculation. The \$1,620 service availability charge per connection, approved below in this Order, applied to the margin reserve results in \$9,720 of imputed CIAC. Therefore, we find the proper amount of CIAC to be \$27,978.

#### Accumulated Amortization of CIAC

Accumulated amortization of CIAC of \$1,044 as of February 28, 1988, was last established in Order No. 22371. We updated this balance through the end of the test year, October 31, 1989, using CIAC and a composite amortization rate of 3.88 percent, consistent with the calculation of depreciation. This results in accumulated amortization of \$2,197. We find it appropriate to make an averaging adjustment of <\$354> to CIAC. Therefore, we find the proper average test-year balance of CIAC to be \$1,843.



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### Working Capital

The balance sheet method of calculating working capital allowance is our preferred method. However, BFF is a small utility, the previous owner's records were unavailable, and only ten months of financial data were available. Due to these facts, we find that the 1/8 of operating and maintenance (O & M) expenses method of calculating working capital allowance, also referred to as the formula method, would be appropriate in this instance. In this case, the formula method results in a working capital allowance of \$2,640. We find \$2,640 to be an appropriate working capital allowance for BFF.

### Rate Base

Based upon the foregoing calculations and adjustments, we find the rate base to be \$88,432.

### COST OF CAPITAL

By Order No. 21775, issued August 23, 1989, this Commission established a leverage formula to be used in calculating equity returns for water and sewer utilities. When applied to BFF's capital structure, which is comprised 100 percent by equity, the leverage formula yields a return on equity of 11.76 percent. Therefore, we find that the appropriate cost of equity for the utility is 11.76 percent.

As equity is the only capital component of BFF's capital structure, we find that 11.76 percent is the appropriate rate of return for the utility. The calculation of the rate of return is presented in Schedule No. 2, which is attached to this Order and by reference incorporated herein.

### NET OPERATING INCOME

Our calculations of the utility's net operating income are reflected on Schedule No. 3, with adjustments to net operating income on Schedule No. 3A, and a detailed summary of operating and maintenance expenses on Schedule No. 3B. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on these schedules without further explanation. The major adjustments are explained below.

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### Operating Revenue

Based on the customer base during the test year and the current rates, we calculated annualized revenue before adjustment for increased rates to be \$22,113.

### Operating Expenses

As discussed earlier, reliable historical expense data was unavailable. At the time of our audit, the new owners had been operating the utility for ten months, January through October of 1989. In addition, the previous owners of the utility did not maintain the plant in acceptable working condition, requiring considerable expenditures by the new owners.

In order to calculate operating expenses, we examined each expense during the ten-month period. Based on this analysis, each expense was classified as recurring or reclassified as a capital expenditure or nonutility expense. In addition, we found it necessary to develop reasonable projections of expenses that will be incurred on a prospective basis for the remainder of the projected test year. These normalized actual and projected expenses for each account were then annualized to arrive at the final projected expense allowance of \$21,123. In arriving at the expense allowance, we determined that several adjustments were appropriate. The specific adjustments are as follows:

A. Sludge Removal Expense - BFF charged \$330 to sludge removal expense during the period January 1, 1989, through July 31, 1989. On a projected annual basis, we estimate sludge removal expense to be \$566. Therefore, we find it appropriate to make an adjustment to increase sludge removal expense by \$236.

B. Purchased Power - The utility recorded \$2,192 in purchased power costs during the ten months audited. Of that amount, \$143 was for water used at the treatment facility. We find it appropriate to reclassify the \$143 as a miscellaneous expense, resulting in ten-month total purchased power costs of \$2,049. We find \$2,049 to be a reasonable level for the ten-month period. We find it appropriate to make an annualizing adjustment to increase purchased power by \$409 and find the proper amount for the projected test year to be \$2,458.

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C. Chemicals - The utility expended and properly recorded \$1,024 in chemical expense during the ten-month period audited. The utility uses liquid chlorine injected into the chlorine contact chamber by hypomechanical pump. Purchases averaged \$128 per month for the eight-month period reviewed by our engineer and \$103 per month for the ten-month period audited. Since the utility is discharging its effluent to a sprayfield, we find that the usage level of disinfectant is acceptable.

Upon consideration, we believe that a monthly allowance of \$128 will be more reflective of this utility's future requirements and, therefore, find an annual allowance of \$1,536 to be proper. Accordingly, we find it appropriate to make a \$512 adjustment to increase chemicals expense.

D. Materials and Supplies - The utility recorded \$835 as materials and supplies during the ten-month period ended October 31, 1989. We have reclassified \$417 to other operating accounts or capital accounts, as appropriate. The remaining balance of materials and supplies translates to a monthly amount of \$42. Upon consideration, we find an average monthly cost of \$87 to be more reflective of the utility's ongoing needs. Therefore, we find the proper annual allowance for materials and supplies to be \$1,044 and hereby approve a \$626 adjustment to increase this account.

E. Contractual Services - BFF recorded \$2,712 as contractual services during the ten-month period ended October 31, 1989. We have reclassified \$1,812 to other operating accounts or capital accounts, as appropriate. We find the remaining balance of \$901 to be reasonable for the ten-month period. We find it appropriate to make an annualizing adjustment of \$180 to increase contractual services expense.

State and local authorities require that a sludge analysis be performed. The frequency of submitting analysis results is dictated by test results and historical information in the DER files. No record of a sludge analysis was found in the utility's records, but it is anticipated that at least one testing will be required before the end of the calendar year. The normal expense for a single testing is \$150. Therefore, we find it appropriate to include an additional \$150 in contractual services expense, yielding a total of \$1,231 for the account.



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F. Contractual Services - Aqua Pure - The utility correctly recorded \$2,500 in this account during the ten-month period ended October 31, 1989. The utility employs the services of Aqua Pure Water and Sewage Services, Inc. to operate and maintain BFF's sewage treatment system within the guidelines of state and local regulatory agencies. The contracted cost for routine maintenance is \$250 per month. Therefore, we find it appropriate to make an annualizing adjustment to increase this account by \$500, for a balance of \$3,000, to be considered as an annual allowance for operator services.

G. Contractual Services - Management Fee - The utility recorded \$9,350 in this account during the ten-month period ended October 31, 1989, representing eleven months of management fees at \$850 per month. We find it appropriate to reclassify one month's expenses as out-of-period, reducing the balance to \$8,500.

Upon review, we find the hourly rates of the contracted management personnel to be comparable with hourly rates paid to other utility personnel with similar duties and we find the time spent on managerial and accounting functions to be reasonable. We believe the number of trips and hours devoted to checking and maintaining the plant exceed the average for this size of plant, but are reasonable in light of the age of the treatment facility and the problems inherent with spray irrigation disposal. Therefore, we find the \$850 monthly management fee, annualized to \$10,200, to be reasonable. Accordingly, we find it appropriate to make an adjustment of \$1,700 to increase the account balance to \$10,200.

H. Transportation Expense - The utility recorded \$50 in transportation expense during the ten-month period ended October 31, 1989. We find it appropriate to make an annualizing adjustment to increase this account by \$10, for a balance of \$60.

I. Regulatory Commission Expense - The utility recorded \$416 in this account during the ten-month period ended October 31, 1989. We find it appropriate to classify \$50 of expenses, reclassified herein, as regulatory commission expense.

Subsequent to the end of the test year and the customer meeting, the utility presented a copy of a bill for consulting



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services in connection with this rate proceeding. The bill is for \$2,000 and represents 40 hours of consulting services at \$50 per hour. Upon consideration, we believe the time and rate are justified and therefore we find it appropriate to increase regulatory commission expense by \$2,000, for a balance of \$2,466. We further find it appropriate to amortize the balance over four years, yielding an allowance of \$616 per year. This reflects our policy of amortizing rate case expense over a four-year period.

J. Bad Debt Expense - The utility charged \$528 to this account during the ten-month period ended October 31, 1989. In contemplation of a \$60 customer deposit to be collected from new customers, we believe that prospective bad debt expense will be zero to minimal. Accordingly, we find it appropriate to disallow the entire expense, thereby reducing the account balance to zero.

K. Miscellaneous Expenses - BFF charged \$820 to this account during the ten-month period ended October 31, 1989. We find it appropriate to reclassify \$520, resulting in a balance of \$300, which we find to be reasonable. We further find it appropriate to make an annualizing adjustment of \$60, increasing the account balance to \$360.

In summary, the adjustments and reclassifications detailed above increase the recorded ten months of operating expenses of \$20,757 by \$366, resulting in an annual allowance of \$21,123.

#### Depreciation Expense

Using the average plant balances and the rates prescribed in Rule 25-30.140, Florida Administrative Code, we calculated a composite depreciation rate of 3.88 percent for the test year. This yielded a depreciation expense of \$6,349. Consistent with plant-in-service, we find it appropriate to make a nonused and useful adjustment of <\$2,213>, resulting in test year depreciation expense of \$4,136. We find the composite depreciation rate and resulting depreciation expense allowance to be reasonable, and thus are hereby approved.

#### CIAC Amortization

Use of the average test year CIAC, plus imputed margin of reserve CIAC, and the composite depreciation-amortization rate of 3.88 percent results in CIAC amortization of \$1,085. We

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find the composite rate and resulting CIAC amortization to be reasonable, and thus are hereby approved.

#### Taxes Other Than Income Taxes

Taxes other than income taxes include payroll taxes, regulatory assessment fees, property taxes, and tangible personal property tax. Payroll taxes are not applicable to BFF, as all services are paid for by contractual agreements. Regulatory assessment fees were calculated on the basis of the revenue requirement, resulting in projected regulatory assessment fees of \$1,691.

Property taxes for 1989 were \$1,102.11, and tangible personal property taxes were \$1,127.45, based on a November 1989 due date. We find it appropriate to adjust the total 1989 costs of \$2,229.56, consistent with our treatment of the utility land. Since we found land to be 59.6 percent used and useful, we find the proper level of ad valorem taxes to be \$1,329.

Based on the above, we find the projected assessments of \$1,691 for regulatory assessment fees and \$1,329 for property taxes to be reasonable. Accordingly, these tax expenses are hereby approved, totaling \$3,020.

#### Income Taxes

BFF is currently taxed as a Section 1120 Corporation. However, the utility indicated its intention to file an election to be taxed as a Subchapter S Corporation, a nontaxable entity. Based on this representation, we find the proper amount of income tax expense to be zero.

#### Operating Loss

Our review of the utility's books and records indicate projected test year revenues of \$22,113 and expenses of \$26,055, resulting in a projected operating loss of \$3,942 before any revenue increase.

#### REVENUE REQUIREMENT

In order to allow the utility the opportunity to earn a return of 11.76 percent on its investment, we find that the appropriate revenue requirement is \$37,594. This represents a

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\$15,481, or a 70 percent, increase in revenue on an annual basis. The revenue requirement is presented on Schedule No. 3.

RATES AND CHARGES

Rates and Rate Structure

Presently, the utility charges a flat sewer rate on a monthly basis. The base facility charge is the Commission's preferred rate structure because of its ability to track costs and give customers some control over their sewer bills. Each customer pays his or her pro rata share of the fixed costs of providing service through the base facility charge and pays for actual usage through the gallonage charge. Thus we find it appropriate to require the utility to implement the base facility charge rate structure.

We find the following rates to be just, reasonable and compensatory. These rates are designed to allow BFF the opportunity to earn an 11.76 percent return on its investment. BFF's current rates, and the rates approved herein, are presented below:

MONTHLY RATES  
RESIDENTIAL SERVICE

	<u>Current Rate</u>
<u>Flat Rate</u> All Meter Sizes	\$22.75
	<u>Commission</u>
	<u>Approved Rates</u>
<u>Base Facility Charge</u> All Meter Sizes	\$17.33
Gallonage Charge per 1,000 gallons (10,000 maximum)	\$ 3.21

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### Service Availability Charges

The utility's current service availability policy provides for a \$716 per connection capacity charge. Estimating thirty additional customers and eight years to build-out, along with the current depreciation rate of 3.88 percent, the application of the guidelines in Rule 25-30.580, Florida Administrative Code, would necessitate sewer service availability charges within the range of \$1,620 to \$3,165 per connection. Because the contributions by the existing customers have been from zero to the current charge of \$716 per connection, we believe that charges at the lower end of the guidelines in the above-cited rule would be more equitable. Therefore, we find it appropriate to increase the service availability charge from \$716 per connection to \$1,620 per connection.

### Miscellaneous Service Charges

Rule 25-30.345, Florida Administrative Code, provides that a utility may charge its customers certain miscellaneous service charges. These charges are designed to place the responsibility for the costs associated with miscellaneous services on those who utilize the services, rather than on the general body of ratepayers.

BFF presently has no provision in its tariff for miscellaneous service charges. We find it appropriate to approve four types of miscellaneous service charges, as described below, at the rate levels set forth below:

<u>Service</u>	<u>Charge</u>
Initial Connection	\$ 15.00
Normal Reconnection	15.00
Violation Reconnection	Actual Cost
Premises Visit Charge (in lieu of disconnection)	10.00

For purposes of clarification, the terms are defined below:

1) Initial Reconnection: This charge is to be levied for service initiation at a location where service did not exist previously.



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2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or for reconnection of service subsequent to a customer-requested disconnection.

3) Violation Reconnection: This charge is to be levied prior to disconnection of service for cause pursuant to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment. Actual cost is limited to direct labor and equipment rental.

4) Premises Visit Charge (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

#### TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in the utility's sewer rates. A timely protest could delay the collection by the utility of what may be a justified rate increase pending a formal hearing and final Order in this case, resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the rates approved herein on a temporary basis, subject to refund, provided that it furnishes security in the form of a bond or a letter of credit in the amount of \$12,000, or an escrow account.

The utility shall also keep an accurate account, in detail, of all monies received due to said increase, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month that the temporary rate is in effect, showing the amount of revenues collected as a result of the temporary rates, and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be with interest pursuant to Rule 25-30.360, Florida Administrative Code.

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EFFECTIVE DATE

The rates approved herein shall be effective for meter readings on or after thirty (30) days from the stamped approval date on the revised tariff sheets. Service availability charges shall be effective for connections made on or after the stamped approval date on the revised tariff sheets. Miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that they are consistent with our decision herein; that the proposed customer notice is adequate; that the required security, if necessary, has been provided; and that the time for protesting this Order has expired.

In consideration of the above, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of BFF Corp. for an increase in its sewer rates for its customers in Marion County is approved as set forth in the body of this Order. It is further

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that all matters contained herein or attached hereto, whether in the form of discourse or schedules, are by this reference, specifically made integral parts of this Order. It is further

ORDERED that the provision of this Order, except for the portion authorizing temporary rates in the event of protest, are issued as proposed agency action, and as such, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, 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 close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the utility is hereby authorized to charge the new rates, effective for meter readings on or after thirty (30) days from the stamped approval date on the revised tariff sheets. It is further

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ORDERED that the utility is hereby authorized to charge a service availability charge of \$1,620 per connection, effective for connections made on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is hereby authorized to charge the new miscellaneous service charges, effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each affected customer of the increased sewer rates, approved service availability charges and miscellaneous service charges, and shall explain the reasons for such increased rates and charges. The form of the notice shall be submitted to this Commission for prior approval. It is further

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; that the required security, if necessary, has been provided; and that the time for protesting this Order has expired and no such protests were filed. It is further

ORDERED that in the event a substantially affected person other than the utility protests this proposed agency action, the utility may implement the new rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rate portion of this Order is not issued as proposed agency action. It is further

ORDERED that in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission  
this 19th day of FEBRUARY, 1990.

  
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.

As identified in the body of this order, our actions herein, except for the authorizing of temporary rates in the event of protest, are 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 March 12, 1990. 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, and as reflected in a subsequent order.

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 the relevant portion of 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 sewer 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



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must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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SCHEDULE NO. 1  
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BFF CORP.  
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WASTEWATER RATE BASE  
TEST YEAR ENDED OCTOBER 31, 1989  
SCHEDULE NO. 1

	TOTAL PER UTILITY		COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION
	-----		-----	-----
LAND AND LAND RIGHTS	\$40,000	A	(\$19,259)	\$20,741
DEPRECIABLE PLANT IN SERVICE	\$226,362	B	(\$115,899)	\$110,463
ACCUMULATED DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE	(\$13,905)	C	(\$5,373)	(\$19,278)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	\$0	D	(\$27,978)	(\$27,978)
ACCUMULATED AMORTIZATION OF CIAC	\$0	E	\$1,843	\$1,843
WORKING CAPITAL ALLOWANCE	\$0	F	\$2,640	\$2,640
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WASTEWATER RATE BASE	\$252,457		(\$164,025)	\$88,432
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SCHEDULE NO. 1A  
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ADJUSTMENTS TO WASTEWATER RATE BASE  
TEST YEAR ENDED OCTOBER 31, 1989  
SCHEDULE NO. 1A

A. LAND AND LAND RIGHTS

1. ADJUST LAND AT 3/01/89 TO PAA VALUE IN DOCKET NO. 890045-SU	(\$5,200)
2. RECOGNIZE .404 OF ADJUSTED BALANCE AS NONUSED AND USEFUL IN PROVIDING SERVICE TO EXISTING CUSTOMERS (\$34,800 x .404)	(\$14,059)
	-----
	(\$19,259)
	=====

B. DEPRECIABLE PLANT IN SERVICE

1. ADJUST 10/31/89 BALANCE TO AUDITED BALANCE USING 3/01/89 PAA VALUE IN DOCKET NO. 890045-SU AS STARTING POINT	(\$55,059)
2. AVERAGING ADJUSTMENT	(\$7,515)
3. NONUSED AND USEFUL PORTION	(\$53,325)
	-----
	(\$115,899)
	=====

C. ACCUMULATED DEPRECIATION OF PLANT IN SERVICE

1. ADJUST 10/31/89 BALANCE TO AUDITED BALANCE USING 3/01/89 PAA VALUE IN DOCKET NO. 890045-SU AS STARTING POINT	(\$18,111)
2. AVERAGING ADJUSTMENT	\$3,174
3. NONUSED AND USEFUL PORTION	\$9,564
	-----
	(\$5,373)
	=====

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D. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

1. ADJUST 10/31/89 BALANCE TO AUDITED BALANCE USING 3/01/89 PAA VALUE IN DOCKET NO. 890045-SU AS STARTING POINT	(\$18,616)
2. AVERAGING ADJUSTMENT	\$358
3. IMPUTED CIAC ON MARGIN OF RESERVE CUSTOMERS (\$1,620 x 6 CONNECTIONS)	(\$9,720)
	-----
	(\$27,978)
	=====

E. ACCUMULATED AMORTIZATION OF CIAC

1. ADJUST 10/31/89 BALANCE TO AUDITED BALANCE USING 3/01/89 PAA VALUE IN DOCKET NO. 890045-SU AS STARTING POINT	\$2,197
2. AVERAGING ADJUSTMENT	(\$354)
	-----
	\$1,843
	=====

F. WORKING CAPITAL ALLOWANCE

REFLECT ONE-EIGHTH OF OPERATING EXPENSES (\$21,123/8)	\$2,640
	=====



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BFF CORP.  
DOCKET NO. 890916-SU  
COST OF CAPITAL/RATE OF RETURN  
TEST YEAR ENDED OCTOBER 31, 1989  
SCHEDULE NO. 2

	TOTAL PER UTILITY	COMMISSION ADJUSTMENTS TO RECONCILE	TOTAL RECONCILED TO RATE BASE	RATIO	COST	WEIGHTED AVERAGE COST
	-----	-----	-----	-----	-----	-----
EQUITY/Common Stock	(\$256,147)	\$167,715	(\$88,432)	1.0000	0.1176	0.1176
CUSTOMER DEPOSITS	\$0	\$0	\$0	0.0000	0	0
LONG-TERM DEBT	\$0	\$0	\$0	0.0000	0	0
DEFERRED TAXES	\$0	\$0	\$0	0.0000	0	0
	-----	-----	-----	-----		-----
	(\$256,147)	\$167,715	(\$88,432)	1.0000		0.1176
	=====	=====	=====	=====		=====

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SCHEDULE NO. 3  
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BFF CORP.  
DOCKET NO. 890916-SU  
NET OPERATING INCOME  
TEST YEAR ENDED OCTOBER 31, 1989  
SCHEDULE NO. 3

	TOTAL PER UTILITY (1/01/89 - 10/31/89)	COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION (11/01/88 - 10/31/89)	COMMISSION ADJUSTMENTS FOR INCREASE	TOTAL FOR RATES
	-----	-----	-----	-----	-----
OPERATING REVENUES	(\$18,471)(A)	(\$3,642)	(\$22,113)(F)	(\$15,481)	(\$37,594)
OPERATING EXPENSES	\$20,757 (B)	\$366	\$21,123	\$0	\$21,123
DEPRECIATION EXPENSE	\$0 (C)	\$4,136	\$4,136	\$0	\$4,136
CIAC AMORTIZATION	\$0 (D)	(\$1,085)	(\$1,085)	\$0	(\$1,085)
TAXES OTHER THAN INCOME TAXES	\$0 (E)	\$1,881	\$1,881 (G)	\$1,139	\$3,020
INCOME TAXES	\$0	\$0	\$0	\$0	\$0
	-----	-----	-----	-----	-----
TOTAL OPERATING EXPENSES	\$20,757	\$5,298	\$26,055	\$1,139	\$27,194
	-----	-----	-----	-----	-----
NET OPERATING (INCOME) LOSS	\$2,286	\$1,656	\$3,942	(\$14,342)	(\$10,400)
	=====	=====	=====	=====	=====
RATE BASE	\$252,457		\$88,432		\$88,432
	=====		=====		=====
RATE OF RETURN	-0.0091		-0.0446		0.1176
	=====		=====		=====

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BFF CORP.  
 DOCKET NO. 890916-SU  
 ADJUSTMENTS TO NET OPERATING INCOME  
 TEST YEAR ENDED OCTOBER 31, 1989  
 SCHEDULE NO. 3A

A. OPERATING REVENUES

ADJUST TO STAFF-CALCULATED ANNUALIZED REVENUES, BASED ON TEST YEAR CUSTOMERS AND CURRENT RATES	(\$3,642)
	=====

B. OPERATING EXPENSES

1. PRO FORMA ADJUSTMENT FOR ADEQUATE ALLOWANCE FOR ANNUAL SLUDGE REMOVAL	\$236
2. RECLASSIFY PURCHASED WATER AS A MISCELLANEOUS EXPENSE	(\$143)
ANNUALIZE AUDITED TOTAL	\$409
	-----
	\$266
	-----
3. ANNUALIZE AUDITED TOTAL OF CHEMICAL EXPENSE	\$205
ADDITIONAL ALLOWANCE RECOMMENDED	\$307
	-----
	\$512
	-----
4. RECLASSIFY MATERIALS AND SUPPLIES TO OTHER OPERATING EXPENSE ACCOUNTS OR CAPITALIZE AS APPROPRIATE, PER AUDIT	(\$417)
ANNUALIZE AUDITED TOTAL	\$83
PRO FORMA ADJUSTMENT FOR ADEQUATE ALLOWANCE	\$543
	-----
	\$209
	-----

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5.	RECLASSIFY CONTRACTUAL SERVICES TO OTHER OPERATING EXPENSE ACCOUNTS OR CAPITALIZE AS APPROPRIATE, PER AUDIT	(\$1,812)
	ANNUALIZE AUDITED TOTAL	\$181
	PRO FORMA ALLOWANCE FOR SLUDGE ANALYSIS	\$150
		-----
		(\$1,481)
		-----
6.	ANNUALIZE COST OF AQUA PURE CONTRACT	\$500
7.	RECLASSIFY ONE-MONTH'S MANAGEMENT FEE AS OUT-OF-PERIOD (RELATES TO NOVEMBER, 1989)	(\$850)
	ANNUALIZE AUDITED TOTAL	\$1,700
		-----
		\$850
		-----
8.	RECLASSIFICATION OF EQUIPMENT RENTAL CHARGES	\$44
	ANNUALIZE AUDITED TOTAL	\$8
		-----
		\$52
		-----
9.	ANNUALIZE AUDITED TOTAL TRANSPOR- TATION EXPENSES	\$10
10.	RECLASSIFICATION ADJUSTMENTS (NET) TO AUDITED TOTAL	\$50
	RECOGNIZE SERVICES OF MR. DEMENZES DEFER THREE-QUARTERS TO RECOGNIZE CURRENT COMMISSION POLICY OF AMORTIZING RATE CASE EXPENSE OVER FOUR YEARS	\$2,000
		(\$1,850)
		-----
		\$200
		-----
11.	PRO FORMA ADJUSTMENT TO DISALLOW BAD DEBT EXPENSE	(\$528)
12.	RECLASSIFY AS OTHER OPERATING EXPENSES AND NONUTILITY EXPENSE	(\$520)
	ANNUALIZE AUDITED TOTAL	\$60
		-----
		(\$460)
		-----
	TOTAL OPERATING EXPENSE ADJUSTMENTS	\$366
		=====



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C. DEPRECIATION EXPENSE

1. ADJUST FOR DEPRECIATION, BASED ON AVERAGE AUDITED PLANT BALANCES (USING 3/01/89 PAA VALUE IN DOCKET NO. 890045-SU AS STARTING POINT) AND RATES PRESCRIBED BY RULE 25-30.140, FLORIDA ADMINISTRATIVE CODE	\$6,349
2. NONUSED AND USEFUL PORTION ASSOCIATED WITH NONUSED AND USEFUL PLANT IN SERVICE	(\$2,213)
	-----
	\$4,136
	=====

D. CIAC AMORTIZATION

1. ADJUST FOR CIAC AMORTIZATION, BASED ON AVERAGE AUDITED CIAC BALANCE (USING 3/01/89 PAA VALUE IN DOCKET NO. 890045-SU AS STARTING POINT) AND THE COMPOSITE DEPRECIATION RATE DEVELOPED FROM ADJUSTMENT C.1. ABOVE (3.89 PERCENT)	(\$708)
2. IMPUTE CIAC AMORTIZATION ON MARGIN OF RESERVE CIAC (\$9,720 x .0389)	(\$377)
	-----
	(\$1,085)
	=====

E. TAXES OTHER THAN INCOME TAXES

1. PRO FORMA ALLOWANCE FOR 1989 PROPERTY AND TANGIBLE TAXES	\$2,230
2. ADJUST FOR NONUSED AND USEFUL PORTION	(\$902)
	-----
	\$1,328
3. ADJUST REGULATORY ASSESSMENT FEES TO 2.5 PERCENT OF CALCULATED ANNUALIZED REVENUE (\$22,113 x .025)	\$553
	-----
	\$1,881
	=====

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F. OPERATING REVENUES

ADJUST OPERATING REVENUE SUCH THAT  
THE UTILITY HAS THE OPPORTUNITY TO  
RECOVER ITS REASONABLE EXPENSES  
AND EARN A RETURN ON USED AND USEFUL  
UTILITY ASSETS

(\$15,481)

\*\*\*\*\*

G. TAXES OTHER THAN INCOME TAXES  
PRO FORMA ALLOWANCE FOR REGULATORY  
ASSESSMENT FEES OF 4.5 PERCENT  
OF THE REVENUE INCREASE

\$1,139

\*\*\*\*\*

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BFF CORP.  
DOCKET NO. 890916-SU  
DETAIL OF OPERATING EXPENSES  
TEST YEAR ENDED OCTOBER 31, 1989  
SCHEDULE NO. 3B

	TOTAL PER UTILITY (1/01/89 - 10/31/89)	COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION (11/01/88 - 10/31/89)
	-----	-----	-----
701 SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
703 SALARIES AND WAGES - OFFICERS, DIRECTORS AND MAJORITY STOCKHOLDERS	\$0	\$0	\$0
704 EMPLOYEE PENSIONS AND BENEFITS	\$0	\$0	\$0
710 PURCHASED SEWAGE TREATMENT	\$0	\$0	\$0
711 SLUDGE REMOVAL EXPENSE	\$330 1	\$236	\$566
715 PURCHASED POWER	\$2,192 2	\$266	\$2,458
716 FUEL FOR POWER PRODUCTION	\$0	\$0	\$0
718 CHEMICALS	\$1,024 3	\$512	\$1,536
720 MATERIALS AND SUPPLIES	\$835 4	\$209	\$1,044
730 CONTRACTUAL SERVICES	\$2,712 5	(\$1,481)	\$1,231
730 CONTRACTUAL SERVICES - AQUA PURE	\$2,500 6	\$500	\$3,000
730 CONTRACTUAL SERVICES - MANAGEMENT FEE	\$9,350 7	\$850	\$10,200
740 RENTS	\$0 8	\$52	\$52
750 TRANSPORTATION EXPENSES	\$50 9	\$10	\$60
755 INSURANCE EXPENSE	\$0	\$0	\$0
765 REGULATORY COMMISSION EXPENSE	\$416 10	\$200	\$616
770 BAD DEBT EXPENSE	\$528 11	(\$528)	\$0
775 MISCELLANEOUS EXPENSES	\$820 12	(\$460)	\$360
	-----	-----	-----
	\$20,757	\$366	\$21,123
	=====	=====	=====