BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Certificates to provide Water and Wastewater Service in Clay County by Point Water and Sewer, Inc.	DOCKET NO. 961321-WS

TESTIMONY OF MARK J. EASTERLING
ON BEHALF OF
THE POINT PROPERTY OWNERS ASSOCIATION, INC.

Q. Please state your name and address.

A. My name is Mark J. Easterling and my home address is 324 Scenic Point Lane, Orange Park, Florida 32067, which is in the Point Condominiums ("Point").

Q. How long have you lived in the Point?

A. I rented a townhome in the Point in 1989. In 1989, I purchased a townhome lot and began to build my townhome. I moved into my new home in August, 1990 and have lived there ever since.

Q. Are you familiar with Point Water & Sewer, Inc. ("PWS")?

A. Yes. It is the utility company attempting to get an original certificate from the Florida Public Service Commission ("Commission") in this docket.

Q. Please describe the proposed service area sought by PWS ("Requested Area").

A. The area to be serviced by PWS is located on a small parcel of property just south on the Doctors Lake bridge on Highway 17. The property is in the unincorporated part of Clay County. The entire community lies at the mouth of Doctors Lake and is on the St. Johns River. At present, water and wastewater is provided to 19 townhomes ("the Point") and a sailboat marina ("Whitney's Sail Center"). Two (2) of the townhomes are owned by James Yonge, the father and father-in-law of the two principals in PWS. One (1) townhome is owned by Karen and Pat Carr. Karen Carr is James Yonge's daughter and Pat Carr, one of the principals in PWS, is his son-in-law. The Point Property Owners Association, Inc. ("Association") was set up to administer payments and enforce rules throughout the Point community.

Q. Are you testifying on behalf of the Association?

A. Yes. I am a member of the Association and because of my experience in the water and wastewater industry, the Association has asked me to speak on its behalf.

Q. Please identify were you received your undergraduate degree and the area of concentration of your studies?

A. I received my Bachelors degree in Accounting from Jacksonville University in 1970.

Q. Please describe your experience in the water and wastewater industry?

A. I have been employed at Florida Pump Service, Inc. ("FPS") since 1971. FPS sells, services and installs a wide variety of pumps and related equipment to residential, commercial and industrial customers throughout Northeast Florida and South Georgia. Some of the many pumps we work with are well water, wastewater, lift station, high service, chlorination, dewatering, pool, circulating, drainage, etc. FPS also has been involved directly in the installation of many water and wastewater package plants. At FPS, I have been a service technician and supervisor. In 1971, I purchased FPS. I now am president and general manager. In my job now, I am responsible for preparing budgets, monitoring sales and still oversee some service and installation projects. I hold a Class C wastewater operator certificate. I also am a Florida State Certified Building Contractor and a Florida State Certified Underground Utility Contractor. In the 1980's, I was a 50% stockholder in Lake Asbury Utilities, Inc. ("LAU"). This utility provided water only service to a 500 home community in Clay County. LAU sold the utility in 1989 to Mid-Clay Utility. There were two (2) reasons this utility was sold: (1)

the returns on investment were not sufficient for the time spent and (2) LAU would have had to make an enormous capital investment to insure the system would stay in compliance with new regulations.

Q. Is PWS the only source for water and wastewater utility service for the Requested Area?

A. No. The Clay County Utility Authority ("Authority") can provide water and wastewater utility service to the Requested Area. The Authority has existing water and wastewater mains within 500 feet of the Point.

Q. I show you documents marked Exhibit MJE-1. Can you identify them?

A. Yes. It is a letter from Ray O. Avery, Executive Director of the Authority, to Steven C. Glenn, President of the Association, together with the maps enclosed with the letter. The letter and maps confirm that the mains are near to the Requested Area and that the Authority has the capacity to serve.

Q. I show you documents marked Exhibit MJE-2 through MJE-8. Can you identify them?

A. Yes. They are excerpts from the Clay County Comprehensive Plan. Exhibit MJE-2 is pages 8 through 12 of the Community Facilities Element. Exhibits MJE-3 and MJE-4 are maps showing the locations of small water plants and small package wastewater plants,

respectively. Exhibits MJE-5 and MJE-6 are maps of Urban Service Areas and Centralized Service Areas. Exhibits MJE-7 and MJE-8 are maps showing the locations of the Regional Water Treatment Plants and Regional Wastewater Treatment Plants, respectively.

Q. Is the Requested Area within an Urban Service Area?

A. Yes. As shown by Exhibit MJE-5, the Requested Area is in an Urban Service Area.

Q. Are the Point Plants small plants or regional plants?

A. Exhibits MJE-3 and MJE-4 show that the Point Water Treatment Plant ("WTP") is a small water plant and that the Point Wastewater Treatment Plant ("WWTP") is a small package plant.

Q. Does the Comprehensive Plan have any requirements requiring connections of small package treatment plants?

A. Yes. As shown in Exhibit MJE-2, Policy 4.1 of the Comprehensive Plan states in part "Clay County shall require the utilization of a central sewer system where connection to a central system is available. ...Existing package treatment plans shall be connected to a central sewer system when those systems are within a one-quarter mile." The central sewer system of the Authority is within one-quarter mile and, therefore, the PWS WWTP should be connected to the Authority's

central sewer system. Accordingly, the continued operation of the Point WWTP is not only inconsistent with the Clay County Comprehensive Plan - it is a violation of the Plan. The Comprehensive Plan's intent that package treatment plants be used only on an interim basis and connected to the central sewer system when it is within 1/4 mile also is shown by Policy 4.4 of the Plan.

Q. Should the Authority pursue the connection of package treatment plants, including the PWS WWTP?

A. Yes. It would be consistent with the Comprehensive Plan. Furthermore, the act creating the Authority, Chapter 94-491, Laws of Florida, provides, in part, as follows:

Section 1, LEGISLATIVE FINDINGS.-- It is declared as a matter of legislative determination that the extensive growth of population and attendant commerce throughout Clay County has given rise to public health and water supply concerns, in that many of the unincorporated areas of Clay County are not served by water and sewer facilities normally and generally provided and maintained by governmental agencies and instead are served by private wells and privately owned package sewage treatment plants or septic tanks. The proliferation of such package and sewage treatment

plants and use of septic tanks poses a significant risk of contamination of water supply sources for both incorporated and unincorporated areas of Clay County. It is the intent of the Legislature to create an independent special authority in Clay County with overall responsibility for the provision of water and sewer services in certain areas of Clay County and certain portions of Duval County, lying within the City of Jacksonville, a municipal corporation, as hereinafter provided, and will provided economies of scale and may eliminate duplicative staff functions and positions, thereby eliminating duplicative costs in the operation of said system.

...

Section 6. POWERS AND DUTIES OF AUTHORITY.--The authority shall have the following powers and duties, in addition to and supplementing other powers granted in this act and powers granted to authorities by general law:

...(2)To regulate the use of sewers and the supply of water within the authority's boundaries, regardless of whether private or governmental, exclusive of Clay County and Duval County, and to prohibit the use and maintenance of outhouses, privies, septic tanks, package sewage treatment plants, or other unsanitary

structures or appliances. This power shall be exercised concurrently with any power inherent in Clay County. In the event of a conflict, the more stringent rule shall apply.

... (7) To restrain, enjoin, or otherwise prevent the violation of this law or of any resolution, rule, or regulation adopted pursuant to the powers granted by this law.

(8) To join with any other districts, municipalities, towns, or other political subdivisions, public agencies, or authorities in the exercise of common powers.

... (11) To require and enforce the use of its facilities whenever and wherever they are accessible and to require and enforce the installation and dedication to the authority of water and/or sewer facilities and easements as a condition precedent to the provision of service by the authority or by another entity authorized by the authority to provide interim service until authority facilities are available.

...(23) No existing investor or publicly owned water or sewer utility shall expand or extend its collection or distribution facilities or any service area within which such collection or distribution facilities are located and in existence on the effective date of this

act, unless the board shall decline a formal request by the utility to provide the water and sewer service to the proposed expanded or extended area. A formal request for service shall be made by the utility to the board at a regularly scheduled public meeting. Such formal request shall described in detail the proposed expanded or extended service area and the type of utility service requested.

...

Section 24. PLANNING REQUIREMENTS --

... (5) The authority shall take no action which is inconsistent with applicable comprehensive plans, land development ordinances, or regulations adopted by the Clay County Commission.

Q. I show you a document entitled MJE-9. Can you identify it?

A. Yes. It is Clay County Utility Authority Resolution No. 96/97-01, which has the current fees and charges of the Authority. Please note that the Requested Area would be served by the Kingsley system.

Q. I show you a document labeled MJE-10. Can you identify it?

A. Yes. It is the April 24, 1997 Staff Recommendation issued in the Staff Assisted Rate Case of PWS.

Q. Have you compared the Authority's rates and the proposed rates in the Staff Recommendation.

A. Yes. I caused a comparison of the rates to be prepared.

Q. I show you a document labeled MJE-11. Can you identify it?

A. Yes. It is the rate comparison I just mentioned.

Q. Please discuss the results of your findings of the rate comparison.

A. As shown on the exhibit, the Association members would be paying four hundred percent (400%) higher rates. The nineteen (19) homeowners would have to pay more an additional $25,000 annually under PWS's rates than the Authority's rates.

Q. What is the level of rate base in PWS?

A. Virtually zero. According to Staff's Recommendation, PWS has a test year rate base of $2,338 for water and $3,050 for wastewater. See Exhibit MJE-10, page 46, 47, and 48. The wastewater rate base is the working capital allowance of $3,050 for wastewater. The water rate base is the working capital allowance of $2,073 for water plus $265 for the proforma meter which PWS has not installed. The proforma meter is $600, which translates to an average $300 projected investment. Reducing the $300 investment by $35 for depreciation for the meter leaves $265.00. The zero investment in

wastewater plant and the total investment being only a water meter in the water plant is consistent with the April 29, 1997 letter to me from Hillary Kemp, Regulatory Analyst for the Commission.

Q. I show you a document labeled Exhibit MJE-12. Can you identify it?

A. Yes. It is the April 29, 1997 letter from Ms. Kemp.

Q. If the original utility had invested in plant, would there still be a low level of rate base in PWS?

A. Yes. The plants are almost twenty (20) years old and are close to the end of their useful life. Had the utility made an investment and properly depreciated it - the net balance would be low. Most of the useful lives are 20 years or less in the Small Utility Function Composite of the Commission's rule on depreciation. See Rule 25-30.140, Florida Administrative Code ("FAC"). According to the class C rates, the useful life for a steel WWTP-Class C utility (like PWS) is 20 years. PWS has admitted that the equipment was installed in 1980 (Application - Exhibit B-2) and has alleged that it has been depreciated on a straight-line basis over 21 years (Application - Exhibit C-1-B, Depreciation). However, as noted in the Staff Recommendation, the 1983 tax returns for IGR,

Inc., and NOH, Inc., did not reflect any plant or accumulated depreciation. See Exhibit MJE-10, p. 12.

Q. PWS has alleged that it will need to invest $200,000 in plant replacement. What effect would that have on rates?

A. It would greatly increase them. I have caused an exhibit to be prepared to show the effect on the revenue obtained from PWS's customers.

Q. I show you an exhibit labeled MJE-13. Can you identify it?

A. Yes. It is the exhibit that shows the increase in the revenue requirement arising because of the investment.

Q. What else does the exhibit disclose?

A. Assuming that PWS rates went up to recover the additional revenue, the Association's 19 members would be charged $18,291.00 more a year, which is an increase of approximately fifty-six percent (56%). The increase alone is almost three times the Authority's <u>total</u> annual charge of $6,567.60. If PWS is going to spend $200,000, it should use the money to connect to the Authority's system.

Q. Does PWS have the financial ability to operate the utility system?

A. No.

Q. Please discuss.

A. There are several glaring items which show that PWS does not have the financial ability to operate the utility system.

First, PWS's rate base level. It is a very low number. All of PWS's rate base is created either from an estimated working capital allowance or a meter, which PWS has not yet installed.

Second, PWS equity level. As shown in the Staff Recommendation (Exhibit MJE-10, p.49), PWS has equity of only $500.00, according to PWS. To put this in perspective, PWS's self proclaimed equity level of $500 is less than the Association's monthly bill of $2,759.23 (Phases I) - in fact - it is even less than the share of the monthly bill of four of the nineteen units ($2,759.23 x 4/19 = $580.89). It is less than the $600.00 meter required in the Staff Recommendation. The $500 equity is even less than the $556.63 purchase price in the failed transfer of the utility to Tom Ryan. The EPA fine of $25,000 is 50 times the equity level.

Third, the current level of debt of PWS. According to PWS, it has a debt level of $136,722($100,000 + $34,352 +$2,370). See Exhibit MJE-10, p. 49. PWS's debt is $136,222 more than its equity and results in a debt to equity ratio of 273.44 to 1

($136,722 ÷ 500 = $273.44). PWS's debt exceeds its rate base by $131,334 ($136,722 - $5,388 = $131,334).

Fourth, the future level of debt of PWS. According to PWS, it will need to replace plant in amount of $200,000. Applying PWS's current capital structure to the $200,000 investment would add another $199,280 in debt ($200,000 x 99.64% = $199,280).

Fifth, because of the low level of PWS's rate base, PWS will not earn a large return on its rate base ($466 under traditional rate base approaches according to Exhibit MJE-10, p. 51 and 53). Even if the Commission uses an operating ratio method amount, PWS would have an annual income of $4,099 ($1,659 + $2,440). Exhibit MJE-10, p. 50 and 52. Of course such an approach would give PWS a rate of return of 71% ($1,659/$2,338) for water and 80% ($2,440/$3,050) for wastewater. It would take 33 years at $4,099 a year to payoff the principal of $136,722. It would take almost 82 years at $4,099 to payoff a principal of $336,002 ($136,722 + $199,280).

Sixth, even under the extraordinary high rates set forth in Staff's Recommendation, PWS will still lose money. Even the $4,099 operating ratio return will be consumed by the interest expense of $12,550 which is not recovered under the rates ($6,275 + $6,275 =

$12,550, See Exhibit MJE-10, p.55, 10. Miscellaneous Expenses, item a) and PWS will continue to lose at least $8,451 per year. Seventh, PWS will never be able to have any economies of scale. The Requested Area is small. The number of customers are few and growth has been stagnant for the last five years. PWS has stated that it does not anticipate serving any other party or area. Proposed Water Tariff Sheet No. 24.0.

Eighth, increasingly stringent FDEP regulations are being enacted and then are being increasingly enforced. The FDEP regulations will require PWS to make more investments leading to even greater debt loads and even less financial ability.

I am a businessman with over 25 years experience in the water and wastewater industry. PWS's capital structure and investment level are wholly inappropriate and completely insufficient. PWS does not have the financial ability to operate the utility system.

Q. Should the fact that the utility has been in operation support granting PWS's application?

A. No. It shows that the utility does not follow the rules. Why should the utility get an advantage for not complying with the rules. In addition, the owners have no appreciable investment in the utility system. The

Association pays five and a half times PWS's investment with each Phase I bill ($2,759.23 ÷ $500 = 5.52).

Q. How much will it cost to connect the Association to the Authority's system?

A. In the late 1994, the Association began realizing that the costs of operating the water and wastewater plants were starting to grow dramatically. The Association also realized that there were not enough customers over which to spread the fixed costs of operating the system thus resulting in much higher costs to the homeowners. The Association also knew that the Authority's lines would be almost directly across the street within 18 months. Two Association board members, along with myself, talked directly with Ray Avery about the costs to bring central water and sewer to the Point. He said the cost would be $65,000 for 17 townhomes, $75,000 for James Yonge 2 townhomes and 15 lots and $60,000 for Whitney's Sail Center for a total of $200,000. These amounts included all of the costs of construction, tap fees, connection fees and all other costs necessary for the Authority to provide running water and wastewater service through individual meters to the Point and Whitney's Sail Center. Mr. Avery advised us that we could use contractors other than the Authority to perform the necessary construction. Based upon my

knowledge and experience, the construction can be performed today for the construction cost estimated only two years ago. We then talked, via long distance phone, to James Yonge about getting rid of the plants and connecting to central water and sewer. All non-Yonge related owners were ready and willing to pay their fair share to connect. Mr. Yonge flatly said "no way. I have the perpetual right to provide water and sewer." We think what he was really saying was that "I am not going to pay my fair share." At a $65,000 cost, each of the 17 townhomes would pay $3,823 to connect to the Authority and then would pay the normal Authority's monthly rate for individually metered customers of less than $40 per month. There is no need for PWS when rates with the Authority are so much cheaper, the Authority's facility is much more capable of servicing us better and PWS will eventually need to connect to the Authority any way.

Q. What other customers in the vicinity of the Requested Area could connect to the Authority's system in conjunction with the Association's connection?

A. Whitney's Sail Center, directly next to the Point, would immediately connect to central water and sewer because of (1) the lower costs and (2) they would be getting rid of a major pollution potential and (3) they

would be getting rid of the noisy plants. The marina across the street is also going to hook up to the Authority's wastewater system, which will eliminate its use of a septic tank near the river.

Q. Please discuss the utility's quality of service.

A. The residents, most probably because they have become accustomed to the plant problems, have not voiced their objections. The plants though are and have been a major nuisance. Normal showers in the morning are taken more with chlorine than they are with water. The sewer plant at certain times smells when there are drastic climatic changes. The discharge from the sewer plant sometimes leaves a residue at or near the effluent outfall in the St. Johns River. Finally, the resident's children (mine is 15) jump and swim off the dock - directly where the sewer outfall line effluent flows. A plant malfunction could cause serious illness.

Q. Please discuss the utility's relationship with its customers.

A. To say that the Association's's relationship with the utility owners (whether it be James Yonge, his family or PWS) has been war-like is saying it nicely. Our entire community has been brutally raped by the original developer (James Yonge). This will be

continued if PWS is certified. When the townhome owners moved into the Point, they were always told that the utility was set up "to sell lots and townhomes" and "not to act as a regulated utility". In 1988, when the covenants were changed to read that the Association would pay all costs of operating the water and sewer plants, this was done solely for the purpose of selling the plants in an arms-length transaction to Enviro-Systems. The deal feel through because James Yonge never had the dock permitted which the sewer outfall line runs to the St. Johns River. The Point community has been held hostage by James Yonge with his "perpetual right to provide water and sewer at the Point." Mr. Yonge, being a developer, should have known that the plants had to be certified and franchised by the Commission. He never told the residents. From 1981, through the end of 1995, Mr. Yonge never made a profit from the plants - nor did he plan to. From 1988 through the end of 1995, the Association (in the absence of James Yonge) paid all the bills to operate the plants with no objections from James Yonge. Why would any businessman who proports to owning a business turn over his business to other and not object when "no profits are made"? He only planned to make a profit when he found the Commission might

give him that opportunity. He is also obsessed with "controlling" the residents and making them pay heavily for them trying to "buck" his dictates. He has sold the utility to his relatives, in what we feel is an "illegal transaction", because his previous corporation (which owned the plants) has actual and potential liabilities to the Association. Ever since James Yonge overcharged the residents from 1981 through 1986 and then had to repay them, the relationship has deteriorated to outrage and disgust. The residents don't trust the Yonges or any one related to them. They have lied and misrepresented themselves to the residents. They have been very uncooperative with governmental agencies. James Yonge has breached the Declaration of Covenants and Restrictions of the Point. James Yonge has filed suit on 16 townhome owners saying that they owed the $25,000 EPA fine - even though he failed to tell them that in 1987 the FDEP mandated that he install required sewer plant equipment that was never installed on a timely basis. In his suit, he said that he "gave" the plants to the Association in an "oral takeover". Can you imagine that a lawyer and developer, who wrote and had the residents sign a lengthy Declaration of Covenants and Restrictions -

orally gave us the plants? The Yonge family cares nothing about the residents and will not in the future.

Q. Do the Point residents want service from PWS or the Authority?

A. All of the 16 townhome owners not related to James Yonge want service from the Authority. They do not want PWS or any other entity to continue to operate the inefficient and potentially dangerous plants.

Q. Is it in the public interest for the Commission to grant PWS's application?

A. No. For the reasons above stated, it is clearly not in the public interest for the Commission to grant PWS's application. Granting the PWS's application to serve water and sewer to the Point will be tantamount to giving the "fox the keys to the hen house", a step backwards will be made in not now eliminating these antiquated package water and sewer plants. If you grant PWS a certificate now it would be financially disastrous for all the residents. The residents would now pay five (5) times the Authority's rates, plus in the near future have to pay to connect to the Authority's system, when the plants have been regulated out of business by the FDEP.

Q. What action should the Commission take in this matter?

A. It should deny the Application and order PWS to connect to the Authority's system. That would be in the public interest.

Q. Does this complete your testimony?

A. Yes, but I will answer any other questions.

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-1
Exhibit _____
Letter & Maps from Authority

Clay County Utility Authority

Ray O. Avery
Executive Director
782 Foxridge Center Drive
Orange Park, Florida 32065

Telephone (904) 272-5999
Fax (904) 276-0541

April 22, 1997

Mr. Steven C. Glenn, President
The Point Property Owners Association
319 Scenic Point Lane
Orange Park, Florida 32073

Re: Availability of water and sewer utilities to The Point Condominiums.

Dear Mr. Glenn:

Per your request, this is to confirm to you that the Clay County Utility Authority (Authority) has an existing sanitary sewer force main and an existing 10" water main on the westerly side of U.S. Highway 17, at Doctors Lake Marina. These mains have the capacity to provide service to The Point Condominiums. Based on the attached maps, the end of the existing mains are within 500' of the front entrance to The Point Condominiums. Therefore, service can be provided to this development, subject to the following:

1. An agreement between the Clay County Utility Authority and the appropriate legal entity representing The Point Condominiums for service is entered into.

2. The cost allocable to the extensions and all of the appropriate charges are paid to the Authority.

3. The Authority establishes its legal right to serve this area, without subjecting the Authority to potential liability for payment of eminent domain damages or for tortious inference with business or contractual relations.

The Clay County Utility Authority is an independent special district that meets all the requirements for independent special districts provided in Chapter 189, Florida Statutes.

Please feel free to call if you have any questions or require any additional information in this regard.

Very truly yours,
CLAY COUNTY UTILITY AUTHORITY

Ray C. Avery
Executive Director

ROA/mlr
Attachments

cc: Grady H. Williams, Jr., Esq.
Clay County Utility Authority Board of Supervisors
Mark Easterling

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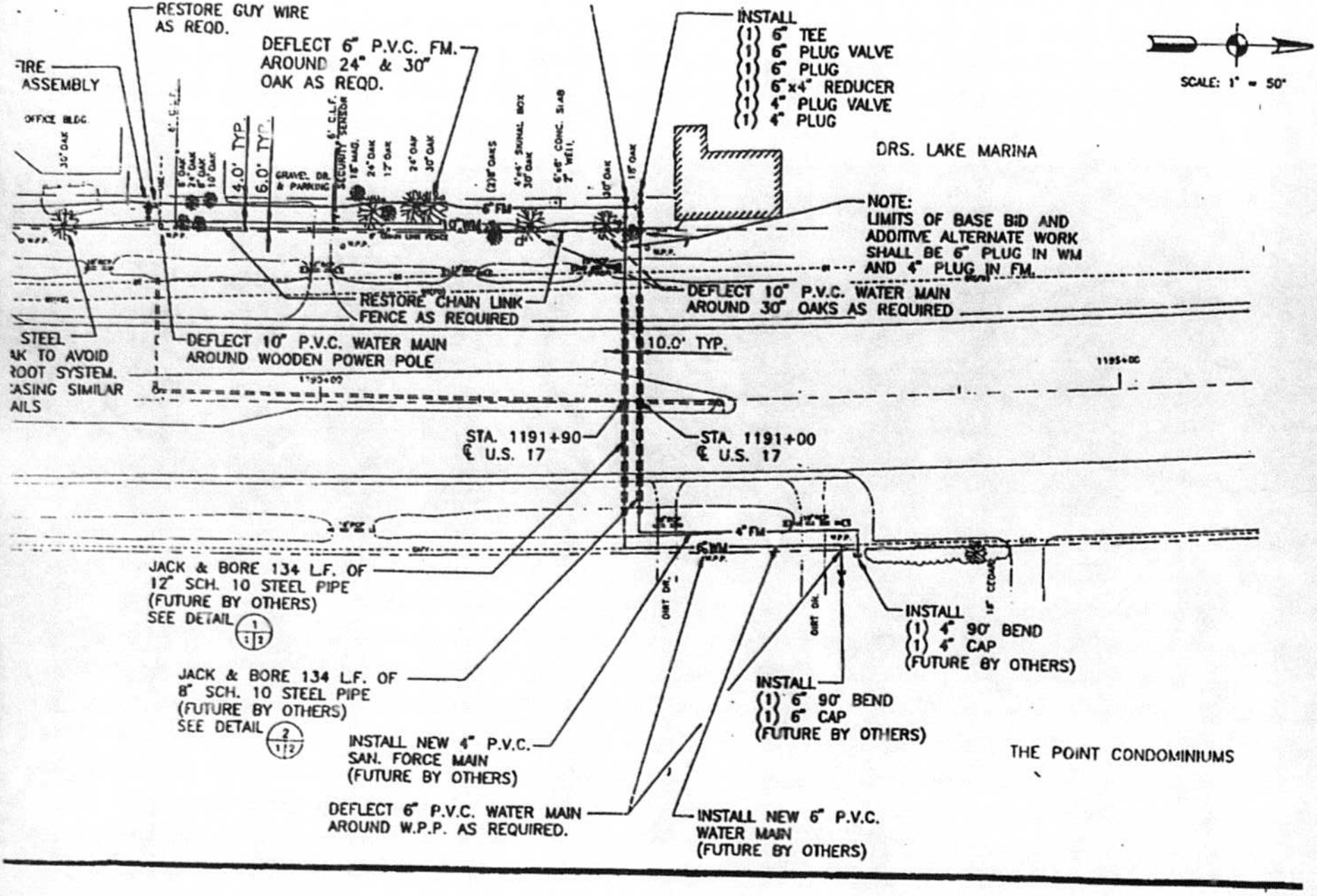
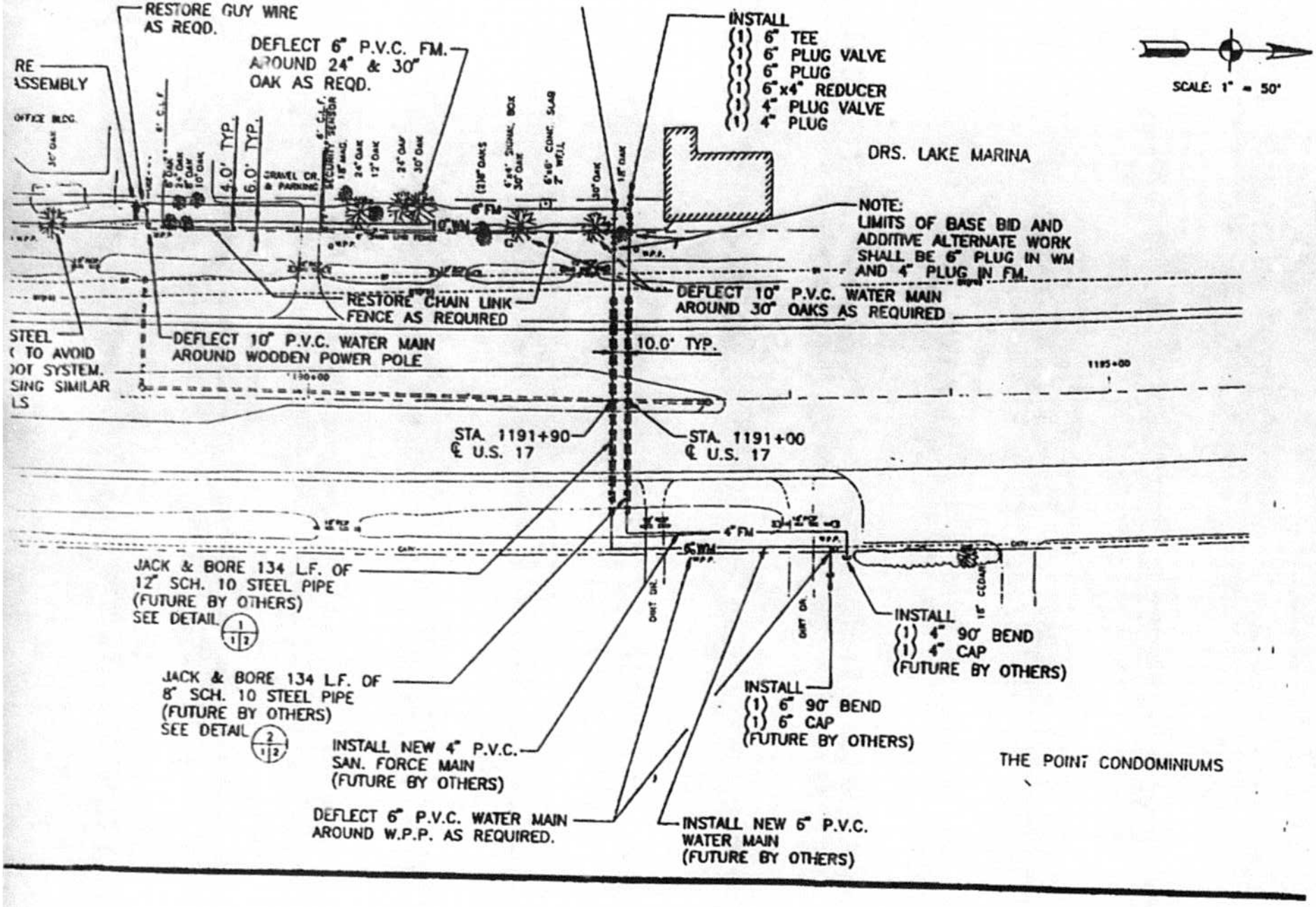

RESTORE GUY WIRE AS REQD.
DEFLECT 6" P.V.C. FM. AROUND 24" & 30" OAK AS REQD.
INSTALL
(1) 6" TEE
(1) 6" PLUG VALVE
(1) 6" PLUG
(1) 6"x4" REDUCER
(1) 4" PLUG VALVE
(1) 4" PLUG
SCALE: 1" = 50'
DRS. LAKE MARINA
NOTE:
LIMITS OF BASE BID AND ADDITIVE ALTERNATE WORK SHALL BE 6" PLUG IN WM AND 4" PLUG IN FM.
DEFLECT 10" P.V.C. WATER MAIN AROUND 30" OAKS AS REQUIRED
RESTORE CHAIN LINK FENCE AS REQUIRED
DEFLECT 10" P.V.C. WATER MAIN AROUND WOODEN POWER POLE
10.0' TYP.
STA. 1191+90 ℄ U.S. 17
STA. 1191+00 ℄ U.S. 17
JACK & BORE 134 L.F. OF 12" SCH. 10 STEEL PIPE (FUTURE BY OTHERS) SEE DETAIL 1/1
JACK & BORE 134 L.F. OF 8" SCH. 10 STEEL PIPE (FUTURE BY OTHERS) SEE DETAIL 2/1
INSTALL NEW 4" P.V.C. SAN. FORCE MAIN (FUTURE BY OTHERS)
DEFLECT 6" P.V.C. WATER MAIN AROUND W.P.P. AS REQUIRED.
INSTALL NEW 6" P.V.C. WATER MAIN (FUTURE BY OTHERS)
INSTALL
(1) 4" 90° BEND
(1) 4" CAP
(FUTURE BY OTHERS)
INSTALL
(1) 6" 90° BEND
(1) 6" CAP
(FUTURE BY OTHERS)
THE POINT CONDOMINIUMS
FIRE ASSEMBLY
OFFICE BLDG.
4.0' TYP.
6.0' TYP.
GRAVEL DR. & PARKING
SECURITY SENSOR
6" FM
4" FM
SCWM
1195+00
1195+09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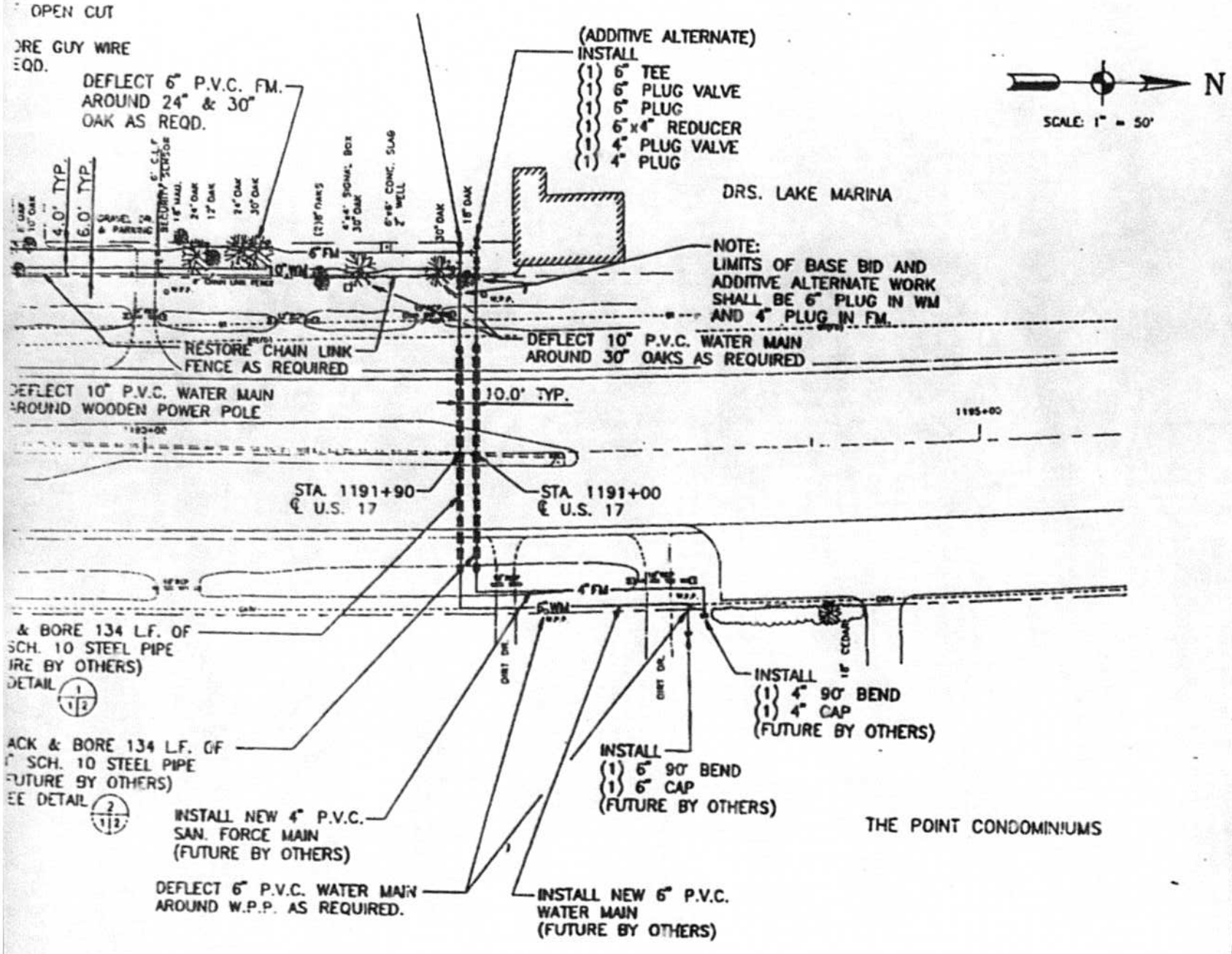
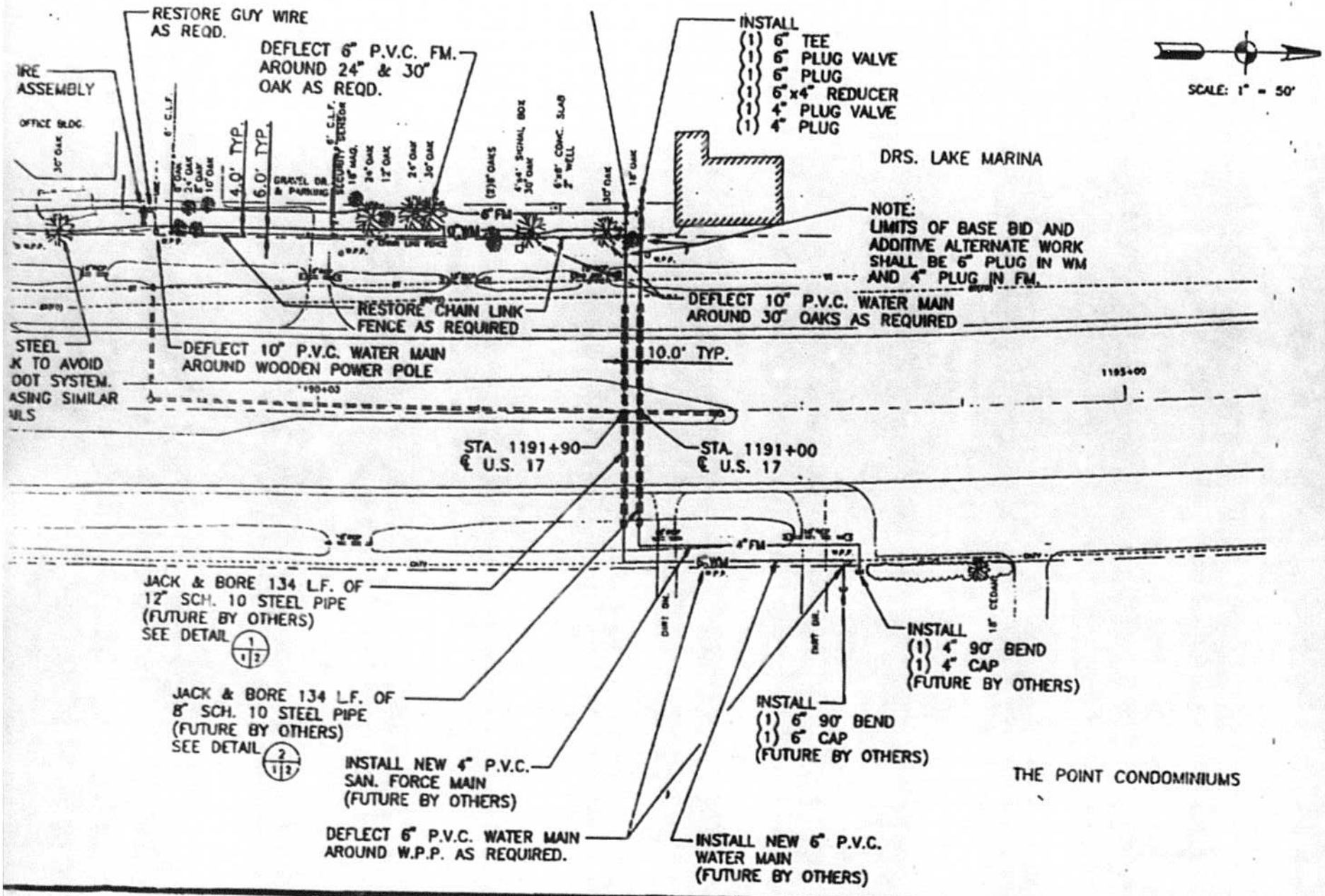
6" FM
6" WM



MITTAUER & CONSULTI
1202 Kingsley Avenue, Ora

CLAY COUNTY UTILITY AUTHORITY
U.S. 17 / Drs. Lake Marina
Water Main/San. Force Main Extension
Clay County, Florida

JOB NO.
9204-19-1
SHEET NO.
1
OF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(1) 6" PLUG
(1) 6"x4" REDUCER
(1) 4" PLUG VALVE
(1) 4" PLUG
SCALE: 1" = 50'
DRS. LAKE MARINA
NOTE:
LIMITS OF BASE BID AND ADDITIVE ALTERNATE WORK SHALL BE 6" PLUG IN WM AND 4" PLUG IN FM.
DEFLECT 10" P.V.C. WATER MAIN AROUND 30" OAKS AS REQUIRED
RESTORE CHAIN LINK FENCE AS REQUIRED
DEFLECT 10" P.V.C. WATER MAIN AROUND WOODEN POWER POLE
10.0' TYP.
STA. 1191+90 ℄ U.S. 17
STA. 1191+00 ℄ U.S. 17
JACK & BORE 134 L.F. OF 12" SCH. 10 STEEL PIPE (FUTURE BY OTHERS) SEE DETAIL 1/2
JACK & BORE 134 L.F. OF 8" SCH. 10 STEEL PIPE (FUTURE BY OTHERS) SEE DETAIL 2/2
INSTALL NEW 4" P.V.C. SAN. FORCE MAIN (FUTURE BY OTHERS)
DEFLECT 6" P.V.C. WATER MAIN AROUND W.P.P. AS REQUIRED.
INSTALL NEW 6" P.V.C. WATER MAIN (FUTURE BY OTHERS)
INSTALL
(1) 4" 90° BEND
(1) 4" CAP
(FUTURE BY OTHERS)
INSTALL
(1) 6" 90° BEND
(1) 6" CAP
(FUTURE BY OTHERS)
THE POINT CONDOMINIUMS

By 1992, the County shall develop a potable water/wastewater master plan in conjunction with the service providers to coordinate the efficient delivery of services to meet the future demand.

Policy 3.1: The County shall require that all proposed development submit drainage plans meeting minimum adopted level of service standards, including on-site retention and positive outfall, and require that such plans meet St. Johns River Water Management District permitting requirements, in addition to local stormwater permitting requirements, prior to development approval.

Policy 3.2: The Comprehensive Stormwater Management Plan shall identify projected future drainage needs based on the Future Land Use Map. Projects identified as required to maintain the adopted LOS shall be funded through a stormwater utility to be implemented concurrent with completion of the Comprehensive Stormwater Management Plan.

Policy 3.3: ~~Clay County shall require central sewer and potable water systems (county owned, private and those unincorporated areas provided service by municipal systems) to comply with the level of service standards contained in Policy 1.1 as a condition for granting development approval to any project within Clay County.~~

Clay County shall require central water and sewer service to be provided at the adopted LOS's in Policy 1.1 as a condition for granting development approval to any project within Clay County.

Amendment 93-1, 4-27-93.

Policy 3.4: By 1992, Clay County shall develop, in conjunction with the Clay County Water and Sewer Authority, private utility providers, state and local governments, a Potable Water and Wastewater Master Plan to coordinate the efficient delivery of these services to the urban areas of the County.

Amendment 94-2A (DCA 94-2B), 8-9-94, Ordinance 94-37.

Policy 3.5: Concurrent with the preparation of the Potable Water/ Wastewater Master Plan, the County shall enter into agreements with adjacent local governments the Clay County Water and Sewer Authority and private utility service providers to establish urban service areas for the unincorporated portion of Clay County.

Amendment 94-2A (DCA 94-2B), 8-9-94, Ordinance 94-37.

Policy 3.6: The County shall coordinate with the Clay County Water and Sewer Authority and private potable water and sanitary sewer service providers to prioritize extension of distribution and collection lines to areas planned for growth as identified on the Future Land Use Map (urban service areas) and so as to promote infill development.

Amendment 94-2A (DCA 94-2B), 8-9-94, Ordinance 94-37.

Policy 3.7: ~~No expansion of solid waste facilities is anticipated through the planning period. Clay County shall continue its policy of purchasing additional property for expansion if the monitoring and evaluation procedures indicate a need.~~ The existing Class I landfill provides capacity sufficient to meet the County's Class I solid waste needs until October 1, 1995. Clay County has entered into a formal agreement with Nassau County commencing on October 1, 1995, for the provision of Class I solid waste capacity sufficient to meet the projected demands of Clay County for the remainder of the 1991-2001 planning period, and shall plan for need beyond the planning period consistent with the schedule to maintain adequate future capacity specified in Community Facilities Policy 1.2.

Amendment 94-1A, 5-23-95, Ordinance 95-20.

Objective 4: The county shall maximize the use of existing facilities through mandatory hookups, and prioritization of stormwater discharge alternatives.

Policy 4.1: Clay County shall require the utilization of a central sewer system where connection to a central system is available. The use of existing septic tanks serving land uses within the planned urban sewer service areas may continue in a manner consistent with the requirements specified by Section 10D-6, Florida Administrative Code. Existing package treatment plants shall be connected to a central sewer system when those systems are within one-quarter mile.

Policy 4.3: The County shall permit individual wastewater disposal systems (septic tanks) outside the urban core, provided that site and soil conditions are suitable for septic tank use as determined by the requirements of Chapter 10D-6, FAC.

Policy 4.4: The County shall prohibit the establishment of package treatment plants to serve residential uses outside of planned urban sewer service areas except where the FDER, or other appropriate agency, has ruled that such a facility is necessary to correct existing problems relating to public health, safety, and welfare. Within the planned urban sewer service areas, package treatment plants may be permitted as an interim measure for a period not to exceed 10 years, provided that such plants are constructed and designed so as to be connected to a central wastewater system when it is within one-quarter mile.

Policy 4.5: The County shall permit individual potable water wells provided that such wells are allowed as regulated by County land development regulations, applicable State standards, and consistent with the Potable Water and Wastewater Master Plan.
Amendment 93-1, 4-27-93

Policy 4.6: Urban service areas may be expanded to include undeveloped land in or near existing urban areas where the developer agrees to provide necessary urban services or establish an urban service area. The necessary facilities and services shall be guaranteed through an enforceable development agreement. An enforceable development agreement shall include development agreements pursuant to County land development regulations and/or local utility regulations; an agreement pursuant to Chapter 163, F.S. and Rule 9J-5.0055, F.A.C., or an agreement or development order issued in accordance with Chapter 380, F.S. Expansion of the urban service area shall require a plan amendment.

Policy 4.7: Where an alternative exists, the County shall require stormwater discharge to an existing drainage facility with adequate level-of-service prior to permitting construction of an additional drainage facility. *Amendment 93-1, 4-27-93.*

Objective 5: The County shall reduce the equivalent residential unit rate of potable water consumption by ten percent by 1996.

Policy 5.1: The County shall revise its Building Code to require, at a minimum, the use of water conservation devices in all new development.

Policy 5.2: The County shall assess the potential for wastewater and "grey water" re-use for household use, landscape and agricultural irrigation in appropriate areas in cooperation with the state, SJRWMD, adjacent local governments and local utility companies in order to reduce the potential demand for future groundwater withdrawals. By 1996, the County shall complete an Outline of Options and Cost Associated with Wastewater Recovery in the County.

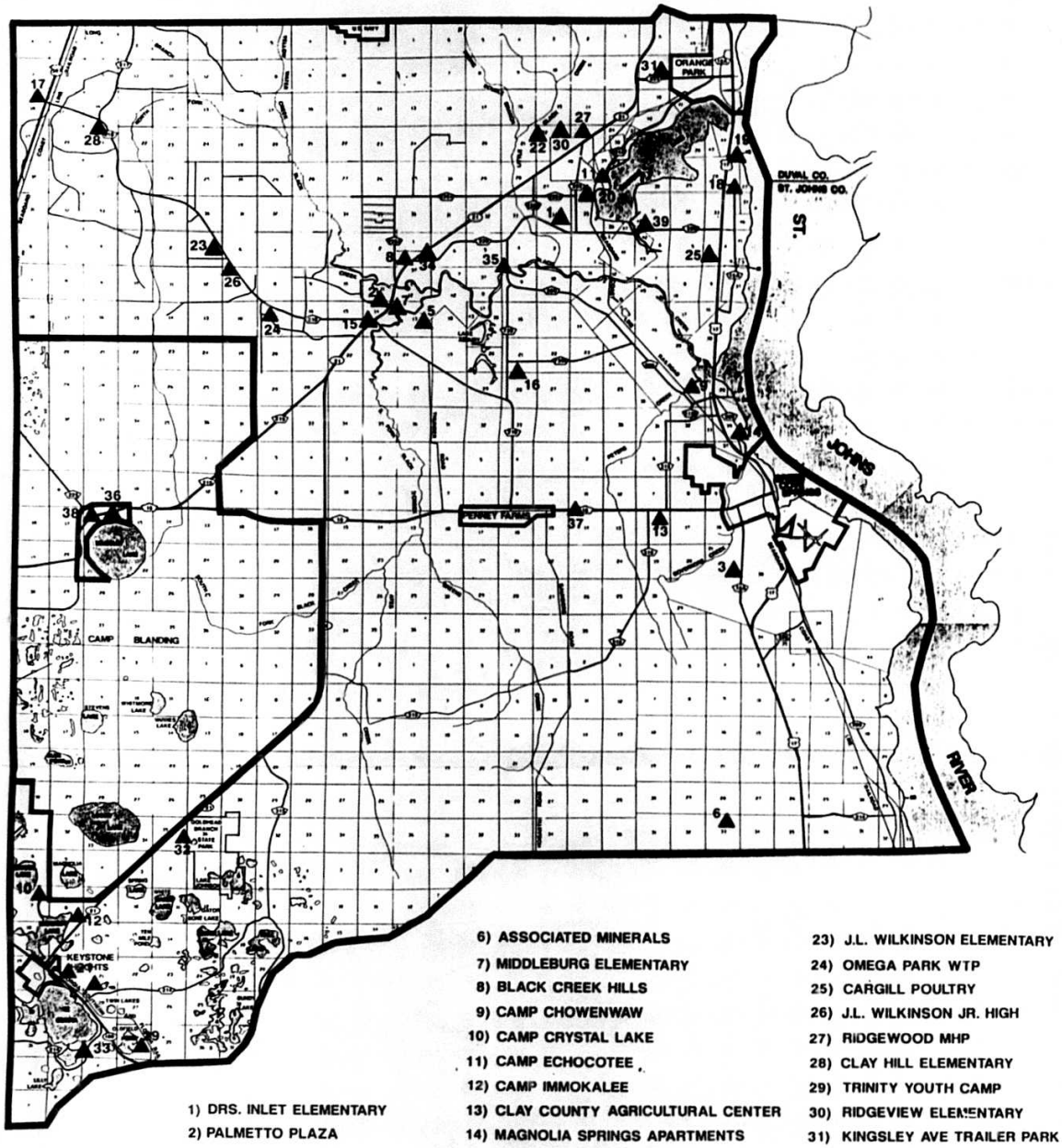
Objective 6: Upon plan adoption, the county shall regulate activities through an overlay zone within the high recharge area to the Floridan Aquifer and in wellhead buffer zones and implement water conservation measures to ensure the continued supply of good quality potable water.

Policy 6.1: Upon plan adoption, areas designated by the SJRWMD as high recharge to the Floridan Aquifer shall be protected from

incompatible land uses to ensure adequate recharge rates and water quality maintenance. The following restrictions shall apply:

- Lakefront lots shall have a 150-foot setback from the Ordinary High Water Line for all septic tank drain fields. Small lots can apply for a variance to this criteria.
- Septic tanks shall be either of multi-compartment, multi-tank or aerobic design.
- Maximum impervious surfaces of 15 percent of total lot area, or 30 percent providing that 100-percent retention of stormwater is achieved.
- The following uses shall be prohibited within those areas having a known recharge rate of ten inches or more per year: wastewater treatment plants, with percolation ponds, landfills, mines, feedlots, chicken farms, activities that require the storage, use, handling or processing of materials on the Florida Substance List (38F-41, FAC), agricultural chemicals, petroleum products, hazardous waste, toxic waste, industrial chemicals or medical waste.
- Direct discharge of stormwater, via sinkholes, drainage wells, etc., shall be prohibited.
- Those areas having a recharge rate of ten inches or more per year shall be designed to have 100 percent retention of on-site runoff for a 25-year/24-hour storm, and no greater than 15 percent impervious surfaces.
- All new Floridan Aquifer wells in the designated high recharge area shall be cased to SJRWMD standards to ensure that they do not provide a means of contamination to the Floridan Aquifer.
- Existing and future septic tanks and drainfields within the high recharge area shall be inspected every five years and if necessary, repaired and maintained.

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-3
Exhibit _____
Map of Small Water Plants



1) DRS. INLET ELEMENTARY
2) PALMETTO PLAZA
3) GUSTAFSONS DAIRY
4) LAKEVIEW VILLA
5) RAVINES
6) ASSOCIATED MINERALS
7) MIDDLEBURG ELEMENTARY
8) BLACK CREEK HILLS
9) CAMP CHOWENWAW
10) CAMP CRYSTAL LAKE
11) CAMP ECHOCOTEE
12) CAMP IMMOKALEE
13) CLAY COUNTY AGRICULTURAL CENTER
14) MAGNOLIA SPRINGS APARTMENTS
15) MIDDLEBURG 21/218 CENTER
16) LAKE ASBURY ELEMENTARY
17) GILMAN PAPER CO.
18) HERITAGE CHRISTIAN ACADEMY
19) THE POINT CONDOMINIUMS
20) ST. JOHNS RIVER CC
21) LAKE GENEVA MHP
22) RIDGEVIEW JR. HIGH
23) J.L. WILKINSON ELEMENTARY
24) OMEGA PARK WTP
25) CARGILL POULTRY
26) J.L. WILKINSON JR. HIGH
27) RIDGEWOOD MHP
28) CLAY HILL ELEMENTARY
29) TRINITY YOUTH CAMP
30) RIDGEVIEW ELEMENTARY
31) KINGSLEY AVE TRAILER PARK
32) GOLDHEAD STATE PARK
33) POSTMASTERS VILLAGE
34) MIDDLEBURG HIGH SCHOOL
35) MCRAE LANDING WTP
36) STRICKLANDS LANDING
37) PIER STATION
38) NEW KINGSLEY BEACH
39) WHITEYS FISH CAMP

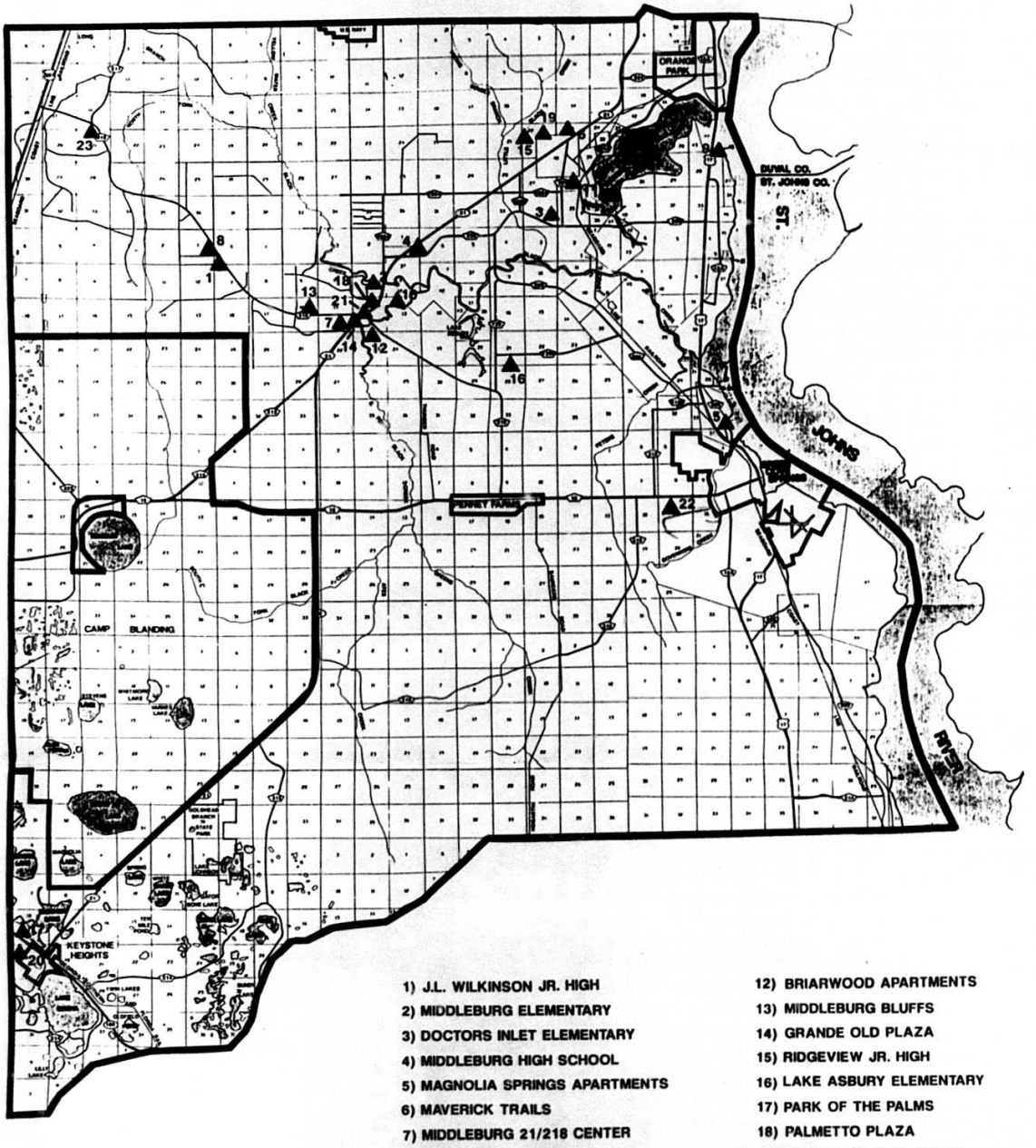
Comprehensive Plan
CLAY COUNTY
FLORIDA
1991-2001

NORTH
0 1 2 3 4 5
Miles

SMALL WATER PLANTS

SOURCE: CLAY COUNTY PLANNING

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-4
Exhibit _____
Map of Small Wastewater Plants



1) J.L. WILKINSON JR. HIGH
2) MIDDLEBURG ELEMENTARY
3) DOCTORS INLET ELEMENTARY
4) MIDDLEBURG HIGH SCHOOL
5) MAGNOLIA SPRINGS APARTMENTS
6) MAVERICK TRAILS
7) MIDDLEBURG 21/218 CENTER
8) J.L. WILKINSON ELEMENTARY
9) THE POINT CONDOMINIUMS
10) THE RAVINES
11) ST. JOHNS RIVER CC
12) BRIARWOOD APARTMENTS
13) MIDDLEBURG BLUFFS
14) GRANDE OLD PLAZA
15) RIDGEVIEW JR. HIGH
16) LAKE ASBURY ELEMENTARY
17) PARK OF THE PALMS
18) PALMETTO PLAZA
19) RIDGEVIEW ELEMENTARY
20) KEYSTONE HEIGHTS HIGH SCHOOL
21) MIDDLEBURG VILLAGE CENTER
22) CLAY HIGH SCHOOL
23) CLAY HILL ELEMENTARY

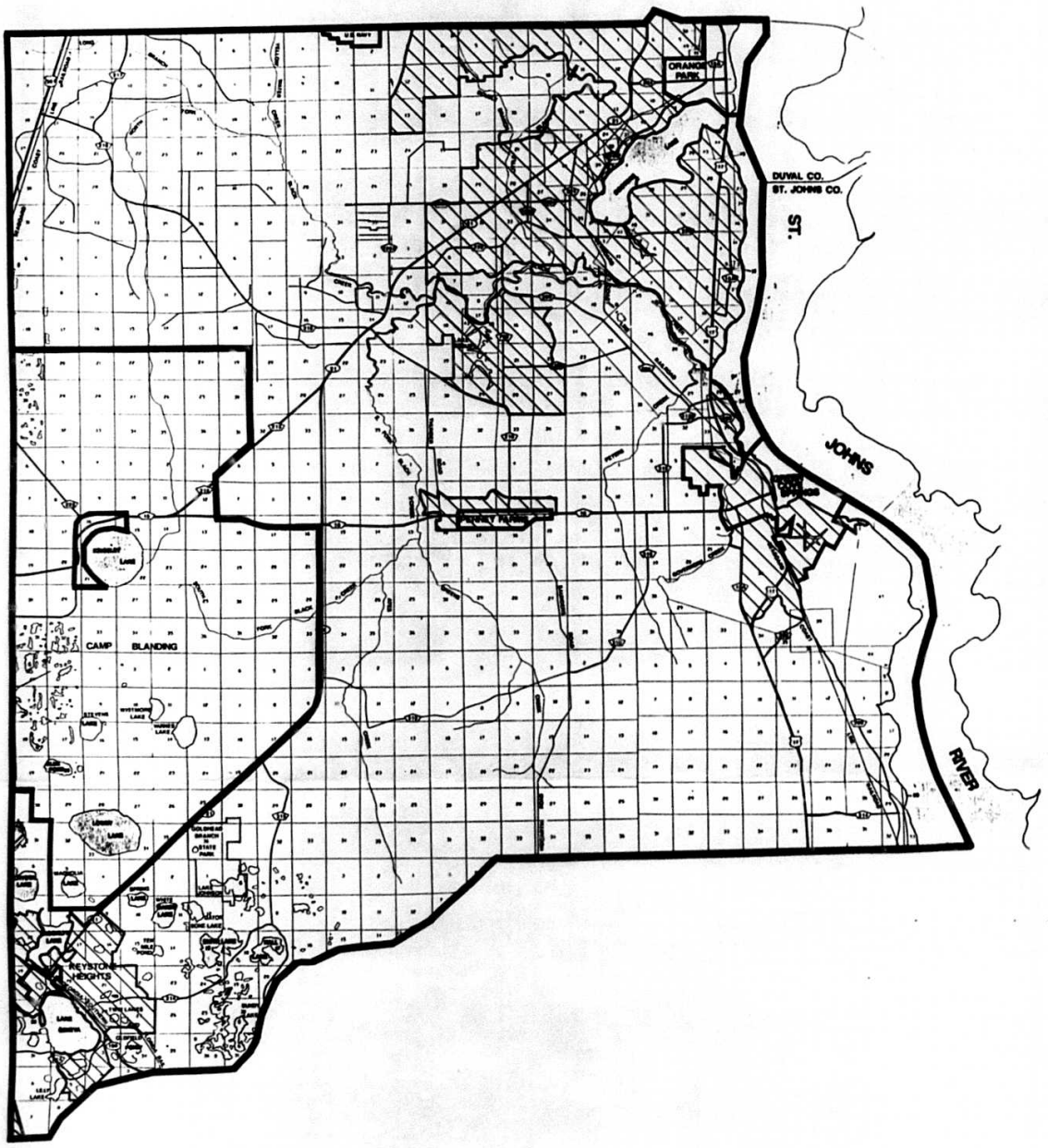
Comprehensive Plan
CLAY COUNTY
FLORIDA
1991-2001

NORTH
0 1 2 3 4 5
Miles

SMALL PACKAGE WASTEWATER PLANTS

SOURCE: CLAY COUNTY PLANNING

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-5
Exhibit _____
Map of Urban Service Areas

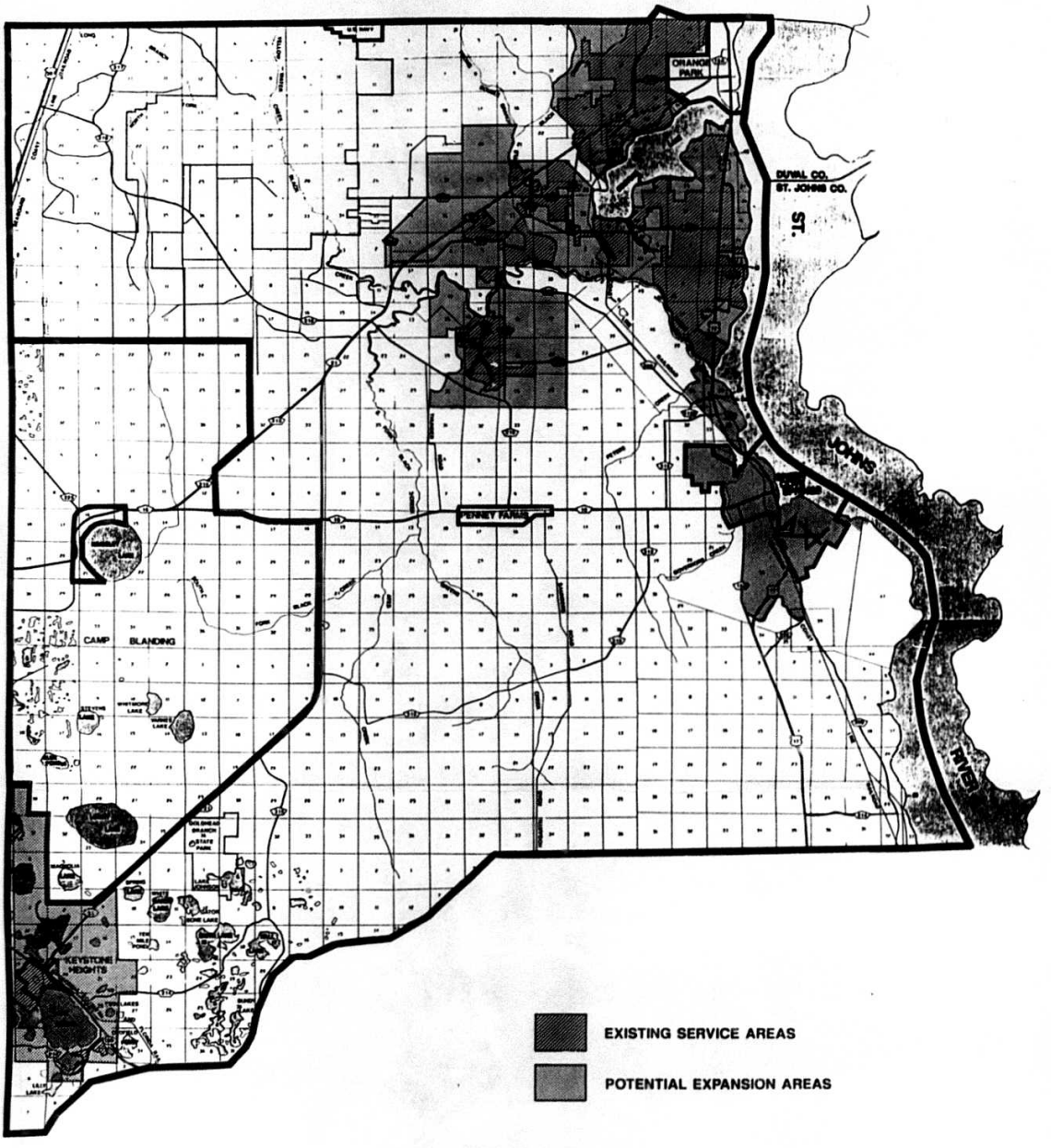


URBAN SERVICE AREA

Comprehensive Plan	NORTH	URBAN SERVICE AREAS
CLAY COUNTY FLORIDA 1991-2001	0 1 2 3 4 5 Miles	

SOURCE: CLAY COUNTY PLANNING DEPARTMENT
CLAY COUNTY UTILITY AUTHORITY
PRIVATE UTILITIES
AS AMENDED (7) (see Table of Contents for key to codes)

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-6
Exhibit _____
Map of Centralized Service Areas



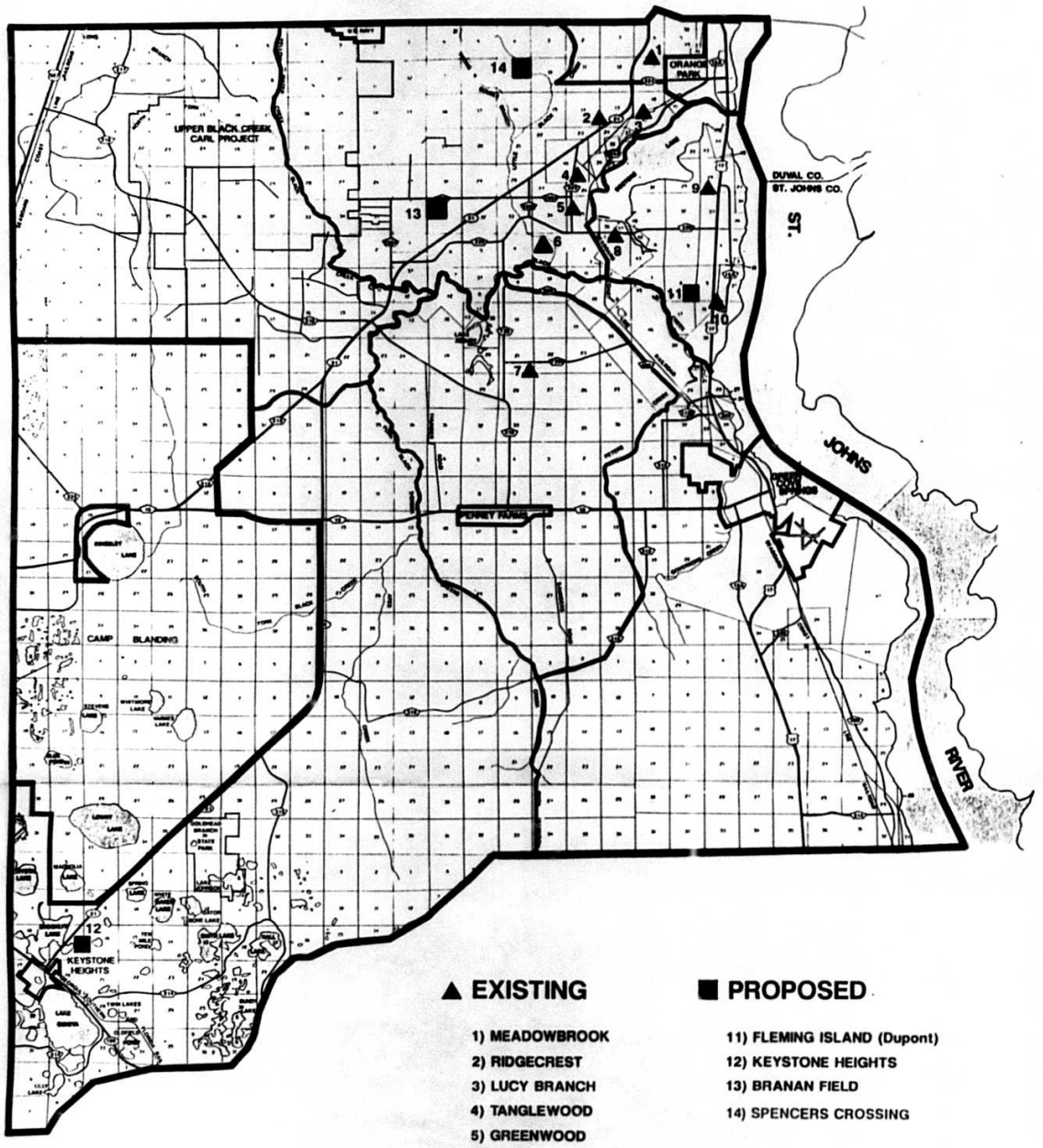
Comprehensive Plan
CLAY COUNTY
FLORIDA
1991-2001

NORTH
0 1 2 3 4 5
Miles

CENTRALIZED SERVICE AREAS

SOURCE: CLAY COUNTY PLANNING DEPARTMENT
CLAY COUNTY UTILITY AUTHORITY
PRIVATE UTILITIES
AS AMENDED (7) (14) (see Table of Contents for key to codes)

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-7
Exhibit _____
Map of Regional Water Plants



▲ EXISTING

1) MEADOWBROOK
2) RIDGECREST
3) LUCY BRANCH
4) TANGLEWOOD
5) GREENWOOD
6) RIDAUGHT
7) MID-CLAY
8) ORANGE PARK SOUTH
9) PACE ISLAND
10) FLEMING OAKS

■ PROPOSED

11) FLEMING ISLAND (Dupont)
12) KEYSTONE HEIGHTS
13) BRANAN FIELD
14) SPENCERS CROSSING

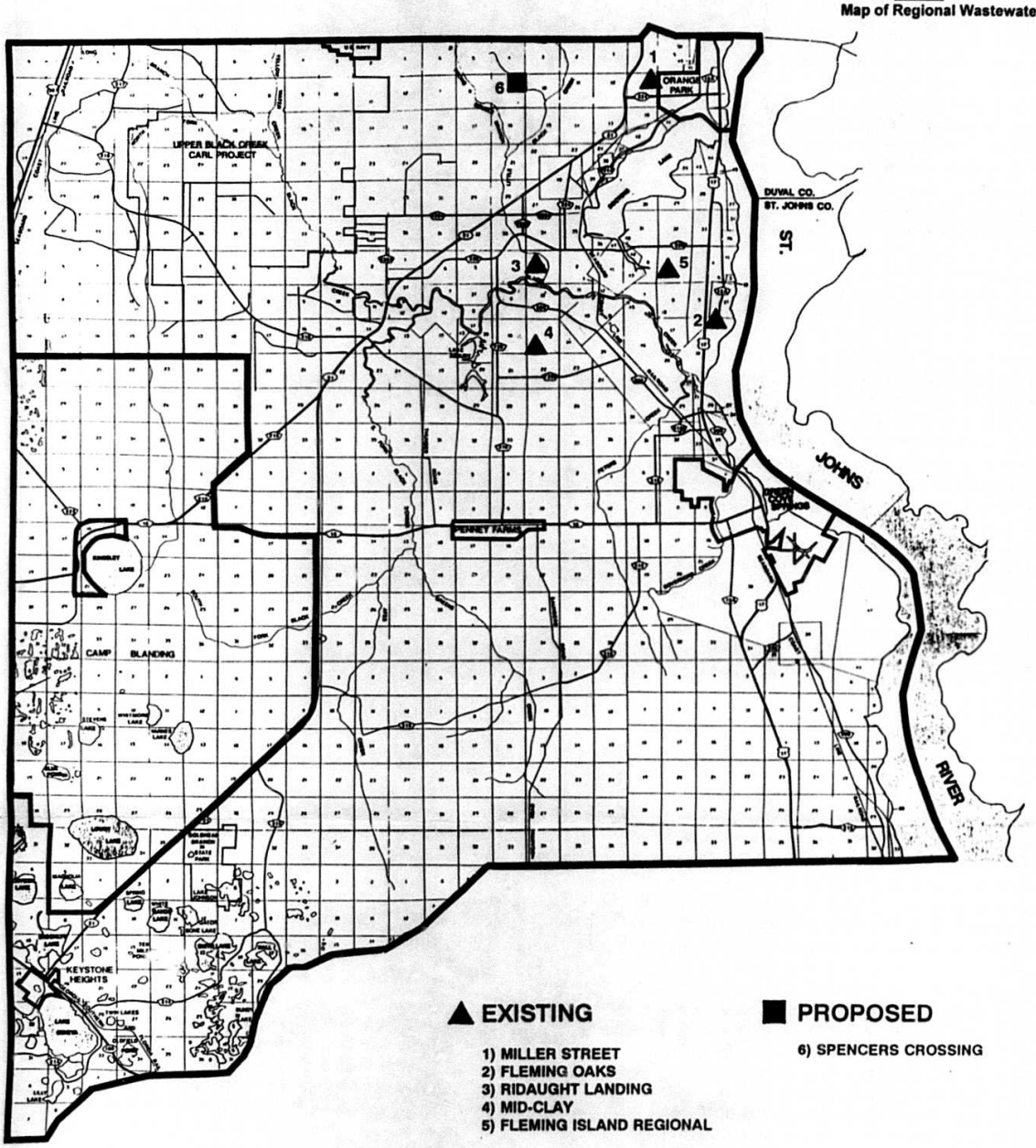
Comprehensive Plan
CLAY COUNTY
FLORIDA
1991-2001

NORTH
0 1 2 3 4 5
Miles

REGIONAL WATER TREATMENT PLANTS

SOURCE: CLAY COUNTY PLANNING

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-8
Exhibit _____
Map of Regional Wastewater Plants



▲ EXISTING

1) MILLER STREET
2) FLEMING OAKS
3) RIDAUGHT LANDING
4) MID-CLAY
5) FLEMING ISLAND REGIONAL

■ PROPOSED

6) SPENCERS CROSSING

Comprehensive Plan
CLAY COUNTY
FLORIDA
1991-2001

NORTH
0 1 2 3 4 5
Miles

REGIONAL WASTEWATER TREATMENT PLANTS

AMEND. 95-2B, 8/22/95, ORD. 95-34

SOURCE: CLAY COUNTY PLANNING DEPARTMENT

CLAY COUNTY UTILITY AUTHORITY
RESOLUTION NO. 96/97-01

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE CLAY COUNTY UTILITY AUTHORITY ESTABLISHING UTILITY DISTRICTS; ADOPTING, AMENDING AND RESTATING WATER AND WASTEWATER UTILITY RATES AS PREVIOUSLY ADOPTED IN RESOLUTIONS NO. 94/95-14, NO. 94/95-18, NO. 94/95-21, NO. 94/95-23, AND NO. 95/96-04: RE: FEES AND CHARGES; SPECIFYING CONNECTION CHARGES; ADOPTING, AMENDING AND RESTATING SERVICE AVAILABILITY POLICY; PROVIDING AN EFFECTIVE DATE.

WHEREAS, on October 1, 1994, the Clay County Utility Authority (hereinafter, the "Authority" or "Utility") came into existence pursuant to Chapter 94-491, Laws of Florida, Special Acts of 1994;

WHEREAS, on its effective date, the Authority acquired certain water and wastewater utility assets previously acquired or owned by Clay County, Florida, said assets being now known as the Clay County Utility Authority Water and Wastewater System (hereinafter "Utility" or "System");

WHEREAS, on its effective date, by its Resolution No. 94/95-6, subsequently extended on December 20, 1994, by its Resolution No. 94/95-12, the Authority ratified and continued on an interim basis its policies and procedures concerning rates, fees and charges, and its service availability policy, as had been previously adopted by the Clay County Water and Sewer Authority, the Authority's predecessor in interest to the System;

WHEREAS, on February 21, 1995, the Authority adopted effective as of February 27, 1995, Resolution No. 94/95-14, setting forth its standing policies establishing just, fair and equitable rates, fees and charges for the effective and efficient administration of the Utility;

WHEREAS, on May 16, 1995, the Authority adopted Resolution No. 94/95-18, amending in part Resolution No. 94/95-14, providing for amendment of charges and disposal of domestic septic tanks, portable toilet, and landfill lechate, providing further for amendment of charges for reconnection of wastewater system users, and the Authority is authorized to adopt water and wastewater rates, fees, and providing further for an amendment to the service availability policy with respect to septage disposal;

WHEREAS, on September 5, 1995, the Authority formally adopted Resolution No. 94/95-21, providing for, among other things, the maintenance of security deposits and alternatives thereto with respect to customer accounts;

WHEREAS, on September 17, 1995, the Authority adopted Resolution No. 94/95-23, amending and restating in their entirety its standing policies establishing just, fair and equitable rates, fees and charges for the effective and efficient administration of the Utility for fiscal year 1995-1996;

WHEREAS, on February 20, 1996, the Authority adopted Resolution No. 95/96-4, amending and restating Paragraph 5, "ON-SITE IMPROVEMENTS" of its service availability policy, as previously adopted and amended in Resolutions No. 94/95-14, No. 94/95-18, No. 94/95-21 and No. 94/95-23;

WHEREAS, the Authority finds that it is in its best interest, and that of the ratepayers of the System as a whole, to adopt, amend and restate in their entirety its standing policies which will establish the terms and conditions of service availability of the System to users or potential users thereof, and its previously adopted just, fair and equitable rates, fees and charges for fiscal year 1996-1997, for the effective and efficient administration of the Utility; and

WHEREAS, the Authority has complied with the public notice and public hearing requirements imposed upon it by applicable law in all instances with respect to its prior adoption of Resolution No. 94/95-14 on February 21, 1995, and with respect to subsequent amendments thereto, and with respect to its action hereunder.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE CLAY COUNTY UTILITY AUTHORITY, THAT THE RATE RESOLUTION AND SERVICE AVAILABILITY POLICY OF THE AUTHORITY ARE HEREBY ADOPTED, AMENDED AND RESTATED IN THEIR ENTIRETY, TO-WIT:

SECTION 1. TITLE.

This Resolution may be cited as the "Water and Wastewater Utility Rate Resolution", or the "Rate Resolution."

SECTION 2. DEFINITIONS.

When used in this Rate Resolution, the following terms (whether capitalized or not) shall be defined to mean:

(1) "Applicant" means the owner of real property or the person or legal entity which has the legal right to utilize real property by means of any form of ownership which real property the Applicant desires to be served by water service, wastewater service or both. The terms "Applicant," "Developer" and "Property Owner" are synonymous and may be used interchangeably herein.

(2) "Application" means a written request from an applicant requesting that, pursuant to a Utility Agreement, specific water service and/or wastewater service be provided to and for certain real property.

(3) "Connection charge" means a fee or charge paid to the Utility by an Applicant or developer for the purpose of obtaining water or wastewater service capacity or both. Connection charges are utilized for expanding the facilities and/or capacity of the System, or for the payment of debt service on obligations issued to acquire excess plant and capacity or to build expanded plant and capacity. The term does not include the costs of collection or distribution facilities or facilities on the Customer side of the point of delivery, nor the costs of capital improvements incurred to merely overhaul or renovate existing facilities which do not increase System capacity as a result of such renovation.

(4) "County" means Clay County, Florida, a political subdivision of the State of Florida.

(5) "Collection facilities" means the lines, pipes, and appurtenant facilities, or whatever type or nature, used to collect sewage from sewer facilities, buildings, structures or facilities and to transmit it to wastewater transmission facilities.

(6) "Customer" means any person, firm or corporation who has entered into an agreement to receive water or wastewater service from the Utility and who is liable for the payment of that water and wastewater service.

(7) "Distribution facilities" means the lines, pipes, meters, and appurtenant facilities, of whatever type or nature, used to distribute water to Customer.

(8) "Effluent disposal facilities" means those wastewater facilities necessary to detain, transmit, store, and dispose of wastewater previously treated at treatment facilities.

(9) "Equivalent residential connection" or "ERC" means a factor used to convert a given average daily flow (ADF) to the equivalent number of single family residential connections.

(10) "Facilities" or "installations" means by way of illustration and not limitation, all wells, equipment, fixtures, pumps, lines, mains, manholes, lift stations, pumping stations, laterals, service connections, and any all appurtenances thereto together with all real property, easements and rights-of-way necessary to provide water and wastewater service to property whether located on-site or off-site.

(11) "Meter" means a device used to measure water delivered to "point of delivery" by the Utility.

(12) "Point of delivery" means the designated point at which the applicant's property is connected to the Utility water facilities or wastewater facilities which is typically the meter for water service and the lot line for sewer service.

(13) "Private fire protection" means the existence of separate fire connections, standpipes with hose attachments and automatic fire sprinkler systems which serve a customer.

(14) "Property" means the real property owned or controlled by an Applicant for which water service capacity allocation, wastewater service capacity allocation, or both, is requested.

(15) "Reclaimed water" means wastewater that has been appropriately treated and is suitable for a controlled irrigation use by and for agricultural, commercial, residential or industrial developments or other appropriate uses.

(16) "Service capacity" for water or wastewater means the rate of flow on an average daily basis measured in gallons per day, which can be handled according to a water or wastewater facilities design.

(17) "Service lines" means the pipes of the Utility which are connected from the mains to the "point of delivery."

(18) "Service rates" or "Rates" means the Utility's applicable schedules of rates and charges for water and wastewater services which may be in effect from time-to-time.

(19) "Sewer" or "Wastewater" means a combination of any type of the water-carried wastes from residences, business buildings, institutions, industrial establishments, any and all other Customers facilities, together with such ground, surface and storm waters as may be present, but does not mean or include any hazardous or toxic wastes which may be damaging to environmental health due to toxicity, ignitibility, corrosivity, chemical reactivity, radioactivity, or infectious characteristics.

(20) "Transmission lines" means those lines and appurtenance facilities used to either transmit wastewater from the collection system to the Wastewater treatment plant to the distribution system.

(21) "Utility" or "System" means the Clay County Utility Authority Water and Wastewater System as may be operated and controlled by the Authority or its designee or assignee pursuant to Chapter 94-491, Laws of Florida, Special Acts of 1994, which shall

include the Pier Station Community Water System defined in Sec. 19-351 Clay County Code, but which shall not include the facilities serving the Food Lion Warehouse Site (Bayard Facilities) which is owned by the County, and which is the subject of an Operating and Maintenance Agreement between the County and the City of Green Cove Springs.

(22) "Utility District" means the jurisdictional limits of the Authority as set forth and defined in Chapter 94-491, Laws of Florida, Special Acts of 1994. For identification purposes, that portion of the System originally acquired by the County from Kingsley Service Company, together with any additions thereto, shall be designated the "Kingsley District"; that portion of the System originally acquired by the County from Clay Utility Company, together with any additions thereto, shall be designated the "West Clay District"; that portion of the System originally acquired by the County from Mid-Clay Service Corp. shall be designated the "Mid-Clay District"; and that portion of the System transferred to the Authority by the County on October 1, 1994, known as the Pier Station Community Water System defined in Sec. 19-351 Clay County Code, shall be designated the "Pier Station District".

SECTION 3. GENERAL TERMS AND CONDITIONS REGARDING WATER AND WASTEWATER SERVICE.

(1) Signed Application Required. Water and wastewater service capacity may be furnished to new users who connect to the System after the date hereof only after a signed application or agreement and payment of the applicable water and wastewater connection charges are accepted by the Utility. The conditions of such application or agreement are binding upon Customer as well as upon the Utility. A copy of the application or agreement for water and wastewater service accepted by the Utility will be furnished to the applicant on request. Applicant shall furnish to the Utility the correct name and street address or lot and block number at which water and wastewater service is to be rendered.

(2) Withholding Service. The Utility may withhold or discontinue water and/or wastewater service rendered under application made by any member or agent of a household, organization, or business unless all prior indebtedness to the Utility of such household, organization, or business for water and wastewater service has been settled in full in accordance with Utility policy. Service may also be discontinued for any violation made by Customer of any rule or regulation set forth in this Rate Resolution.

(3) Limitation of Use. Water and wastewater service purchased from the Utility shall be used by Customer only for the purposes specified in the application for water and wastewater service.

(4) Continuity Of Service. The Utility will at all times use reasonable diligence to provide continuous water and wastewater service, and having used reasonable diligence, shall not be liable to Customer for failure or interruption of continuous water and wastewater service. The Utility shall not be liable for any act or omission caused directly or indirectly by strikes, labor trouble, accidents, litigation, breakdowns, shutdowns for emergency repairs or adjustments, acts of sabotage, governmental interferences, illegal or improper cross-connections with other water systems, wastewater systems, reuse systems, wells, septic tanks or drain fields, or Customer or other third party facilities or apparatus, acts of God or other causes beyond its control.

(5) Type of Maintenance. Customer's pipes, apparatus and equipment shall be selected, installed, used and maintained in accordance with standard practice and shall conform with the rules and regulations of the Utility. The Utility shall not be responsible for the maintenance and operation of Customer's pipes and facilities. Customer expressly agrees not to utilize any appliance or device, including without limitation any water filters, pumps, wells, septic tanks, storage tanks or drain fields, which is not properly constructed, controlled and protected, or which may adversely affect water or wastewater service provided by the Utility. The Utility reserves the right to discontinue or withhold water and wastewater service to such apparatus or device.

(6) Change of Customer's Installation. No changes or increases in Customer's installation, which will materially affect the proper operation of the pipes, mains, or stations of the Utility, shall be made without written consent of the Utility. Customer shall be liable for any change resulting from a violation of this rule.

(7) Protection of Utility's Property. Customer shall exercise reasonable diligence to protect the Utility's property on Customer's premises and shall knowingly permit no one, but the Utility's agent or persons authorized by law, to have access to the Utility's pipes and appurtenances. In the event of any loss or damage to property of the Utility or to property of any other Customer of the Utility caused by or arising out of carelessness, neglect, or misuse by Customer (including without limitation any illegal or improper cross-connections), the cost of making good such loss or repairing such damage shall be paid by the responsible Customer. Demand for the responsible Customer to pay the cost of such loss or repair of damage shall be made by the Utility either (i) in a separate writing mailed to Customer at Customer's service address or (ii) added to the responsible Customer's bill for water or wastewater service. Water or Wastewater service to the location of Customer from which such loss or damage arose may be discontinued until the cost of such loss or damage is paid in full by Customer to the Utility.

(8) Access to Premises. The duly authorized agents of the Utility shall have access at all reasonable hours to the premises of Customer for the purpose of installing, maintaining, inspecting, or removing the Utility's property of the performance under or termination of the Utility's agreement with Customer and neither the Utility or its agents shall be liable for trespass in such instance.

(9) Billing Periods. Bills for water service will be rendered quarterly, shall become due when rendered and shall be considered as received by Customer when delivered or mailed to the water service address or some other place mutually agreed upon. Non-receipt of bills by Customer shall not release or diminish the obligation of Customer with respect to payment thereof.

(10) Delinquent Bills. Bills are due when rendered and become delinquent if not paid within twenty (20) days after the bill has been mailed or presented to Customer for payment. Water and wastewater service may then be discontinued only after a written notice of the delinquency in payment has been mailed or presented to Customer at least five (5) working days prior to disconnection. Water and wastewater service shall be restored only after the Utility has received payment for all past-due bills late payment fees, and reconnect charges from Customer. There shall be no liability of any kind against the Utility for the discontinuance of water and wastewater service to a customer for that customer's failure to pay the bills on time. Partial payment of a bill of the water and wastewater service rendered will not be accepted by the Utility, except by the Utility's agreement thereof.

(11) Payment of Water and Wastewater Service Bills Concurrently. When both water and wastewater service are provided by the Utility, payment of any wastewater service bill rendered by the Utility to a customer shall not be accepted by the Utility without simultaneous or concurrent payment of any water service bill rendered by the Utility. The Utility may discontinue both water service and wastewater service to Customer's premises for non-payment of the wastewater service bill or water service bill or if payment is not made concurrently. The Utility shall not reestablish of reconnect wastewater service and/or water service until such time as all wastewater and water service bills and all charges are paid.

(12) Change of Occupancy. When a change of occupancy takes place on any premises supplied by the Utility with water and wastewater service, written notice thereof shall be given at the office of the Utility not less than three (3) days prior to the date of change by the outgoing customer. The outgoing customer shall be held responsible for all water and wastewater service rendered on such premises until such written notice is so received by the Utility and the Utility has had reasonable time to discontinue the water and wastewater service. However, if such

written notice has been received, the application of such a succeeding occupant for water and wastewater service will automatically terminate the prior account. Customer's prepaid base facility charge may be transferred from one service location to another, if both locations are supplied water and wastewater service by the Utility. Customer's prepayment may not be transferred from one name to another. Notwithstanding the above, the Utility will accept telephone orders, for the convenience of its Customers, to discontinue or transfer water and wastewater service from one service address to another and will use all reasonable diligence in the execution thereof. However, oral orders or advice shall not be deemed binding or be considered formal notification to the Utility.

(13) Unauthorized Connections. Connections to the Utility's water and wastewater system for any purpose whatsoever are made only by employees of the Utility. Any unauthorized connections to Customer's water or wastewater service shall be subject to immediate discontinuance without notice. Water and wastewater service shall not be restored until such authorized connections have been removed and until settlement is made in full to the Utility for all water and wastewater service estimated by the Utility to have been used by reason of such unauthorized connection. Without limiting the generality of the foregoing, this provision also shall apply to illegal or improper cross-connections of other water systems, wastewater systems, reuse systems, wells or Customer or other third party facilities or apparatus to the Utility's water and/or wastewater system.

(14) Adjustment of Bills. When a customer has been overcharged or undercharged as a result of an incorrect application, the application of an incorrect rate schedule, incorrect reading of a water meter, or other similar reasons, the amount may be credited or billed to Customer in accordance with the policies of the Utility. The Utility may adjust a customer's bill to correct errors resulting from inaccurate water meters. The Utility shall determine a meter's accuracy based upon acceptable accuracy limits normally adhered to by water and wastewater service providers. The Utility shall refund to a customer overcharges, or may bill a customer for undercharges, which have arisen as a result of a meter registering outside of acceptable accuracy limits. Excess amounts billed to Customers in error due to inaccurate meters shall be refunded to Customers, said refund to be limited to one-half the period since the last meter test, said one-half period not to exceed six (6) months. The Utility may refund any overcharge resulting from an inaccurate meter if the period during which the overcharge occurred can be reasonably and accurately ascertained. In no event shall a refund include any part of any minimum charge. The Utility may bill Customer for any undercharge caused by an inaccurate meter, said amount to be limited the unbilled amount for one-half the period since the last meter test, said one-half period not to exceed six months. The Utility may

bill any undercharge resulting from an inaccurate meter if the period during which the undercharge occurred can be reasonably and accurately ascertained. In the event of a non-registering meter, a customer may be billed on an estimate based upon previous bills for similar usage, such estimate based to apply only to the current billing period. The Utility may bill a customer for unauthorized use based upon a reasonable estimate of the service taken.

SECTION 4. WATER SYSTEM RATE SCHEDULE.

(1) Schedule. The Board of Supervisors of the Clay County Utility Authority hereby adopts the water system rate schedule set forth herein. The rates, fees and charges in the following schedule shall apply to each customer of the water system beginning with the charges payable by Customer in connection with the first reading of Customer's water meter by the Utility or the first billing by the Utility after the Utility acquires title to the water system. The base facility charge shall be billed and collected in advance. The gallonage charge shall be billed and collected in arrears. The water system quarterly rate schedule is as follows:

WATER SYSTEM RATES

District Rates

ALL CUSTOMER Classes	Kingsley System	West Clay System	Mid-Clay System	Lake Asbury System	Pier Station
Base Facility Charge:					
Meter Size	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
5/8" x 3/4"	$ 13.62	$ 18.75	$ 25.10	$ 30.43	$ 13.62
3/4"	20.46	18.75	37.66	76.20	20.46
1"	34.08	46.81	62.76	152.37	34.08
1 & 1/2"	68.13	93.70	125.53	243.74	68.13
2"	109.03	149.85	200.84	N/A	109.03
3"	218.05	299.70	401.68	N/A	218.05
4"	340.70	468.27	627.61	N/A	340.70
6"	681.40	936.56	1,255.22	N/A	681.40
8"	1,090.24	1,499.77	2,008.31	N/A	1,090.24
10"	1,567.20	2,155.93	2,887.10	N/A	1,567.20
Consumption Charge (per 1,000 gallons of metered water)	$ .71	$ 1.02	$ 1.10	$ 1.41	$ .71

Miscellaneous:

Monthly Hydrant Usage Charge All Systems
(Plus water at Kingsley metered rates) $ 36.34

Building Water Quarterly Charge All Systems
(unmetered used during construction) $ 70.39

(2) Irrigation Quality Reclaimed Water Service. A portion of the Utility's system generates highly treated wastewater ("reclaimed water") suitable for controlled irrigation use by and for agricultural, commercial, residential or industrial developments or other appropriate uses. Any customer requesting reclaimed water service shall enter into an Effluent Reuse Agreement with the Utility outlining the terms, conditions and obligations under which such service will be provided. The rates, fees and charges in the following schedule shall apply to each customer receiving reclaimed water service and shall be billed and collected as set forth in an Effluent Reuse Agreement entered into by and between Customer and the Utility. The reclaimed water quarterly rate schedule is as follows:

RECLAIMED WATER RATES

Meter Size	Quarterly rates (per 1,000 gallons)
All reclaimed water charges are based upon gallons used as measured through a single bulk service meter	$ 0.17

(3) Bulk Water Rates. Bulk or wholesale water rates shall be calculated to reflect Utility's cost of providing water to those entities entering into an agreement with the Utility. Such rates will be determined on an individual basis by the Utility.

(4) Interrupted Service. Any customer who requests that service be interrupted for any length of time will pay the Base Facility Charge during that period of interruption. Any customer who attempts to circumvent this charge by closing their account at time of temporary departure and then returning as a new customer will be held liable for the Base Facility Charge during the disconnected period of time. The payment of the Base Facility Charge will be made quarterly in advance.

(5) Seasonal Rate. Any customer who requests that service be interrupted on a temporary basis exceeding one full month will be charged a seasonal rate. The Seasonal Rate charged will be equal to the Base Facility Charge referenced above.

(6) Terms of Payment. Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. Service may be discontinued for nonpayment after five (5) working days written notice. Such notice shall be separate and apart from any bill for service.

(7) Annual Index Adjustment. The Board of Supervisors of the Clay County Utility Authority hereby authorizes and approves an automatic annual rate adjustment applicable to all water/wastewater

rates, fees and charges for utility services as necessary to provide for increases in expenses due to inflation or other such factors, so as to always ensure adequate net revenues from existing ERC's that will pay for inflationary increases in operation and maintenance of the system and to provide all debt service coverage requirements of the Utility. The automatic annual rate adjustment factor shall be calculated based upon the net increase in the operating and maintenance budget as follows: (i) Personnel Services; (ii) Operational Expenses and (iii) Operating Capital Expenses. The automatic index adjustment shall be determined on an annual basis and shall become effective October 1st of each fiscal year. The index adjustment shall not exceed 4.5% during fiscal years 1993-1997. Subsequent annual index adjustments shall not exceed the consumer price index as published by the University of Florida, Bureau of Economic and Business Research (Jacksonville Region) or another price index factor adopted by the Board.

SECTION 5. WASTEWATER SYSTEM RATE SCHEDULE.

(1) Schedule. The Board of Supervisors of the Clay County Utility Authority hereby adopts the wastewater system rate schedule set forth herein. The rates, fees and charges in the following schedule shall apply to each customer of the wastewater system beginning with the charges payable by Customer in connection with the first reading of Customer's water meter by the Utility or the first billing by the Utility after the Utility acquires title to the wastewater system. The base facility charge shall be billed and collected in advance. The gallonage charge shall be billed and collected in arrears. The wastewater system quarterly rate schedule is as follows:

WASTEWATER SYSTEM RATES

District Rates

Residential Service	Kingsley System	West Clay System	Mid-Clay System	Lake Asbury System	Pier Station
Base Facility Charge:	Quarterly	Quarterly	Quarterly	Quarterly	Monthly
All Meter Sizes	$ 31.06	$ 43.46	$ 39.34	N/A	N/A
Consumption Charge (per 1,000 gallons of metered water, maximum of 30,000 gallons per quarter)	$ 1.40	$ 2.86	$ 2.59	N/A	N/A
Unmetered-Flat Rate	$ 66.17	$ 117.08	$ 109.97	N/A	N/A
Multi-Family Unmetered Per Unit	$ 44.35	$ 78.46	$ 73.70	N/A	N/A

General Service **Base Facility Charge:** Meter Size	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
5/8" x 3/4"	$ 31.06	$ 43.46	$ 39.34	N/A	N/A
3/4"	46.61	43.46	59.05	N/A	N/A
1"	77.68	108.63	98.37	N/A	N/A
1 & 1/2"	155.35	217.38	196.74	N/A	N/A
2"	248.56	347.79	314.85	N/A	N/A
3"	497.14	695.58	629.71	N/A	N/A
4"	776.76	1,086.82	983.90	N/A	N/A
6"	1,553.53	2,173.65	1,967.77	N/A	N/A
8"	2,485.64	3,476.63	3,148.40	N/A	N/A
10"	3,573.12	4,997.67	4,523.70	N/A	N/A
Consumption Charge (per 1,000 gallons of metered water)	$ 1.69	$ 3.43	$ 3.09	N/A	N/A

Miscellaneous

Charge for disposal of contents of domestic septic tanks, portable toilets, and landfill lechate per 1,000 gallons. There will be a minimum charge of 500 gallons.	$27.2

(2) Bulk Wastewater Rates. Bulk or wholesale wastewate: rates shall be calculated to reflect Utility's cost of providin wastewater service to those entities entering into an agreement with the Utility. Such rates will be determined on an individua basis by the Utility.

(3) Interrupted Service. Any customer who requests that service be interrupted any length of time will pay the Base Facility Charge during that period of interruption. Any customer who attempts to circumvent this charge by closing their account at time of temporary departure and then returning as a new customer will be held liable for the Base Facility Charge during the disconnected period of time. The payment of the Base Facility Charge will be made quarterly in advance.

(4) Seasonal Rate. Any customer who requests that service be interrupted on a temporary basis exceeding one full month will be charged a seasonal rate. The Seasonal Rate charged will be equal to the Base Facility Charge referenced above.

(5) Terms of Payment. Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. Service may be discontinued for nonpayment after five (5) working days written notice. Such notice shall be separate and apart from any bill for service.

(6) Annual Index Adjustment. The Board of Supervisors of the Clay County Utility Authority hereby authorizes and approves an automatic annual rate adjustment applicable to all water/wastewater rates, fees and charges for utility services as necessary to provide for increases in expenses due to inflation or other such factors, so as to always ensure adequate net revenues from existing ERC's that will pay for inflationary increases in operation and maintenance of the system and to provide all debt service coverage requirements of the utility. The automatic annual rate adjustment factor shall be calculated based upon the net increases in the operating and maintenance budget as follows: (i) Personnel Services; (ii) Operational Expenses and (iii) Operating Capital Expenses. The automatic index adjustment shall be determined on an annual basis and shall become effective on October 1st of each fiscal year. The index adjustment shall not exceed 4.5% during fiscal years 1993-1997. Subsequent annual index adjustments shall

not exceed the consumer price index as published by the University of Florida, Bureau of Economic and Business Research (Jacksonville Region) or another price index factor adopted by the Board.

SECTION 6. MISCELLANEOUS CHARGES.

(1) Initial Connection. There shall be a charge of $15.00 for service initiation at a location where service did not exist previously.

(2) Normal Reconnection. There shall be a charge of $15.00 for transfer of service to a new customer account at the same location or reconnection of service subsequent to a customer requested disconnection.

(3) Violation Reconnection. There shall be a charge of $15.00 for reconnection subsequent to disconnection of service for cause including a delinquency in bill payment. If a customer has wastewater service only, the violation reconnection charge will be the actual cost of discontinuing and restoring service. In such an instance, these Customers shall be sent an estimate of the cost to discontinue and restore service along with the notice of discontinuance of service.

(4) Premises Visit Charge (In Lieu of Disconnection or in addition to Cross-Connection Charges). There shall be a charge of $10.00 in the event 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 Customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

(5) Cross-Connection Charges. In addition to all other charges provided for herein, any Customer responsible for creating or maintaining an illegal or improper cross-connection of any water systems, wastewater systems, reuse systems, wells, septic tanks or drain fields, or other Customer or third party facilities or apparatus, to the Utility's water and/or wastewater system, shall be responsible for any and all damages resulting therefrom to the Utility's water or wastewater system, or to any other Customer or Property Owner's property or facilities, and shall bear all cost and expense of testing and restoring any facilities or service affected or treatened by such cross-connection. Any such amounts due hereunder shall be paid to the Authority immediately upon demand, and if not paid upon demand, the responsible Customer shall be subject to the full range of rights and remedies available to the Authority for collection of unpaid Customer accounts.

(6) Returned Check Charge. There shall be a charge as allowed under section 68.065, Florida Statutes, for each check returned to the Utility as a result of insufficient or non-

collective funds. The fee shall amount to twenty dollars ($20.00) for each returned check received by the Utility.

(7) Customer Deposits. It is the policy of the Utility to require Customers of the System to pay the base facility charge portion of their service fees in advance to the next billing date. In addition, the Utility shall require additional security for the payment of the services it renders as set forth in Attachment 1, entitled Collection of Unpaid Accounts; Lien/Security Deposit Policy, which was originally adopted by the Utility as its policy with respect to such matters by Resolution No. 94/95-21, and which is attached hereto and herein incorporated by reference. This policy shall apply to new and existing Customers of the Utility as provided for therein.

(8) Guaranteed Revenue. The Utility may collect a guaranteed revenue charge to recover certain carrying costs of maintaining plant capacity prior to connection. The obligation to pay guaranteed revenue shall be determined on a case by case basis. Developers or others bound by contract to pay guaranteed revenue shall continue to pay the same in accordance with the obligations set forth in such contract.

SECTION 7. METER TESTING.

If any customer requests a test of the water meter, the Utility will require a deposit to defray the cost of testing; such deposit shall not exceed the following schedule of fees:

Meter Size	Service Fee
5/8" x 3/4"	$ 20.00
1" and 1 1/2"	25.00
2" and over	Actual Cost

The fee is retained by the Utility only if the test shows that the meter is registering within the acceptable accuracy limits as established by the Utility. If the meter is determined by the Utility to be registering outside of the acceptable accuracy limits, the meter test service fee will be refunded and an adjustment is made to the bill for the proper amount of water consumption.

SECTION 8. METER REREADS AND SPECIAL READS.

Upon request of a customer, the Utility shall, without charge, reread Customer's meter to determine if the initial reading was accurate, provided that a customer request for a meter reread has not been made during the preceding twelve (12) months. Should a customer request to have the meter reread more frequently than once every twelve (12) months, Customer shall pay a charge of fifteen dollars ($15.00) for each additional reread. If Customer-requested reread of the meter results in a corrected bill, the meter reread

charge shall be refunded and Customer will be rendered a corrected bill. Upon request of a customer to have a special meter reading performed which is not a part of the monthly readings during the normal billing cycle, Customer shall pay a charge of fifteen dollars ($15.00) for the special reading.

SECTION 9. FIRE PROTECTION SERVICE.

A capacity cost recovery charge is assessed to Customers which have fire lines or standpipes located within the premises or privately owned hydrants maintained by the Utility. The Utility shall bill the following rates for this specific service at the beginning of each fiscal year and said rates shall be due and payable in 30 days upon invoice by the Utility:

Meter Size	Initial Charges
All sizes based on gallon per minute fire flow required and agreed to by Utility for direct fire lines:	$15.00 per gpm

SECTION 10. WATER AND WASTEWATER CONNECTION CHARGES; ADOPTION; TIME OF PAYMENT; AND CONNECTION FEES ACCOUNTS.

(1) Adoption. The Utility hereby adopts and establishes pursuant to general law, a water connection charge and a wastewater connection charge, the purpose of which will be to finance capital expenditures and the payment of Utility indebtedness associated with the expansion of the Utility's water supply, treatment and transmission system and the wastewater transmission, treatment, and effluent disposal system. The connection charges imposed by the Utility shall be:

Water Connection Charge	$235.00 per ERC
Wastewater Connection Charge	$1,010.00 per ERC

(2) Applicability. Except for existing Customers, or those Customers who have previously paid connection or plant capacity charges to the previous owner of the utility, the connection charges set forth herein shall be paid by new Customers who request service from the Utility.

(3) Time of Payment. All water and wastewater connection charges referenced in this section shall be paid at the time Customer and the Utility execute an agreement concerning the provisions of utility service, or such other time as may be specifically provided in the Utility's Service Availability Policy.

(4) Connection Fees Accounts. The water connection charges collected pursuant to this Resolution shall be deposited into an account called the "Clay County Utility Authority Water Connection Fees Account" and the wastewater connection charges shall likewise be deposited into an account called the "Clay County Utility Authority Sewer Connection Fees Account". The water connection charges so deposited shall be used for the purposes set forth in the Bond Resolution and thereafter for acquisition, improvement and expansion of the Utility's water system. The wastewater connection charges so deposited shall be used for the purposes set forth in the Bond Resolution and thereafter for the acquisition, improvement and expansion of the Utility's wastewater system. The above-referenced charges may be used for any other lawful purpose relating to the System. Notwithstanding the foregoing, however, the Authority acknowledges that Florida law currently restricts the use of charges such as the Connection Fees to expanding the facilities and/or capacity of the System, or for the payment of debt service on obligations issued to acquire excess plant and capacity or to build expanded plant and capacity.

SECTION 11. DETERMINATION OF EQUIVALENT RESIDENTIAL CONNECTION FACTORS FOR WATER AND WASTEWATER SERVICES.

(1) For purposes of calculating and imposing the water and wastewater connection charge provided for herein, the ERC factor for any particular connection shall be calculated and imposed in the manner provided as follows:

Establishment	Unit	ERC Factor
Residential		
Single Family Home	Per Unit	1.000
Duplex (1 or 2 bedrooms)	Per Unit	0.833
Duplex (3 or more bedrooms)	Per Unit	1.000
Multi-Family (1 or 2 bedrooms)	Per Unit	0.833
Multi-Family (3 or more bedrooms)	Per Unit	1.000
Mobile Home (1 or 2 bedrooms)	Per Unit	0.667
Mobile Home (3 or more bedrooms)	Per Unit	0.833
Commercial		
Auditorium/Meeting Rooms	Per Seat	0.019
Barber/Beauty Shop	Per Opr. Seat	0.340
Food Service		
Restaurant/Cafeteria	Per Seat	0.113
Restaurant (24 hours)	Per Seat	0.189
Restaurant ("Fast Food")	Per Seat	0.057
Bar/Cocktail Lounge	Per Seat	0.075

Establishment	Unit	ERC Factor
Hotel/Motel (not including food service banquet & meeting rooms, & guest laundry)	Per Room	1.000
Office Building (not including food service and retail space)	Per 100 Sq. Ft.	0.038
Service Station	Per Bay	1.132
Add	Per Wash Bay	3.663
Add	Per Toilet	1.132
Theater	Per Seat	0.012
Dinner Theater	Per Seat	0.075
Trailer Park (Overnight)	Per Space	0.377
Dentist Office	Per Dentist	0.943
	Per Wet Chair	0.755
Doctor Office	Per Doctor	0.943
Church	Per Seat	0.011
Schools (Middle & High)	Per Student	0.075
Schools (Elementary, Day Care & Nursery)	Per Student	0.028
Schools (Boarding)	Per Student	0.472
Laundry (Self-Service)	Per Machine	1.510
Retail Store w/ Self Service Gas Pumps (Add remaining fixture units) (Without pumps use fixture units)	Per Restroom	1.500
Automotive Repair & Maintenance Stores	Per Bay	0.500

(2) The "total equivalent residential connection value" for an establishment shall be calculated by multiplying the ERC factor listed above by the number of units, and shall be rounded up to the nearest 0.5 ERC factor.

(3) One (1) equivalent residential connection ("ERC") shall, for the purposes of this Section, have an assigned value of 1.00. For wastewater service capacity, one (1) ERC is hereby established and determined to be equal to a flow of 311 gallons per day, average annual basis. For water service capacity, one (1) ERC is hereby established and determined to be equal to a flow of 450 gallons per day, average annual basis.

(4) For all establishments not listed above, the total wastewater ERC value for wastewater service capacity shall be determined by multiplying the number of fixture units, as published in the Standard Plumbing Code, by sixteen (16), and then dividing that numerator by 311. The wastewater connection charge shall be determined by multiplying the total ERC value by the wastewater connection charge per ERC.

(5) For all establishments not listed above, the total water ERC value for water service capacity shall be determined by multiplying the number of fixture units, as published in the Standard Plumbing Code, by twenty-four (24), and then dividing that numerator by 450. The water connection charge shall be determined by multiplying the total ERC value by the wastewater connection charge per ERC.

SECTION 12. ALLOCATION OF WATER AND WASTEWATER SERVICE CAPACITY.

(1) No new water and/or wastewater service capacity shall be sold until application therefore is received by the Utility, or a Developer Agreement has been entered into between the applicant and the Utility, and the appropriate connection charges received. The Utility may require all information on said application or agreement that it deems reasonable and necessary, and may reject applications it determines incomplete. Any application or agreement for a water and/or wastewater capacity shall contain a legal description of the land constituting the area to be served. The legal description shall include only those lands owned by the applicant for which the water and/or wastewater service is requested.

(2) The Utility adopts and incorporates herein by reference the Service Availability Policy, and the charges contained therein, set forth in Exhibit "A", and the charges contained therein, which policy shall govern the relationship between the Utility and developers or others wishing to connect to the System.

SECTION 13. ABNORMAL STRENGTH WASTE SURCHARGE FACTOR.

For those Customers which the Utility has agreed to serve and either Customer or the Utility has determined that the strength of the sewage is greater than 300 parts per million ("ppm") of biochemical oxygen demand ("BOD") or chemical oxygen demand ("COD"), or total suspended solids ("TSS"), then an abnormal strength surcharge will be applied to the quarterly bill. Biochemical oxygen demand or "BOD" means the quantity of oxygen in the biochemical oxidation of the organic matter in the wastewater under standard laboratory procedures in five (5) days at twenty degrees centigrade (20 degrees C), expressed in milligrams per liter. The BOD shall be determined in accordance with procedures set forth in the Standard Methods for the Examination of Water and

Wastewater, 18th Edition. The greater concentration of either BOD or COD will be used in the surcharge calculation, but not both. The surcharge factor is calculated in the following manner:

> Concentration BOD or COD in ppm less 300 ppm plus concentration of TSS in ppm less 300 ppm totaled and then divided by 300 ppm. The total bill is calculated by the addition of one (1) plus the surcharge factor totaled and then multiplied by the normal bill.

SECTION 14. ENFORCEMENT; VIOLATIONS; PENALTIES.

The provisions of this Rate Resolution shall apply equally to all System Customers, regardless of Utility District, except as specifically set forth herein. Violations of the provisions of this Rate Resolution or failure to comply with any the requirements set forth herein, including violation of conditions of any wastewater disposal permit shall be prosecuted as provided by law. Each day such violation continues shall be considered a separate event. Nothing herein contained shall prevent the Utility from taking such other lawful actions as is necessary to prevent or remedy any violations, including seeking injunctive relief in a court of competent jurisdiction, or terminating service as permitted by law or hereunder.

SECTION 15. LIBERAL CONSTRUCTION AND INTERPRETATION.

In the interpretation and application of this Resolution, all provisions shall be considered as a minimum requirement, liberally construed in favor of the Utility, and deemed neither to limit or repeal any other powers granted under state law. This Resolution is cumulative and supplemental to existing Utility laws, ordinances, resolutions, rules and regulations. Where this Resolution and the provisions contained herein conflict of overlap with any Utility law, ordinance, resolution, rule or regulation, whichever imposes the more stringent restriction shall prevail.

SECTION 16. SEVERABILITY.

If any section, subsection, sentence, clause, phrase, or portion of this Resolution if for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 17. CONFLICTS.

In the event of any conflict between the provision of this Resolution and any other resolution or portions thereof, except as may be otherwise provided by Section 15, above, the provisions of this Resolution shall prevail to the extent of such conflict.

SECTION 18. EFFECTIVE DATE.

The Resolution shall take effect October 7, 1996.

DULY ADOPTED by the Board of Supervisors, Clay County Utility Authority, this 1st day of October, 1996.

BOARD OF SUPERVISORS
CLAY COUNTY UTILITY AUTHORITY

Timothy J. Radigan, Chairman

ATTEST:

Celeste M. Price, Secretary of
Clay County Utility Authority

Exhibit "A"

CLAY COUNTY UTILITY AUTHORITY

SERVICE AVAILABILITY POLICY

This Service Availability Policy of the Clay County Utility Authority is attached to, and made a part of, the Rate Resolution of the Authority, Resolution No. 96/97-01, adopted effective October 7, 1996. All terms not otherwise defined in this Exhibit "A" shall have the same meaning as assigned to them in the Rate Resolution.

1. GENERAL INFORMATION

It is the Utility's intention to provide service throughout its service area as requested, providing that it is economically feasible to do so.

2. AVAILABILITY

Water and sewer service will be made available throughout the Utility's service territory. The Utility will evaluate each request for service as to its feasibility. If the Utility determines that it is not economically feasible to serve such territory in accordance with its Rate Resolution and this Service Availability Policy, and if the parties agree, the Utility will prepare a special agreement setting forth terms, outside the scope of those documents, by which it can provide service, either through bulk service or some other arrangement. The reasonable cost of preparation of such special agreement shall be reimbursed to the Utility from the Applicant seeking service.

3. OBLIGATIONS OF THE UTILITY

It shall be the Utility's obligation to analyze, evaluate, and respond to all requests for extension of its services where extensions to specific locations are requested. Once the Applicant has provided the Utility all of the information that is necessary for the Utility to evaluate the extension of service, it shall be the Utility's obligation to provide a firm price to the Applicant for such service extension including all construction, connection or plant capacity charges, and any other approved charges for such service extensions.

4. OBLIGATIONS OF DEVELOPER

It shall be the Applicant's obligation to provide the Utility with all of the information of the Utility needs in order to evaluate the feasibility and cost of providing service. Such information shall include, but not be limited to, (1) location of project, (2) survey of property, (3) complete plans and specifications for project, including drainage plans, (4) flow data, (5) type of facilities to be installed, (6) metering arrangement, (7) size of project, (8) description of waste to be discharged into Utility's wastewater system, including chemical analysis of such wastewater of it is other than domestic wastewater, (9) complete legal names of Applicant and/or Owner, including addresses, type of business entity, and state in which said entity was created, (10) estimated date that service is needed, (11) type of services requested, (12) landscape irrigation watering plan, etc.

It shall be the Applicant's and the Utility's responsibility to execute all water and wastewater agreements, contracts, and easements which are necessary in order for the Utility to provide service to the Applicant's property and/or project.

5. ON-SITE FACILITIES

It shall be the Applicant's responsibility to pay the entire cost of the on-site water and/or wastewater facilities which are necessary to provide service to Applicant's development. On-site facilities are those located within the property for which the Applicant is requesting service. Such on-site facilities shall include the facilities which are necessary to accommodate Utility's Master Plan which may require each development to extend the Master Planned mains across their property and to provide stubs to adjacent properties, as necessary, to loop service and/or ensure that service can be made available to adjacent properties. Such on-site facilities which the Utility accepts for ownership and maintenance shall be donated to the Utility by the property/project owner. Where on-site temporary pump stations or backflow prevention devices are required, they shall be paid for 100% by the Applicant without any provision for refund.

6. OFF-SITE FACILITIES

Off-site facilities are those located outside the property for which the Applicant is requesting service which are necessary to connect and transmit water or wastewater to or from the Utility's facilities. Where off-site extensions are required in order to service Applicant's development and such off-site mains will be used strictly for the Applicant's development, then the total cost of such off-site extension shall be paid for entirely by the Applicant, and if the Utility agrees to accept them for ownership and maintenance, the property/project owner shall donate them to the Utility. In such situations, there will be no refundable agreement. This provision shall not preclude the Utility from connecting to such systems for the purpose of master planning looped service to the area.

7. CONSTRUCTION OF OVERSIZED FACILITIES

Where pump stations, on-site force mains, and other facilities are master planned to serve substantial developments other than that required for the Applicant requesting service, then such Applicant, who requests service, may be required to pay the entire cost of the oversized facilities. In such event the area to be serviced by such oversized facilities will be identified and a basis for equitable allocation of the cost will be established. The Applicant, who advances the cost of such facilities, will be refunded without interest as other developments pay their pro rata share of the oversized facilities in accordance with the provisions of the "Refundable Advances" section in paragraph 8.0 herein.

Where off-site extensions are required in order to service Applicant's development and such off-site mains are sized so that they can be utilized by other properties not owned by the Applicant, then the Applicant, who is requesting service, may be required by the Utility to front the cost of such mains. In such event, the Utility and Applicant will enter into a refundable agreement, as described in Paragraph 8 herein.

Should situations arise where it is more practical for Utility to front the excess cost of permanent pump stations, force mains, and other oversized facilities, and where such property to be served by the oversized facilities would normally be required to pay all of the on-site and off-site mains, then in those situations, the Utility will be allowed to prorate such cost on an equitable basis over the property/properties to be served by such facilities from those properties benefiting from same. The Utility shall not have any obligation to front such cost, however, it is possible that areas exist that it would not be economically feasible to service on any other basis due to the small size of the project involved.

8. REFUNDABLE ADVANCES

Where an Applicant advances the cost of certain off-site extensions and oversized facilities which will benefit other properties with excess available capacities, then the Utility shall enter into a refundable agreement with the Applicant for the value of such excess capacity cost. This agreement shall carry a term of seven (7) years without interest. If the property/properties, which are the subject of collection for refund, does/do not develop within seven (7) years, then no additional refund will be due. An equitable basis for allocation of the excess cost which is advanced by the Applicant will be established. As subsequent applicants connect to the service provided by such facilities, their pro rata share of the cost of such facilities will be assessed to them and, when collected, will be refunded to the original Applicant who advanced the cost of such facilities. Such refunds will be made until such time as the original Applicant who advanced the cost of

facilities has received 100% of the excessive cost which he or she originally incurred.

9. SYSTEM DESIGN AND CONSTRUCTION

All extensions to Utility's system shall be designed and constructed in accordance with Utility's standard specifications and procedures.

It shall be the Utility's right, at the applicant's expense, to construct and/or approve the construction of the on-site installations which will be owned and maintained by Utility. It shall also be the Utility's right to review all plans and specifications for connections to its system to insure that Utility's design standards are met and to insure that service to existing Customers is not unduly and unnecessarily interrupted. Developer shall pay a fee equal to Utility's actual cost to review such plans and specifications. Utility reserves the right to approve Applicant's contractor prior to construction of any on-site or off-site facilities, which contractor must, at a minimum, hold a license from the State of Florida for underground construction and demonstrate experience in the field.

10. DESIGN BY INDEPENDENT ENGINEERS

All extensions to Utility's system which require permits shall be designed by a State of Florida Licensed Engineer. All designs shall be coordinated to coincide with Utility's master plan for service to the area. All plans and specifications shall be approved and accepted by Utility prior to commencement of any construction.

11. CUSTOMER CONNECTION (TAP-IN)

The charge for Utility construction costs for tapping into a line to connect service is an amount equal to the actual cost to connect. In addition, as provided in the "On-site Facility" section, the Utility shall be reimbursed 100% of the cost to alter the existing system to accommodate a Customer connection.

12. METER INSTALLATION

The Developer or each applicant shall be charged for the meter and for installation of the water meter as follows:

Meter Size	Service Fee[1]
5/8" x 3/4"	$130.00
1"	Actual Cost
1 1/2"	"
2"	"
3" to 8"	"

[1]Meter Box installation is $35.00 extra for 5/8" x 3/4" meter, and otherwise at cost.

The above charges only include the installation of the meter, stub-out pipe from the meter and a backflow prevention device and do not include the costs associated with the installation of other service and the charges associated with tapping into the water main. To the extent a service installation is required in order to provide Customer utility service, the cost of such installation, including the installation of the water meter will be based on the actual cost of the installation, regardless of meter size. In no event will such cost be less than the meter installation charges shown above. The above-referenced charges are due and payable at the time Customer makes an application for service.

13. CUSTOMER INSTALLATION (CUSTOMER MAINTAINED LINES)

The Applicant shall be required to own and maintain all facilities which are installed by it or its plumbers on Customer side of the point of delivery. Such facilities shall also include all fire flow detection devices and backflow prevention devices whether installed by Utility or by Applicant.

14. INSPECTIONS

Utility does not require inspections at the present time. However, any damage to Utility's system due to a faulty connection shall be the responsibility of Customer and property owner (if they are not the same) when and if such faulty connections are found. Customer or property owner shall be required to pay Utility the actual cost of any inspections required as a result of such problems.

15. TRANSFER OF CONTRIBUTED PROPERTY - BILLS OF SALE

Once the Utility initiates permanent service, unless the parties agree to the contrary, then the Utility's water and sewer agreement automatically activates the transfer of title to the Utility of the on-site and off-site facilities that Applicant has paid for and which are required to be donated to the Utility.

16. COST RECORDS AND "AS-BUILT" PLANS

All cost records pertaining to the cost of the water and sewer facilities donated to the Utility shall be provided to the Utility by Applicant.

Prior to acceptance of any extension to the Utility's system that is completed by a licensed underground utility contractor, the Utility will require that Applicant's contractor provide the Utility, for the Utility to retain for its permanent records, with:

A. Neat, legible, handwritten field copy as-built drawings showing all dimensions and elevations required by the Utility; and

B. A written report, in a format acceptable to the Utility, certified to by a Florida registered surveyor or mapper, which:

i. Identifies each manhole by reference number;

ii. Provides the top elevation of each manhole;

iii. Identifies the inverts of all pipes coming into each manhole;

iv. Provides the elevation of each invert: and

v. Provides the distance and grade on each pipe between manholes.

Applicant shall be responsible for paying in advance the Utility's cost for preparation and completion of the Utility's final CADD as-built plans for each such extension of the Utility's system, based on the Utility's initial estimate of the cost to complete the Utility's final CADD as-built plans. Extra time required for revisions to the Utility's CADD as-built plans, caused either by inadequate as-built field copies provided by the Applicant's contractor, inaccurate or incomplete dimensions provided by the Applicant's surveyor, or other incomplete or inadequate information required of Applicant, Applicant's contractor or surveyor to complete the Utility's CADD as-built plans, or by any combination of such factors, shall be charged to and paid by the Applicant as an additional cost of completing the Utility's final CADD as-built plans, based on an hourly rate of $30.00 per hour, plus plotting and printing costs for any extra proof sets.

Once the Utility has completed its proposed final CADD as-built plans for such extension, a proof set of the proposed plans will be provided to the Applicant's contractor for proofreading and verification of accuracy of Utility's proposed final CADD as-built plans, based on the information provided to the Utility by the Applicant, Applicant's contract or surveyor. When the Utility's proposed final CADD as-built plans have been verified as accurate by the Applicant's contractor, then a final set of official "as-built" plans will be plotted by the Utility, and mylars will be prepared and submitted for the signature of the Applicant's contractor.

17. EASEMENTS AND RIGHT-OF-WAYS

It shall be the Applicant's responsibility to provide all easements and right-of-ways to the Utility that are necessary for the Utility to have proper access to its facilities for maintenance and repair purposes. Where metes and bounds legal descriptions are required by the Applicant/property owner, in situations where the

Utility would normally accept blanket easements, then the cost of the preparation of such legal description shall be that of the Applicant/property owner.

18. ACCEPTANCE OF FACILITIES AND MAINTENANCE BOND

The Utility reserves the right to require that all facilities, connected to its system, be acceptable to the Utility before permanent water and sewer service will be provided. In addition, the Utility reserves the right to require proof that all water and sewer facilities, which are accepted by the Utility for ownership and maintenance, have been paid for in full by the Applicant/property owner and the title to same is clear of all encumbrances. The Applicant/property owner shall also provide to the Utility, at the Applicant/property owner's sole expense, such maintenance bond or other form of security acceptable to Utility in such amounts approved by the Utility, which by its or their express terms protect and indemnify the Utility against any loss, damage, costs, claims, debts or demands by reason of defects, latent or otherwise, in the system to be and remain in effect for two (2) years from the date of the system acceptance by the Utility.

19. DEVELOPER AGREEMENTS

The Utility requires that a water and/or wastewater agreement be executed for all extensions of service to new Customers which require extension of and/or alterations to the Utility's existing facilities in order to initiate such services.

20. FACILITIES INSTALLED OR FINANCED BY UTILITY

Where the Utility has installed or financed the installation of water or wastewater facilities at its expense, and it is not practical to maintain cost records for determination of the pro rata share of cost allocable to an applicant, the Utility shall be allowed to charge the Applicant a front footage charge representing the reasonable cost to cover the Applicant's fair pro rata share of the cost of the mains serving the Applicant's property. In the event such facility is a service lateral to applicant's property, then Customer will be assessed a charge based on the Utility's estimate of the original cost of the service line installation.

21. PRIVATE FIRE PROTECTION CHARGE

The Applicant may request to have direct fire main stubs to their facilities for purposes of internal fire sprinkler system and may request the Utility guarantee the availability of a specified G.P.M. of flow for fire protection. In such instances where the existing mains are capable of carrying the fire flow requested, the Applicant shall pay to the Utility the Private Fire Protection charge set forth in the Rate Resolution then in effect, for the purpose of assisting the Utility in providing the excess reserve

plant capacities required for the fire flow to the Applicant's property. In instances where the existing mains are not capable of carrying the fire flow requested, then the Utility shall provide an estimate of the cost to alter the existing fire mains to accommodate the Applicant's fire flow requirement and the cost of such alterations shall be reimbursed by the Applicant in addition to the Private Fire Protection Charge.

22. INSPECTION OF FACILITIES TO BE OWNED BY UTILITY

Where facilities which are to be owned by the Utility are constructed by an outside contractor, the Utility reserves the right to have an inspector on the job at all times during all phases of construction in which case it shall be the applicant's responsibility to reimburse the Utility for the cost of such inspections, including all overhead associated with same.

23. DESIGN OF FACILITIES TO BE OWNED BY UTILITY

Where the Applicant has its engineer design facilities which are to be connected to Utility's existing facilities, and are to be owned by the Utility, the Utility reserves the right to require the Applicant to reimburse it for its entire cost incurred in reviewing the plans prepared by the design engineer, such cost to include all overhead associated with such review and the Utility's cost for a review engineer hired or contracted with by the Utility for such purpose.

24. SEPTAGE DISPOSAL

The Authority will accept only domestic septic wastes from licensed, commercial carriers of septage. Septage carriers must apply in advance for permission to use the Authority's Facilities, and the Authority staff shall not grant permission to any carrier to use the Authority's Wastewater treatment facilities if such carrier or its principal(s) have a demonstrated history of illegal or inappropriate dumping or deposit of industrial wastes, pollutants or contaminants. Any denials by staff may be appealed by the septage carrier to the Board of Supervisors.

The Authority reserves the right to collect septage samples periodically to evaluate the various pollutants including, but not limited to, Biochemical Oxygen Demand ("BOD") and Total Suspended Solids ("TSS"). Should test results disclose chemical contents that may be detrimental to the Authority's bacteriological treatment process and/or effluent disposal limitations then such disposal, once identified, will no longer be accepted. If it becomes evident that policing unauthorized disposal is not practical, then the problems will be presented to the Board of Supervisiors of the Authority for formal action with regard to continuation of such service. Septage carriers must provide the Authority with a manifest indicating the source and quantity of

wastes introduced into the wastewater treatment system. Septage carriers will also be responsible for laboratory costs incurred by the Authority to evaluate the wastes being introduced into the treatment system. Septage carriers will further be responsible for removing initial screenings from the strainer at the point of discharge. The solids will be deposited in a container supplied by the Authority.

Attachment 1

COLLECTION OF UNPAID ACCOUNTS LIEN/SECURITY DEPOSIT POLICY

Proposed Policy:

In addition to the advance payment of the Base Facility Charge to the next billing date, which is Utility's existing policy, the Utility will require additional security for the payment of the services it renders as follows:

(1) A security deposit or equivalent security as set forth below will be required for all new accounts once this policy is enacted.

(2) Security Deposit Amount:

	Water	Wastewater
(a) Single Family Domestic Customers -	$25.00	$50.00
(b) General Service Customers, including Commercial and Industrial -	$25.00 per ERC	$50.00 per ERC

Note: ERC's (Equivalent Residential Connections) to be determined on the same basis as is established in the Utility's Service Availability Policy.

(3) Methods of Deposit.

(a) Cash.

(b) Irrevocable Letter of Credit. The form of such Irrevocable Letter of Credit is prescribed as follows:

Irrevocable Letter of Credit $_____

Irrevocable Letter of Credit for utility service furnished by the Clay County Utility Authority.

Gentlemen:

We hereby establish our Irrevocable Letter of Credit in favor of the Clay County Utility Authority, available by your drafts, at sight, drawn on _____ for any sums not exceeding _____, for the utility account of _____ at _____.

The draft must be accompanied by your signed statement certifying that payment of funds for services advanced by you to _____ have not been paid to you, that demand for payment has been made and the funds have not been forthcoming from _____.

Each draft must be marked "Drawn under Letter of Credit Number _____, dated _____."

Except so far as otherwise expressly stated herein, this Letter of Credit is subject to the "Uniform Customs and Practices for Documentary Credits (1983 revision), The International Chamber of Commerce Publication Number 400."

We hereby agree with the drawers, endorsers, and bona fide holders of drafts drawn under and negotiated in compliance with the terms of this Letter of Credit will be duly honored and it is a condition of the Letter of Credit that it shall be deemed continuous unless we notify you by certified mail, return receipt requested, that we are terminating this Letter of Credit upon giving you forty-five (45) days notice thereof.

Sincerely,

_____

Authorized Signature

(c) Indemnity Bond. The deposit may be insured by indemnity bond issued by a corporation duly authorized to conduct and carry on a general surety business in the state. The form of such indemnity bond is prescribed as follows:

INDEMNITY BOND FOR UTILITY SERVICES FURNISHED BY THE CLAY COUNTY UTILITY AUTHORITY

KNOW ALL MEN BY THESE PRESENTS, that _____, as Principal, and _____ a corporation organized and existing under the laws of the State of _____ and duly authorized to conduct and carry on a general surety business in the State of Florida, as Surety, are each held and firmly bound into the Clay County Utility Authority, an independent special district existing under Chapter 94-491, Laws of Florida, Special Acts of 1994, as obligee, in the full and just sum of _____ Dollars, lawful money of the United States of America, for

the payment whereof well and truly to be made the said principal and the said Surety hereby bind themselves, their respective heirs, legal representatives, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has applied to the Clay County Utility Authority, for utility service; and

WHEREAS, under the rules and regulations of the Clay County Utility Authority, it is necessary for the Principal to furnish security for the prompt payment of utility bills for service furnished and supplied to the Principal by the obligee; and

WHEREAS, the Principal desires to post this bond in lieu of a cash deposit as security for the payment of said utility bills.

NOW, THEREFORE, the condition of this obligation is such that if the said Principal shall well and faithfully perform the obligations herein recited and shall promptly pay all bills rendered by the Clay County Utility Authority, to said Principal for utility service as provided by this bond and the rules and regulations of the Clay County Utility Authority, then the above obligations shall be null and void, otherwise to remain in full force and effect, and the Surety herein agrees to pay, within ten (10) days after written demand for payment by the Clay County Utility Authority, any delinquent utility bills rendered by the Clay County Utility Authority, to the Principal herein if such bills are not paid by said Principal within the Clay County Utility Authority's prescribed payment period.

This bond is issued and executed subject to the following conditions:

(i) That the surety company reserves the right to cancel this bond by giving thirty (30) days written notice to the Clay County Utility Authority, and on the effective date of such thirty (30) days cancellation notice, the surety is discharged and relieved of any liability, it being understood and agreed, however, that the said Principal and said Surety will be liable for any loss accruing up to the effective date of said thirty (30) days cancellation notice, in no event, however, in excess of the penalty of this bond.

(ii) That it is expressly understood by the Principal and Surety herein that the Clay County Utility Authority, may, by giving fifteen (15) days written notice, cancel this bond or require an endorsement hereon increasing the penal amount provided in this bond so that said penal amount shall be equal to the proper security deposit amount as established and updated by the Clay County Utility Authority from time to time.

(iii) This bond shall be effective from and after the ____ day of _____, 19____, and shall remain in force until cancelled as aforesaid, or until released in writing by the obligee.

IN WITNESS WHEREOF, the said Principal and the said Surety have duly executed or caused to be executed this bond the ____ day of _____, 19___.

(d) Equivalent Security - A copy of the recorded warranty deed showing proof of ownership of the property receiving service and the customer's acknowledgment of Utility's right to lien his/her property will be considered acceptable equivalent security. Upon receipt of this proof of ownership and customer's acknowledgment of Utility's lien rights, the requirement to post one of the other forms of security listed in paragraph 3 (a), (b), and (c) above, will be waived.

(4) Existing Customer - One who is an active water and/or sewer customer on the date this lien/security deposit policy becomes effective.

(5) Applicability to existing customers - As long as the existing customer pays his account on a timely basis and does not have an unpaid balance for a period of over 30-days or is not cut off by Utility for nonpayment of his/her account, then this security deposit and lien policy will not apply. However, once an existing customer is cut off for nonpayment, then this policy will apply and will be administered in the same fashion described above, before service will be restored.

(6) Interest - After a cash deposit has remained with the Utility for at least six (6) months, it shall then earn simple interest at a rate to be established by the Clay County Utility Authority on an annual basis

on October 1 of each year. Such rate will be established based on the average rate earned by the Utility on the security deposit account over the prior twelve (12) month period (or portion thereof) ending two (2) months prior to the October 1st date for which the new rate is to be established. Such accrued interest shall be computed monthly and will be paid at the time that the deposit is refunded.

(7) The security deposit plus any accrued interest will be returned to the customer or applied to his final bill once the customer moves from the system or the account is closed in that customer's name. If any deposit is unclaimed for a period of twelve (12) months after the service is discontinued, such unclaimed deposit shall be forfeited to the Utility if after thirty (30) days written notice to the person named in the receipt therefor, such person or his designated representative fails or declines to make request for return thereof.

(8) In the case of tenant accounts, the Utility's lien rights will be asserted against the property owner's interest in the service address property only for recovery of damages (a) to the Utility's systems or (b) to the property of other users of the Utility's systems, caused by maintenance, repair, or usage violations of the Utility's then current rate resolution or system rules and regulations attributable to the service address, regardless of whether the specific act or omission constituting such violation was committed by the tenant, the property owner, or by an agent, employee, or independent contractor providing service to the service address at the request of the tenant or the property owner. In such event, all such damages shall be first billed to the tenant as the service address account holder, and if the same is not promptly paid within thirty (30) days, the Utility shall commence direct enforcement of its lien rights against the owner's interest in the subject property to recover the amount of such damages, together with interest, costs, and attorney's fees.

(9) Any appeal of the administration of the lien policy set forth herein will go before the Board of Supervisors for final decision. The customer shall write a letter to the Board of Supervisors outlining the facts related to his/her request for waiver of the lien policy. Staff will present this to the Board for its decision.

(10) Lien Policy - A Notice of Lien will be filed against all accounts where a prior customer was owner of the property receiving service and the final bill is not paid within 30-days of the billing date. Adequate research to establish property ownership for Notice of Lien will be established .

(11) Foreclosure Policy - Once the lien is one year old, it will be presented to the Board of Supervisors for its decision on whether to foreclose, sell the lien, or continue to hold the lien. If commercially feasible, liens which have been filed for at least one year should be packaged and sold for cash. The property owner would receive a Notice of Pending Sale and be allowed a final opportunity to cure the lien prior to sale of the lien to a third party.

(12) Policy on Collection of Accounts by Closing Agents.

(a) Every effort should be made to utilize closing agents in obtaining the payment of outstanding accounts upon the transfer of property ownership and the initiation of new customer service.

(b) An attorney in fact or other release form shall be utilized for the purpose of authorizing the utility to provide account balances and estimates at closing to ensure the collection of same. Additionally, such a release form shall be required for authorization of account termination. All such releases shall be completed by a duly authorized closing agent.

(c) Use of telephone and facsimile requests for pay-off quotes and termination of service orders in connection with closing agent orders shall be utilized to the extent that the Utility is provided concurrently with a signed authorization or power of attorney from the account customer in favor of the closing agent which authorizes such action by the named closing agent.

(13) Policy on Providing Account Information to Public.

(a) Utility will provide required disclosure of public records, including account history, upon inquiry pursuant to Florida public records law. A telephone quote or fax transmission of the record requested will be provided to the landlord/property manager or closing agent who provides a signed power of attorney from the account customer, not later than next business day after request. Otherwise, a copy of the record(s) requested will be made available at Utility's offices for the cost of reproduction as required under Florida public records law. Internal procedures will be employed to log requests and maintain a daily file of such requests.

LIEN/SECURITY DEPOSIT POLICY

Implementation Notes:

(1) Utility's lien security deposit policy will be advertised in a paper of general circulation in the area.

(2) Letters will be sent to all realtors, title companies, and property managers in the area, explaining our procedure.

(3) Customer Service Representatives will begin establishing owner/tenant records when new customers apply for service. An "Application for Service" form will be modified to establish whether customer is owner or tenant and will provide for the recording of the Official Records Book and Page of where the deed is recorded. It will also provide language explaining the Utility's lien rights.

(4) Customer Service Representatives will be trained to request information regarding the closing of the sale of the customer's property so we can notify the closing agent of the estimated or actual final bill so it can be covered on the closing statement, collected and remitted from the prior owner and sent to the Utility.

(5) Application of Security Deposit:

(a) Where a security deposit is being held, a procedure will be established to verify that a deposit is being held, and if so, apply it to the final bill and invoice any remaining balance or refund any over payment.

(b) If an unpaid balance is not paid within 30 days of the billing date, the customer's name and amount due will be turned over to a credit agency.

(6) Application of Lien After Effective Date Of Policy - Once a Notice of Lien has been issued to the property owner, the Accounting Department will establish a procedure to transfer all liened account receivables to a separate control account so that subledgers can be maintained on each account to accumulate the cost that is incurred, the interest income accrued, etc., so that a correct amount due can be maintained at all times. All costs associated with this collection effort will be paid out of the proceeds of the foreclosure or the voluntary retirement of this Certificate of Lien.

(7) Foreclosure of Lien - Recommendation to foreclose a lien will be presented to the Board, and the Board will make the final decision. Normal procedure would be to pursue Board action regarding foreclosure one year after filing lien.

NEW CUSTOMER APPLICATION AND CASH RECEIPT

CLAY COUNTY UTILITY AUTHORITY
782 FOXRIDGE CENTER DRIVE
ORANGE PARK, FLORIDA 32065
(904) 272-5999

DATE APPLIED _____

TENANT _____ OWNER _____

24 HOUR SERVICE

IF TENANT, SPECIFY LANDLORD/PROPERTY MANAGER:

ADDRESS _____ PHONE _____

IF OWNER, LOG IN PUBLIC RECORDS RECORDING NUMBER FROM WARRANTY DEED:

O.R. BOOK _____ PAGES _____

CUSTOMER NUMBER _____ ACCOUNT NUMBER _____

TYPE _____ WATER _____ SEWER _____

SS# _____

LAST NAME _____ FIRST _____ MI _____

MAILING ADDRESS _____

2nd ADDRESS _____

CITY _____ STATE _____ ZIP _____

MOVE IN DATE _____ THROUGH _____

TRANSFER FROM _____ CUT OFF DATE _____

ACCOUNT NUMBER _____ CUSTOMER NUMBER _____

I have verified the above information and it is correct
See reverse side for additional terms.

I acknowledge that it is my responsibility to be certain that my internal plumbing has been secured and all faucets are in the off position prior to your initiation of service.

_____
(Customer Signature)

MOVE IN DATE _____

WATER BASE $ _____

SEWER BASE $ _____

☐ RECONNECTION

☐ INITIAL CONNECTION $ _____

VIOLATION OF RECONNECTION $ _____

OTHER CHARGES $ _____

SUBTOTAL $ _____

SECURITY DEPOSIT
WATER $ _____

SEWER $ _____

AMOUNT PAID $ _____

* BALANCE DUE $ _____
* will appear as previous balance on first bill.

RECEIVED BY _____

CASH _____ CHECK _____ MO _____

METER # _____ SERVICED BY _____ DATE _____

METER READING | | | | [redacted]

COMMENTS _____

SERVICE ADDRESS _____
(If different than mailing address)

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE- 10
Exhibit _____
SARC Staff Recommendation

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

April 24, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (KEMP, DAVIS)
DIVISION OF LEGAL SERVICES (JOHNSON)

RE: DOCKET NO. 961434-WS - POINT WATER & SEWER, INC. - STAFF ASSISTED RATE CASE
COUNTY: CLAY

AGENDA: May 6, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION EXCEPT ISSUE NO. 14 & 15 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 15-MONTH EFFECTIVE DATE: May 14, 1998 (SARC)

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\961434WS.RCM

DOCKET NO. 961434-WS
DATE: April 24, 1997

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DOCKET NO. 961434-WS
DATE: April 24, 1997

SCHEDULES DESCRIPTION

DOCKET NO. 961434-WS
DATE: April 24, 1997

CASE BACKGROUND

Point Water and Sewer, Inc. (PWS or utility) is a Class "C" utility providing service in Clay County to two general service water and wastewater customers (a marina and a town home community known as the Point Property Owners Association (PPOA), which consists of 19 units). Although the Public Service Commission (PSC) has had jurisdiction over Clay County since 1967, and the utility has been in existence since 1980, the utility is not certificated. Originally, the utility was jointly owned by six different corporations, NOH, Inc., IGR, Inc., NGF, Inc., NLM, Inc., CNK, Inc., and QNK, Inc. James E. Yonge was the primary shareholder in all of these corporations. These corporations were merged into IGR, Inc. On September 12, 1995, in a related party transaction, IGR, Inc. entered into a security agreement in the amount of $100,000 for sale of the utility to PWS. John Yonge and Patrick Carr are equal company owners of PWS. Staff was made aware of the utility's existence in December of 1995, by the Department of Environmental Protection (DEP).

On November 4, 1996, PWS submitted an application for an original water and wastewater certificate, in Docket No. 961321-WS. The PPOA filed a timely objection to the utility's certificate application, and consequently, the docket is scheduled to go to hearing in August, 1997.

On February 14, 1997, PWS filed for a staff-assisted rate case (SARC) and requested emergency rate relief but later withdrew the request for emergency rates. On January 24, 1997, staff held a meeting with the customers to explain what occurs in a certification docket versus a SARC docket. During the meeting, the customers discussed their concerns about the current owner being certificated as well as the possibility of interconnection with the county; staff will address these issues in the certification docket. The SARC issues discussed consisted of the disparity between test year and historical operating expenses, administrative hours needed, test year capitalized expenses previously paid by the customers and ERC allocations to the marina. These concerns have been addressed in the appropriate issues. The customers also detailed the history of the utility, legal disputes between the utility and the customers and their fears of rate exploitation by the utility.

As stated previously, the utility was jointly owned by several corporations in which Mr. James Yonge was the primary shareholder. The utility was constructed in 1980 to provide water and wastewater service to the Point Town home Community known as "The Point". Since its construction, service has been expanded to include one

other customer, The Whitney Marina (the Marina), located next door to the plant. In early 1981, the PPOA and Mr. James Yonge entered into an agreement known as the Declaration of Covenants, Conditions, Restrictions and Provisions for Party Wall of the Point (Declaration) which stated:

> Section 2. The owners of the respective Units and the Association shall pay for such water and sewer service the going rates presently and hereafter charged for water and sewer services by private utility companies in Clay County, Florida. If any dispute arises as to the going rates, then the rates charged by Kingsley Service Company to its residential customers in Clay County, Florida, shall be used as the going rate.

From 1981 to 1987, Mr. James Yonge, as primary shareholder, managed the plant, oversaw the operations and billed the PPOA and marina for monthly services. During that time, the utility applied for a DEP permit in which the utility was required to install a dechlorinator. In late 1987, the PPOA, believing that they had been overcharged $16,000 for water and wastewater services provided from 1981 through 1987, filed a suit in court against Mr. James Yonge. On February 27, 1988, the PPOA and Mr. James Yonge entered into a settlement agreement by which Mr. James Yonge agreed to pay the PPOA $12,000 for all charges, assessments and late fees due and owing to the association. Also included in the agreement was an amendment to the Declaration (herein referred to as the Amended Declaration) which stated:

> Section 2. The Owners of the respective Units through and with the Association shall pay for such water and sewer service. The amount paid shall be the equivalent of all the operating, supply, maintenance, utility, testing, analysis, replacements, modifications and regulatory costs necessary for the proper and efficient operation of the water and sewer plants in compliance with all federal, state and local regulations.

Along with agreeing to pay all operating expenses of the utility, the PPOA undertook administrative control of plant operations by paying the utility's expenses directly to the vendor. Based on information from the PPOA, monthly expenses for plant operations at that time averaged $750. In 1993, the Environmental Protection Agency (EPA) assessed a $25,000 fine against the utility for failure to comply with a DEP permit requirement to install a dechlorinator on the wastewater treatment plant (WWTP). Mr. James Yonge advised the EPA that the PPOA was the responsible party because it was the operator of the utility. The PPOA contended that

its only responsibility was to pay the expenses of the utility. In 1994, the EPA rescinded its fine against the PPOA and sought action against Mr. James Yonge as owner of the utility for performance of the requirement and payment of the fine. In 1995, Mr. James Yonge filed suit in court against the PPOA claiming that the PPOA was the responsible party for the EPA fine. That case is still pending in court. To preclude future misinterpretation of the PPOA's role of paying the utility's expenses, the PPOA notified Mr. James Yonge in a letter dated December 22, 1995, that it would no longer accept invoices for utility expenses. The letter also stated that all correspondence should be directed to Mr. James Yonge and that the PPOA should be charged monthly in accordance with the Amended Declaration.

On March 1, 1995, James Yonge regained control of the facility operations and billing. Seven months later, on September 12, 1995, PWS became owner of the utility in which James Yonge's son, John Yonge, is the president. Not long after gaining ownership of the utility, PWS' billed the PPOA $21,000 for services rendered between March and September 1995, to be considered past due if not paid within 15 days. In response to the utility's bill, the PPOA requested proof of PWS authority to collect for Mr. James Yonge and complete documentation supporting monthly rates of $3,000 for water and wastewater. The PPOA, believing that the utility's new rate was excessive, refused to make payments. However, in acknowledgment that the utility was entitled to compensation for services provided, the PPOA established an escrow account and paid $750 each month into the account. In an effort to resolve the disagreement between the two parties and prevent termination of water and wastewater services, the PPOA contacted the DEP and requested assistance. The DEP, upon discovery that this utility was subject to PSC jurisdiction, notified PSC staff of the situation. Staff contacted the utility and advised it of PSC jurisdictional authority. The utility also was notified that since it was not authorized to charge rates, it could not terminate services to the PPOA for non-payment. The utility filed an application for exemption on July 21, 1996. Since the utility's plant capacity exceeded the minimum capacity for an exempt utility, PWS did not qualify for an exemption. The utility was then ordered to submit an application for an original certificate.

On October 1, 1996, the utility filed a complaint against the PPOA in Circuit Court, to recover amounts charged in accordance with the Amended Declaration for water and wastewater services provided. The PPOA filed a motion for a temporary injunction on October 11, 1996, and filed its answer to the complaint on October 30, 1996. On November 8, 1996, the Court issued a temporary injunction in which the utility was ordered to continue water and

wastewater services to the PPOA and also ordered the PPOA to pay to the utility $32,921.86 within 30 days of the order, for services rendered from March 1995 through October 1996. On November 19, 1996, the PPOA filed a motion for clarification of, or amendment to, the temporary injunction. On December 6, 1996, an Agreed Order on the PPOA's motion was issued. That Order directed the PPOA to pay 83% of actual costs to the utility for: a service technician; chemicals; tests; maintenance; taxes; regulatory expenses and necessary insurance premiums until further Order of the Court. These costs were to be paid by the PPOA within twenty days of receipt of the invoice from the utility. In conjunction with the clarification, the Court reduced the $32,921.86 for unpaid costs from March 1995 through October 1996, to $23,770.03. Included in the Order, the Court stated,

> ...Nothing herein shall be interpreted to infringe upon the jurisdiction of the Public Service Commission to set utility rates in this State. Furthermore, nothing herein shall be deemed an admission by either party as to: (a) the reasonableness of the charges, amounts or percentage set forth above; (b) what items should be considered reasonable business expenses; or (c) the rates that should be imposed by the PSC.

In accordance with the Court Order, the utility has invoiced the customers for 83% of expenses and the PPOA has remitted payment. However, on February 12, 1997, the PPOA transmitted to staff a facsimile of two invoices from the utility in the amounts of $1,510.60 for a DEP permit and $11,264.14 for an insurance policy with payment due 20 days after receipt. Upon notice of the invoice sent to the customers and discussions with the utility and the PPOA, staff determined that the expedition of this SARC would be in the best interest of all parties involved. Consequently, the customer meeting was rescheduled from its original date, of May 14, 1997, to March 27, 1997, and staff's recommendation filing date has been revised to reflect a May 6, 1997, agenda. The results of the customer meeting are discussed in Issue No. 1.

Since the Circuit Court had before it issues within the Commission's exclusive jurisdiction, the Commission filed, with the Circuit Court, a Petition for Leave to Intervene and Petition to Transfer the Proceeding to the Florida Public Service Commission on February 28, 1997. One day prior to the filing, counsel for the PPOA filed with the Circuit Court, a Motion to Abate or Transfer the Proceeding to the Commission. The Court has scheduled a hearing on the petition to intervene and transfer for April 29, 1997, in Clay County.

Staff is recommending that the operating ratio method be used for calculating the revenue requirement for Point Water & Sewer. By Order No. PSC-96-0357-WU, issued March 13, 1996, in Docket No. 950641-WU, the Commission implemented the use of the operating ratio methodology and established threshold criteria for applicability.

Audit and engineering investigations have been performed to determine the appropriate components necessary for setting rates. Staff has selected a historical test year ending December 31, 1996. Due to the lack of records, the engineer performed an Original Cost Study (OCS). This utility has not yet been certificated. Staff will discuss this later in the recommendation.

DISCUSSION OF ISSUES

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Point Water and Sewer, Inc. in Clay County satisfactory?

RECOMMENDATION: Yes. The quality of service provided by Point Water and Sewer, Inc. should be considered satisfactory. (DAVIS)

STAFF ANALYSIS: A customer meeting was held on the evening of March 27, 1997. The utility provides water and wastewater service to two (2) general service customers, a town home complex and a marina. It is calculated that there are 29 ERCs connected to the water system and 21 ERCs connected to the wastewater system. About nineteen (19) residents were in attendance at the customer meeting.

The overall quality of service provided by the utility is derived from the evaluation of three separate components of the Water or Wastewater Utility Operations: (1) Quality of Utility's Product (water and wastewater compliance with regulatory standards), (2) Operational Conditions of Utility's Plant or Facilities, and (3) Customer Satisfaction with the drinking water and domestic wastewater.

The product quality of the drinking water served is considered satisfactory. The utility is up-to-date with all chemical tests required by the Department of Environmental Protection (DEP). The results of those test analysis were found to meet or exceed all standards for safe potable water. Accordingly, the quality of the drinking water provided by Point Water and Sewer is considered satisfactory.

The product quality of the Point's wastewater services is also considered satisfactory. Because the wastewater plant discharges directly into the St. Johns River, it is monitored closely by the DEP through extended testing requirements. The wastewater utility is up-to-date with all chemical tests which are required by the DEP and the results of those analysis results were satisfactory. The DEP has found that the utility properly disinfects the treated wastewater with sufficient retention time prior to the dechlorination equipment. The wastewater effluent is properly dechlorinated and passes standards for surface water discharge. At present, the DEP has no open citations or corrective orders pending against the utility.

Operational conditions at both plants are acceptable. Upon staff's plant visit, no excessive or foul odors were detected from

either plant. Each facility was operating according to its design, and equipment at both plants appears to be receiving normal maintenance. Plant-in-service operations are in compliance with DEP regulatory standards. General housekeeping needs some attention which was discussed with the owner of the utility. It was agreed that the trees next to the water plant would be trimmed, a layer of gravel would be spread around the wastewater plant, and attention would be given to weed control & general clean up. An allowance for grounds keeping has been included in the rate structure.

This utility is within the St. John's River Water Management District (SJRWMD). Due to the size of the utility, neither the water nor wastewater systems are considered jurisdictional under the SJRWMD rules. This utility is not required to obtain a Consumptive Use Permit (CUP), nor does it qualify for conservation rates.

Customer satisfaction is affected by a poor relationship between the residents of the Point Town Home Community and the owner of the utility. The primary issues of the customer meeting were rates and ownership of the utility. One quality of service issue raised was over sewage backups in the marina. Upon investigation, this does not appear to be a frequent problem in which the last occurrence was over six (6) months ago. Numerous situations could be the cause of such an incident, most all of them related to either equipment failure or improper equipment adjustment. Since this situation has not occurred recently, staff considered this issue resolved.

During discussions over rates and expenses, Ms. Lorie Easterling submitted a letter representing the homeowner's collective concerns. In that letter Ms. Easterling questioned the cost of chlorine purchases, whether or not the utility was using too much chlorine, and odors from the water treatment plant. The water treatment process includes aeration to remove Hydrogen Sulfide and disinfection by liquid chlorine. During the process of aeration, as the sulfides are released from the water, odors are produced. Those odors are not toxic, are inherent, and normal to the process. Purchases of chlorine are also considered normal to the process. Each utility is required to maintain a minimum of 0.2 milligrams per liter (mg/l) of free chlorine residual throughout the entire distribution system. While there is a required minimum level of disinfection, there is not a required ceiling. Concentrations of Hydrogen Sulfide may vary on a day to day basis causing adequate disinfection on one day to be out of balance the next day. At any time the utility may exceed the minimum requirement for chlorine levels. This is not a violation and, in

most cases, is unavoidable. Chlorine purchases at the wastewater plant also are considered normal. Historically, chlorine purchases were considerably less than what was recorded during the test year, also historically, the DEP files show citations for improper disinfection. After the operator changed the point of chlorination and increased the dosage rate, the utility satisfied the disinfection citations and continues to be in compliance.

The utility is currently in compliance with the DEP standards and the general operating conditions of each plant, and the overall reaction of the customers concerning quality of service was favorable. All things considered, the quality of service provided by Point Water and Sewer, Inc. is considered satisfactory.

DOCKET NO. 961434-WS
DATE: April 24, 1997

USED AND USEFUL

ISSUE 2: What portions of water and wastewater plants-in-service are used and useful?

RECOMMENDATION: The water treatment plant should be considered 57.61% used and useful. The water distribution system should be considered 80.95% used and useful with the exception of account number 334, which should be 100% used and useful. The wastewater plant should be considered 81.33% used and useful with the exception of Account Number 363, which should be 100% used and useful. The collection system should be 80.95% used and useful with the exception of Account Number 363, which should be 100% used and useful. (Davis)

STAFF ANALYSIS: The water treatment plant is an open system operation designed to accommodate the entire town home complex at build-out. Only 19 units were actually constructed, sold and currently occupied and are estimated to be 17 ERCs. At some point in the history of the utility, service was extended to the marina which is calculated (by historical flow records) to be an additional 12 ERCs. Customer growth at this utility has been stagnant over the past five years. The capacity of the plant is rated by the DEP at .028 Million Gallons per Day (MGD). According to monthly operator's reports, the peak five day average was 16,130 gallons per day (gpd), occurring in June, 1996. By the approved formula, used as an indicator of useful plant, the water plant was found to be 57.6% used and useful. It is recommended that the water treatment plant be considered 57.6% used and useful.

The existing water distribution mains were constructed to accommodate only 24 of the platted 34 lots in the service area. Twenty-one ERCs is considered to be the actual capacity of distribution system without the construction of additional mains. There are currently 19 town home units (estimated to be 17 ERCs) on this distribution system which were constructed by the developer. The marina constructed its own distribution system that extends and connects to the utility at the plant site. Because this line is privately owned by the marina, it has been exempted from the used and useful calculation. The approved formula method, used as an indicator of useful plant, was followed in calculating the used and useful percentage for the water distribution system. By formula calculation, the water distribution system is determined to be 80.95% used and useful. The exception to this percentage of useful plant would be Account Number 334 (Meter & Meter Installations). Meters are installed upon demand and are considered 100% used and useful. It is recommended that the distribution system be considered 80.95% used and useful with the

exception of account number 334, which should be considered 100% used and useful.

The capacity of the wastewater treatment plant is 15,000 gallons per day, operating in the extended aeration mode of treatment. The highest daily flows during the test year occurred in June, 1996, and was 12,200 gpd. There are two (2) customer connections, the town home complex which is estimated to be 17 ERCs, and the marina which is estimated to be 4 ERCs. The used and useful formula, used as an indicator, yields a percentage of useful plant at 81.33%. It is recommended that wastewater treatment plant accounts be considered 81.33% used and useful.

Roughly, the wastewater collection system is the same as the water distribution system. The configuration of the collection mains can accommodate 24 units, estimated to be 21 ERCs. While the platted maps of the service area show 34 potential homesites, only 19 units were actually constructed which are estimated to be 17 ERCs. The marina constructed its own main extension that forwards influent directly to the master lift station at the plant site. Because this line is privately owned by the marina, it has been exempted from the used and useful calculation. Customer growth over the last five years has been stagnant. The approved formula method, used as an indicator of useful plant, was the basis for calculating the usefulness of the collection system. By formula, the wastewater collection system was calculated to be 80.95% use and useful. It is recommended that the collection system be considered 80.95% used and useful.

ISSUE 3: What is the appropriate average amount of test year rate base for each system?

RECOMMENDATION: The appropriate average amount of test year rate base for Point Water & Sewer should be $2,338 for water and $3,050 for wastewater. (KEMP, DAVIS)

STAFF ANALYSIS: According to the auditor, PWS does not have records supporting the costs associated with the construction of this utility. A review of the 1983 tax returns for NOH, Inc. and IGR, Inc. did not reflect any plant, accumulated depreciation or land. Also, an examination of the original town home sales agreement indicated that the customers did not incur a hook-up or connection fee. Based on the foregoing information, staff has concluded that water and wastewater plant through the end of the test year is 100% contributed. The engineer performed an Original Cost Study (OCS). The appropriate components of rate base consist of utility plant in service, non-used and useful plant, land, accumulated depreciation, CIAC, amortization of CIAC and working capital allowance. Staff has used the amounts set forth in the OCS as a basis for these rate base components. Further adjustments are necessary to reflect test year balances. A discussion of each adjusted component follows.

Depreciable Plant in Service:

Water Treatment Facility - The existing water treatment plant is an open-system plant that accesses raw ground water via a four inch (4") artesian well drilled to a depth of 600 feet with casing set at 340 feet. This is a free flowing well that is assisted by a one (1) horsepower (hp) booster pump just prior to the aeration chamber. The aeration chamber is located on top of an Enviroport type package plant. The package plant is compartmentalized to include the above mentioned aeration unit mounted over a 6,000 gallon ground storage reservoir, a 850 gallon hydropneumatic tank, and a high service pump room. There are two seven and one-half (7.5) hp high service pumps rated at 140 gpm each. These two high service pumps transfer treated water from the storage chamber into the hydropneumatic tank for pressurization and distribution via water mains. The on/off pressure range of the high service pumps was set to respond at 55/65 pressure per square inch (psi) with an average plant pressure of 60 psi. Aerated water is disinfected with liquid chlorine, injected just prior to the high service pumps by a hypomechanical chemical pump. The utility serves less than 350 persons and is not required to have an auxiliary power generator for emergency power outages.

Wastewater Treatment Facility -The existing wastewater plant is a 15,000 gallon per day (gpd) steel Enviroport type package plant operating in the extended aeration mode of treatment. The plant's effluent is dechlorinated upon discharge from the chlorine contact chamber and is released, directly into the St. Johns River via a six (6) inch PVC out fall line. The outfall line runs underground for about 50 linear feet to a seawall. From the seawall, it continues to travel an additional 250 feet, underneath a dock, where it flows into the St. Johns River.

Water Distribution System - According to the information provided by the utility, the utility has approximately 500 linear feet of four (4) inch PVC pipe, and 50 linear feet of two (2) inch PVC pipe. The network of water distribution mains serving the customers of Point Utilities appear to be properly sized and engineered to meet pressure and supply demands.

Collection System - According to the information provided by the utility, the collection system serving the customers of Point Utilities consists of two manholes, 485 linear feet of eight (8) inch Vitrified Clay Pipe (VCP), and a master lift station at the plant site. The marina installed its own connection to the master lift station. The network of wastewater collection mains serving the customers of Point Water & Sewer appear to be properly sized and engineered to meet current flow and disposal demands.

The utility recorded test year utility plant in service balances of $42,769 for water and $36,549 for wastewater. Utility plant in service has been decreased by $13,491 for water and increased by $42,835 for wastewater. The adjustments to the water plant included: 1) a decrease of $13,791 to reflect utility plant in service per the OCS, 2)an increase of $600 for pro forma plant to reflect the installation of a 2" meter for the PPOA as recommended by the engineer, and 3) a decrease of $300 to reflect an averaging adjustment on pro forma plant. Staff made one adjustment of $42,835 to increase wastewater utility plant in service. Total utility plant in service is $29,278 for water and $79,384 for wastewater.

Land: The water and wastewater systems are built on three parcels of land, Parcel A, Parcel B and Parcel C.

Parcel A was originally owned by IGR, Inc. and includes one half of the wastewater treatment plant. On September 12, 1995, along with assigning all its rights, powers, duties and responsibilities as successor, IGR, Inc. sold Parcel A to PWS.

The water plant located on Parcel B is owned by the Point Property Owners Association (PPOA). The deed for Parcel B includes an easement granting the use of the land on which the water plant sits for utility purposes.

Parcel C is owned by James Yonge and PDY, Inc. and includes one half of the wastewater treatment plant and the well for the water plant. The marina has a 99 year lease agreement on Parcel C with the owners. The marina granted an exclusive easement to James Yonge and PDY, Inc. to allow the construction of a wastewater treatment plant, lift station and all piping, plumbing and electrical service. In exchange for the easement, the marina was allowed to tie into the water and wastewater systems without any fee or tap in charge. The marina was responsible for all costs related to running the lines to the plant and was obligated to pay the monthly charges for services provided. On May 3, 1983, PDY, Inc. quitclaimed its interest in this easement to various corporations which were subsequently merged into IGR, Inc. On September 5, 1995, IGR, Inc. assigned its rights to the easement to PWS.

Although the utility does not own all of the land on which the facilities are located, or have a 99 year lease, staff believes that the easements serve as sufficient proof of the utility's right to continued use of the land as required by Rule 25-30.433 (10), Florida Administrative Code. The utility recorded land balances of $7,231 for water and $13,451 for wastewater. Since the utility does not own this land nor has it incurred a cost to use the land, staff has made adjustments of $7,231 and $13,451 for water and wastewater respectively to remove these balances from rate base.

Non-Used and Useful Plant: Non-Used and useful plant has a negative impact on rate base. In Issue No. 2, the Staff engineer recommended that the used and useful be considered 57.61% for water treatment plant, 80.95% for water distribution system, 81.33% for wastewater treatment plant and 80.95% for wastewater collection system. Staff applied the non-used and useful percentages to calculate average non-used and useful plant of $11,030 for water and $14,865 for wastewater. Non-used and useful accumulated depreciation is $6,763 for water and $11,340 for wastewater. Staff recommends a net average non-used and useful plant of $4,267 for water and $3,525 for wastewater.

Contributions in Aid of Construction (CIAC): CIAC has a negative impact on rate base. The utility did not record CIAC for the test year. As stated earlier, the utility did not have any records supporting the costs associated with the construction of this utility. A review of the 1983 tax returns for NOH, Inc. and IGR,

Inc. did not reflect any plant, accumulated depreciation or land. Therefore, in accordance with Rule 25-30.140(8), Florida Administrative Code, staff has imputed CIAC on 100% of all water and wastewater plant through the end of the test year. Staff made adjustments to increase CIAC by $28,978 for water and $79,384 for wastewater. Staff also made adjustments to decrease CIAC by $11,030 for water and $14,865 for wastewater to reflect non-used and useful. The utility has not had any plant additions since 1980, for the water plant and none since 1993 for the wastewater plant, therefore an averaging adjustment was not necessary. Staff recommends CIAC balances of $17,948 for water and $64,519 for wastewater.

Accumulated Depreciation: Accumulated depreciation has a negative impact on rate base. The utility recorded an accumulated depreciation balance of $2,917 each for water and wastewater. Consistent with Commission practice, accumulated depreciation was calculated using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. Staff increased water by $14,923 and wastewater by $59,976 to reflect test year accumulated depreciation amount. An increase of $35 for water was made to reflect accumulated depreciation on pro forma plant. Staff also reduced accumulated depreciation by $625 and $2,256 for water and wastewater respectively to reflect average balance. Staff recommends accumulated depreciation balances of a $17,250 for water and $60,637 for wastewater.

Amortization of CIAC: The utility did not record anything for amortization of CIAC. Staff made adjustments of $17,840 for water and $62,893 for wastewater to reflect amortization on the imputed CIAC. Amortization of CIAC was decreased by $6,763 and $11,340 for water and wastewater respectively to reflect the non-used and useful amortization on CIAC. Also, averaging adjustments to decrease the balances by $625 for water and $2,256 for wastewater were made to reflect an average. Staff recommends amortization of CIAC balances of $10,452 for water and $49,297 for wastewater.

Working Capital Allowance: Consistent with Rule 25-30.443, Florida Administrative Code, staff recommends that the one-eighth of operation and maintenance expense formula approach be used for calculating working capital allowance. Applying that formula, Staff recommends a working capital allowance of $2,073 for water and $3,050 for wastewater (based on O&M of $16,586 for water and $24,400 for wastewater).

Rate Base Summary: Based on the aforementioned adjustments, the appropriate balance of Point Water & Sewer, Inc. test year rate base is $2,338 for water and $3,050 for wastewater. Rate base is shown on Schedules Nos. 1 and 1A and adjustments are shown on Schedule No. 1B.

ISSUE 4: Should an acquisition adjustment be approved?

RECOMMENDATION: No, an acquisition adjustment should not be included in the calculation of rate base for this utility. (KEMP)

STAFF ANALYSIS: An acquisition adjustment results when the purchase price differs from the book value (original cost less accumulated depreciation) of staff's calculated rate base. The acquisition adjustment resulting from the 1995 purchase of the utility by PWS would be calculated as follows:

Purchase Price (9/15/95):	$ 100,000
Staff Calculated Water Rate Base	$ 2,338
Staff Calculated Wastewater Rate Base	$ 3,050
Acquisition Adjustment	**$ 94,612**

The utility did not have adequate records for staff to determine the costs associated with developing the systems. Therefore, the engineer performed an Original Cost Study (OCS). The OCS of the property when first dedicated to public service was used to calculate rate base.

In the absence of extraordinary circumstances, it has been Commission policy that a purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this case do not appear to be extraordinary. In addition, since the purchase was a related party transaction, staff does not recommend that an acquisition adjustment be included in the calculation of rate base.

COST OF CAPITAL

ISSUE 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity is 11.88% with a range of 10.88% - 12.88% and the appropriate overall rate of return is 8.65% with a range of 8.65% - 8.66%. (KEMP)

STAFF ANALYSIS: The utility's capital structure consists of $100,000 of long-term debt with an interest rate of 9.50%, short term debt of $34,352 with an interest rate of 6.31%, short term debt of $2,370 with an interest rate of 6.31% and common equity of $500. Using the current leverage formula approved under Docket No. 960006-WS, Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, the rate of return on common equity is 11.88% with a range of 10.88% - 12.88%.

Applying the weighted average method to the total capital structure yields an overall rate of return of 8.65% with a range of 8.65% to 8.66%. Staff made pro rata adjustments to reconcile the capital structure downward to match the recommended rate base.

The utility's return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

ISSUE 6: What are the appropriate test year operating revenues for each system?

RECOMMENDATION: The appropriate test year operating revenues should be $13,685 for water and $13,685 for wastewater. (KEMP)

STAFF ANALYSIS: Currently, the utility is in the process of certification and as of yet, does not have Commission authorized rates. Staff selected a historical test year ending December 31, 1996. During the test year the utility collected revenues of $27,730. This represents $300 a month from the marina and $23,770 from the PPOA, as ordered by the circuit court. The revenues are reflected on the utility's books as $13,685 for water and $13,685 for wastewater. Staff did not make an adjustment.

Operating revenues are shown on Schedules Nos. 3 through 3C.

ISSUE 7: What is the appropriate test year loss for each system?

RECOMMENDATION: The appropriate test year losses are $4,414 for water $12,762 for wastewater. (KEMP)

STAFF ANALYSIS: The test year revenue is $13,685 for water and $13,685 for wastewater. Corresponding test year operating expenses are $18,099 for water and $26,447 for wastewater for corresponding operating losses of $4,414 for water and $12,762 for wastewater.

The test year operating losses are shown on Schedule Nos. 3 through 3-C.

ISSUE 8: Should the Commission approve the operating ratio methodology as permitted in Rule 25-30.456, Florida Administrative Code, to be used for calculating the revenue requirements for PWS water and wastewater systems and if so, what is the appropriate margin?

RECOMMENDATION: Yes, the Commission should approve the operating ratio methodology for calculating the revenue requirement for the water and wastewater systems. The margin should be 10% of operating and maintenance expenses. (BETHEA, KEMP)

STAFF ANALYSIS: By Order No. PSC-96-0357-FOF-WU, issued March 13, 1996, in Docket No. 950641-WU, the Commission approved the use of the operating ratio methodology for setting rates. The Order also established criteria to determine the use of the operating ratio method and a guideline margin of 10% of operation and maintenance expenses.

Staff believes there are many factors involved in deciding whether to implement an operating ratio (ORM). The following discusses the threshold criteria established in Order No. PSC-96-0357-FOF-SU, and how they apply to PWS:

1) Whether utility's operation and maintenance expense exceed rate base. As discussed in Issue 3, the utility's test year plant in service is considered 100% contributed. This results in a rate base substantially lower than the level of operation and maintenance expense. Staff adjusted test year rate base for water is $2,338 and $3,050 for wastewater while corresponding operation and maintenance expenses are $16,586 for water and $24,400 for wastewater. Although the utility has received the benefit of the contributed plant, staff believes that the utility should be allowed a margin of revenues over expenses to protect it from unexpected expenditures and/or revenue shortfalls.

Traditional regulation allows only break even revenues when there is no rate base. Setting break even rates will place a utility, or any business for that matter, in financial jeopardy as it provides no cash flow with which to cover potential revenue shortfalls, higher expense levels or future investment requirements. Revenue shortfalls can result from such factors as lower usage levels (repression) in response to higher rates, or from demographic or environmental changes. Expenses can also be volatile in any given year. Although staff attempts to provide adequate expense levels in SARCs, experience shows that it has been impossible to anticipate every contingency and utilities often fail to meet their revenue requirement after completion of a case.

The ORM serves a dual purpose in attempting to compensate the utility owner for the risk of not being able to cover costs in any given year and to provide an internal source of funds to cover revenue shortfalls. Under rate base regulation this "cushion" of internal funds is provided through depreciation expense and the equity portion only of the rate of return. If there is no rate base there is no depreciation or rate of return. Staff believes that failure to provide a reasonable margin of revenues over expenses is not in the best interest of the ratepayers. Break even rates will ultimately result in service degradation from deferred maintenance or inability to replace plant, thereby, resulting in higher long term costs.

2) Whether the utility is expected to become a Class B in the foreseeable future. According to Section 367.0814(7), Florida Statutes, the alternative forms of regulation being considered in this case apply to Class C utilities only. PWS is currently a Class C utility, the revenue requirements of $20,044 for water and $29,603 for wastewater are substantially below the threshold level for Class B status ($150,000 per system). In addition, the utility's customer growth has been stagnant over the past years and is not expected to rise. This suggests that PWS will not become a Class B utility in the foreseeable future.

OTHER FACTORS

3) Quality of service and condition of plant. As mentioned in Issue No. 1, the quality of service provided by PWS is considered satisfactory. The utility is up-to-date with all chemical tests required by the Department of Environmental Protection (DEP). Test analysis results of the water and wastewater systems are satisfactory. According to the analysis results, the quality of the water meets or exceeds all standards for safe drinking water. In accordance with DEP records reviewed by staff, the water served by the utility is satisfactory. Because the wastewater plant discharges directly into the St. Johns River, it is monitored closely by the DEP. The DEP has found that the quality of the wastewater effluent passes standards for surface water discharge. At present, the DEP has no open citations or corrective orders pending against the utility. Upon staff's plant visit, no excessive or foul odors were detected, and each facility was operating according to its design.

4) Whether the utility is developer owned. Although the current owner is not a developer, the previous owner, Mr. James Yonge, is. Due to the father-son relationship of the current and previous owners, staff considers the purchase of the utility to be a related party transaction. Although the service area is not built out,

customer growth has been stagnant over the last 5 years. Staff does not believe a developer relationship , in itself, should disqualify a utility from the ORM. Although one could argue in this case that a developer relationship exists, staff believes the other factors justify use of the ORM.

5) Whether the utility operates treatment facilities or is simply a distribution and/or collection system. PWS operates water treatment and distribution systems and wastewater treatment and collection systems.

MARGIN PERCENTAGE

By Order No. PSC-96-0357-FOF-WU, issued March 13, 1996, in Docket No. 950641-WU, the Commission determined that a margin of 10% shall be used unless unique circumstances justify the use of a greater or lesser margin. The Commission settled on the 10% margin due to lack of economic guidance on developing an operating ratio method rate of return. The Commission believed that it would be a futile and unwarranted exercise to try to establish a precise return applicable to all small utilities. The important question was not what the return percentage should be, but what level of operating margin will allow the utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgement based upon the particular circumstances of the utility.

Several factors must be considered in determining a reasonable margin. First, the margin must provide sufficient revenues for the utility to cover its interest expense. Point Water & Sewer's interest expense is approximately $463 annually. Second, use of the ORM rests on the contention that the principal risk to the utility resides in operating cost rather than in capital cost associated with rate base. As previously stated, break even rates presents great financial risk to the utility as cash flow will be insufficient to cover any unexpected variance in revenues or expenses. Therefore, the margin should adequately compensate the utility owner for that risk. Third, the ORM should provide an adequate margin of revenues over expenses to protect against potential adverse variability of either. The return on rate base method would provide PWS no cash flow through depreciation and only $202 for water and $264 for wastewater in operating income. Deducting interest expense from this total leaves the utility without excess funds to cover revenue and expense variances. A margin of 10% of operating and maintenance expenses will provide PWS a modest cash flow of $1,659 for water and $2,440 for wastewater, or $1,457 and $2,176, respectively, after deducting interest expense.

In conclusion, Staff believes the above factors show that the utility needs a higher margin of revenues over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide the utility adequate cash flow to provide some assurance of safe and reliable service, Staff recommends application of the operating ratio methodology at a margin of 10% of operation and maintenance expenses.

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ISSUE 9: What are the appropriate amounts for operating expense for each system?

PRIMARY RECOMMENDATION: Using the "operating ratio method", the appropriate amounts for operating expenses for PWS should be $18,385 for water and $27,163 for wastewater. (KEMP, DAVIS)

ALTERNATE RECOMMENDATION: Using the "rate base method", the appropriate amounts for operating expenses for PWS should be $18,317 for water and $27,061 for wastewater. (KEMP)

PRIMARY STAFF ANALYSIS: The utility recorded operating expenses of $32,667 for water and $39,466 for wastewater. The components of these expenses include operation and maintenance expenses, depreciation expense (net of related non-used and useful depreciation on expense), amortization of CIAC (net of related non-used and useful CIAC on amortization) and taxes other than income.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect unrecorded test year expenses, recommended allowances for plant operations, and removal of unsupported and non-utility expenses.

Operation and Maintenance Expenses(O & M): The utility charged $29,183 to water O & M and $35,404 to wastewater O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

1) Salaries & Wages - The utility recorded test year salaries and wages expense of $4,800 each for water and wastewater. The utility provided a letter to support a part time officer and manager for 12.5 hours per week. The utility has costs included in contractual services to support an operator, who also performs the majority of the repairs for the utility, and an accountant. Staff believes 12.5 hours to be excessive and recommends 4 hours per week at $25 per hour for a part time officer and manager. Adjustments to reduce salaries and wages by $3,210 each for water and wastewater to reflect an annual salary of $2,600 for each system.

2) Employee Pensions & Benefits - The utility did not record anything for test year employee pensions and benefits. However, a request to include annual health care insurance of $864 was submitted. Consistent with the recommendation of 4 hours for a part time employee, which constitutes 10% of hours worked by a full time employee, staff has made adjustments to reflect health care coverage on a pro rata basis. Staff made

an adjustment $43 each for water and wastewater to include 10% of the annual costs for employee pensions and benefits.

3) Sludge Removal - Utility recorded a sludge removal expense of $400. Staff engineer recommends that the utility have its sludge hauled twice a year. An adjustment was made to increase this balance by $600 to reflect the engineer's recommendation. Staff recommends sludge removal expense of $1,000.

4) Chemicals - The utility recorded test year chemicals expenses of $599 for water and $2,740 for wastewater. No adjustment was made to water, however, staff increased chemicals for wastewater by $61 to reflect annualized expenses. Staff recommends water and wastewater chemicals expense of $599 and $2,801 respectively.

5) Contractual Services - The utility recorded contractual services expenses of $9,621 for water and $12,000 for wastewater during the test year. Staff made the following adjustments in contractual services to:

WATER - c) reflect an annual allowance of $583 for maintenance and repairs, an increase of $122; d) reflect a 30% allocation of costs for the contract operator, a decrease of $1,320; e) reflect legal fees incurred from dispute against PPOA for nonpayment amortized over 5 years, a decrease of $3,226; and f) reflect annualized accounting fees, an increase of $750.

Also included in contractual services for water is an increase of $1,131 to reflect annual DEP testing. As determined by the Staff engineer, the appropriate annual amount for DEP testing is $2,066:

Description	Frequency	Annual Cost
Microbiological	Monthly	$360
Primary Inorganics	36 mos.	$ 85
Secondary	36 mos.	$ 80
Asbestos	1/9yrs.	$ 25
Nitrate & Nitrite	12 mos.	$ 60
Volatile Organics	qtr'ly/1st yr/36 mos. subsequent/Annual	$143
Pesticides & PCB	36 mos.	$470
Radio nuclides		
Group I	36 mos.	$ 35
Group II	36 mos.	$100
Unregulated Organics		

Group I	qtr'ly/1st yr/9yrs.	$275
Group II	36 mos.	$ 50
Group III	36 mos.	$ 83
Lead/Copper	biannual	$300
Test Year		$ 2,066

WASTEWATER - a) reflect annual expense for grounds keeping, per the engineer, an increase of $80; b) remove unsupported expenses for repairs, a decrease of $140; c) reflect annual allowance of $925 for maintenance and repairs, an increase of $353; d) reflect a 70% allocation of costs for the contract operator, an increase of $1,320; e) reflect legal fees incurred from dispute against PPOA for nonpayment amortized over 5 years, a decrease of $3,226; and f) reflect annualized accounting fees, an increase of $750.

Also included in contractual services for wastewater is a decrease of $861 to reflect annual DEP testing. As determined by the Staff engineer, the appropriate annual amount for DEP testing is $2,202:

Description	Frequency	Annual Cost
Fecal Coliform	monthly	$300
Bio-Oxygen Demand-influent	monthly	240
Bio-Oxygen Demand-effluent	monthly	240
Total Suspended Solids-inf	monthly	132
Total Suspended Solids-eff	monthly	132
Chemical Oxygen Demand-inf	monthly	264
Carbonaceous BOD (5)-eff	monthly	240
Nitrate/Nitrite	quarterly	240
Ammonia-effluent	quarterly	64
Sludge analysis	yearly	350
	Test year Total	$ 2,202

Total adjustments to decrease contractual services were $2,543 and $1,724 for water and wastewater respectively. Staff recommends contractual services expense of $7,078 for water. Staff recommends $10,276 for wastewater.

6) Rents Expense - The utility proposes to rent an office for $300 per month in an effort to adhere to Rule 25-30.110 (2) (b), Florida Administrative Code, which states that the utility must maintain its records at the office or offices of the utility within the state and shall keep those records open

for inspection during business hours by Commission staff. As it stands, the utility only has two customers; staff does not see the prudence in the utility obtaining an office for the sole purpose of keeping its records. The rules do not mandate that the utility have a specific office, the utility may keep its records available at its accountant's or attorney's office. In some instances, utilities have maintained their records in their homes. The $300 rent expense proposed by the utility included office space, phone, access to a copier and facsimile machines and use of a conference room. Staff believes the utility should be allowed an amount to cover phone, storage, and access to copier and facsimile machines. Therefore, staff has recommended a monthly rent expense of $100 per month, $50 for water and $50 for wastewater. Staff finds this amount to be comparable to utilities of this size. Staff recommends annual rent expense of $600 for water and $600 for wastewater.

7) Transportation Expense - The utility did not record anything for transportation expenses. The engineer recommends 100 miles per month as a reasonable travel allowance to be split 50-50 between water and wastewater. Staff made an adjustment to increase transportation expense by $186 for water and $186 for wastewater.

8) Insurance Expense - The utility did not record anything for insurance expense. Because the utility discharges effluent into the St. Johns River, the risk of environmental contamination is ever present. During the audit, the utility submitted an insurance bid with an annual premium of $13,571. The quote included coverage for general liability, property damage, and environmental pollution. Since then, staff has directed the utility to obtain another quote. The utility was able to obtain a quote for general liability, property damage and pollution control coverage with an annual premium of $4,606 for water and wastewater. Staff considers this to be a reasonable amount. Staff made an adjustment to increase water and wastewater by $2,303 each.

9) Regulatory Commission Expense - The utility recorded test year regulatory commission expense of $4,020 each for the water and wastewater systems. These amounts reflect SARC legal fees incurred during the test year. Staff made adjustments to; a) reflect legal fees incurred during the SARC and Certification docket amortized over four years, a decrease $2,493 for water and $1,950 for wastewater (Staff notes that this being the utility's first time before the Commission, as a primary reason for the enormous legal fees. However, staff

admonishes the utility on a going forward basis to be prudent in its use of legal counsel when/if expecting to recover those costs in rates); b) reclassify application fee for certification amortized over four years, an increase of $188 each for water and wastewater; c) include the application fee for the SARC amortized over four years, an increase of $50 each for water and wastewater; and d) reflect accounting fees of $6,400 incurred during the SARC amortized over four years, an increase of $800 each for water and wastewater. Staff recommends $2,565 of water and $3,108 of wastewater Regulatory Commission Expense.

10) Miscellaneous Expense - The utility recorded $7,025 for water and $8,325 for wastewater miscellaneous expenses. Staff has made adjustments to: a) remove interest expense, decreases of $6,275 each for water and wastewater; b) reflect annual allowance of $250 each for miscellaneous expenses, increase of $250 for water and wastewater; c) reflect annualized bank charges, increases of $60 each for water and wastewater; d) reflect reclassification of application fees for certification, decreases of $750 each for water and wastewater; e) reflect DEP permit fee amortized over five years, a decrease of $800 for wastewater; f) include engineering fee related to the DEP permit amortized over five years, an increase of $370; and g) Although it is not necessary for a utility of this size to provide office hours on a daily basis, should an emergency arise, the customers must be able to contact a representative of the utility. Therefore, staff is recommending a monthly expense of $20 for a pager or answering service, an increase of $120 each for water and wastewater. Staff recommends $430 for water miscellaneous expenses and $1,300 for wastewater miscellaneous expenses.

Operation and Maintenance Expenses(O & M) Summary: Total operation and maintenance was decreased by $12,597 for water and $11,004 for wastewater. Although the amounts recommended by staff exceed historical operating and maintenance expense, staff notes that there were a number of costs incurred during the test year that the utility did not previously incur. Also, because the utility discharges into the St. Johns River, DEP testing and treatment requirements have increased greatly. All expenses recommended by staff have been examined for reasonableness and prudencey. Staff recommends Operation and Maintenance Expenses of $16,586 for water and $24,400 for wastewater. Operation and Maintenance Expenses are shown in Schedule Nos. 3E and 3F.

Depreciation Expense (Net of non-used and useful): The utility recorded $2,500 each for water and wastewater in depreciation expense during the test year. Consistent with Commission practice, Staff calculated test year depreciation expense using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. Staff made increasing adjustments to depreciation expense in the amounts of $1,285 for water and $2,012 for wastewater. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances, Staff decreased water by $480 and wastewater by $844. Also, an adjustment was made to increase water by $35 to reflect depreciation on the pro forma meters. Staff recommends net test year depreciation expense of $770 for water and $3,668 for wastewater.

CIAC Amortization Expense(Net of non-used and useful): The utility did not record any amortization expense. Applying the prescribed depreciation rate to the plant balances in which CIAC was imputed, staff made adjustments of $1,125 and $4,512 for water and wastewater respectively. Staff also made an adjustment to reduce amortization by $480 for water and $844 for wastewater to reflect non-used and useful on these accounts. Staff recommends a negative amortization balance of $735 for water and $3,668 for wastewater.

Taxes Other Than Income Taxes (TOTI): The utility recorded test year TOTI of $984 for water and $1,562 for wastewater. Staff made an adjustment of $494 for water and $485 for wastewater to reflect annual payroll taxes.

Increase in Operating Revenues and Expenses Summary:

Operating Revenues - Revenue has been increased by $6,359 for water and $15,981 for wastewater to reflect the increase in revenue required to allow the utility to recover its expenses and earn a margin return on O & M.

Taxes Other Than Income - TOTI has been increased by $286 for water and $716 for wastewater to reflect regulatory assessment fee at 4.5% on the required revenue increase.

The application of staff's recommended adjustments to the utility's recorded operating expenses results in recommended operating expenses of $18,385 for water and $27,163 for wastewater.

ALTERNATE STAFF ANALYSIS: Should the Commission find "rate base method" appropriate, there would be two differences to the above analysis, the revenue requirement and the level of regulatory assessment fees. Staff recommends that revenues be increased by $4,834 for water and $13,639 for wastewater to reflect the annual revenue required to cover the utility expenses and allow a recommended rate of return on investment. TOTI has been adjusted by $218 for water and $614 for wastewater to reflect regulatory assessment fees of 4.5% on the increased revenues. These adjustments allow the utility to cover its expenses and allow a recommend rate of return on investment. The application of staff's recommended adjustments to the utility's test year operating expenses results in operating expenses of $18,317 for water and $27,061 for wastewater.

Operating expenses are shown on Schedules Nos. 3 through 3C. Adjustments are shown on Schedule No. 3D.

REVENUE REQUIREMENT

ISSUE 10: What is the appropriate revenue requirement for each system?

PRIMARY STAFF RECOMMENDATION: The appropriate revenue requirements using the "operating ratio method" for PWS, are $20,044 for water and $29,603 for wastewater. (KEMP)

ALTERNATE STAFF ANALYSIS: The appropriate revenue requirements using the "rate base method" for PWS, are $18,519 for water and $27,324 for wastewater. (KEMP)

PRIMARY STAFF ANALYSIS: Based on the "operating ratio method" of calculating the revenue requirement, PWS should be allowed an annual increase in revenues of $6,359 (46.47%) for water and $15,918 (116.32%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 10% margin on its operating and maintenance expense. The calculations are as follows:

	Water	Wastewater
Adjusted O & M expense	$16,586	$24,400
Operating Margin	x .1000	x .1000
Margin Return on O & M	$ 1,659	$ 2,440
Adjusted O & M expenses	16,586	24,400
Depreciation Expense (Net)	770	3,668
Amortization Expense (Net)	(735)	(3,668)
Taxes Other Than Income Taxes	1,764	2,763
Revenue Requirement	$20,044	$29,603
Annual Revenue Increase	$ 6,359	$15,918
Percentage Increase	46.47%	116.32%

ALTERNATE STAFF ANALYSIS: Based on the "rate base method" of calculating the revenue requirement, PWS should be allowed an annual increase in revenues of $4,834 (35.32%) for water and $13,639 (99.67%)wastewater. This will allow the utility the opportunity to recover its expenses and earn a 8.65% return on its investment. The calculations are as follows:

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	Water	Wastewater
Adjusted Rate Base	$ 2,338	$ 3,050
Rate of Return	x .0865	x .0865
Return on Investment	$ 202	$ 264
Adjusted Operation Expenses	16,586	24,400
Depreciation Expense (Net)	770	3,668
Amortization Expense (Net)	(735)	(3,668)
Taxes Other Than Income Taxes	1,695	2,661
Revenue Requirement	$18,519	$27,061
Annual Revenue Increase	$ 4,834	$13,639
Percentage Increase	35.32%	99.67%

The revenue requirements and resulting annual increases are shown on Schedules Nos. 3 through 3C

RATES AND CHARGES

ISSUE 11: What is the appropriate rate structure and what are the recommended rates for this utility?

PRIMARY RECOMMENDATION: The recommended rates should be designed to produce revenues of $20,044 for water and $29,603 for wastewater. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (KEMP, JOHNSON)

ALTERNATE RECOMMENDATION: The recommended rates should be designed to produce revenues of $18,519 for water and $27,324 for wastewater. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (KEMP)

PRIMARY STAFF ANALYSIS: As mentioned earlier, PWS does not currently hold a certificate of authorization from the Commission; however, a certification docket is currently pending before the Commission. Despite the lack of certification, staff believes that the Commission has the statutory authority to establish rates for this utility in the SARC docket. Section 367.011(2), Florida Statutes, grants the Commission exclusive authority over *each* utility with respect to its authority, service, and rates. The statute does not specifically require that the utility, over which the Commission has jurisdiction, be a *certificated* utility, it only requires that the utility be subject to the Commission's jurisdiction. This utility has been subject to the Commission's jurisdiction since its inception in 1980. In addition, Section 367.081, Florida Statutes, grants the Commission the authority to fix rates for utilities within its exclusive jurisdiction. Staff believes that these statutory provisions along with Section 367.011(3), Florida Statutes, which specifically permits liberal construction of the statute in the Commission's exercise of its police power for the protection of the public health, safety and welfare, form a sound and sufficient statutory basis on which to base Commission authority to establish final rates in a SARC proceeding before a certificate is issued. Staff notes however, that this would be the first time, outside of a grandfather

certification, where the Commission would be setting rates before a certificate was granted.

As indicated in the case background, it is imperative that rates for PWS are established immediately. The utility and the PPOA are currently operating under a court order which mandates the PPOA to pay 83% of all utility invoices for operating and maintenance costs within 20 days of receipt. The marina is not subject to the court order and pays the utility $300 per month for water and wastewater services. Staff is uneasy with the idea of allowing this payment process to continue for any length of time for several reasons. The 83% of operating and maintenance expenses mandated by the court does not consider that some costs such as insurance and permits are amortized over the life of the expense nor does it provide incentive for the utility to be financially prudent when incurring these expenses. An example of staff's concern is an invoice for annual plant insurance sent to the PPOA in the amount of $11,264.14, due 20 days from receipt. In this example, the utility had neglected to obtain bids from other insurance providers. Furthermore, the utility asked the PPOA to pay the invoice before it finalized the insurance policy or made any premium payments. In essence, 83% of the bill was passed directly on to the PPOA for payment. In addition to the insurance invoice, the PPOA has paid over $6,000 in invoices since the December, 1996 court order. Also, there is a risk that the utility will have collected more than it should by the time rates are established. Currently, there is no protection to the customers such as revenues held subject to refund, which protects customers if in fact the utility has collected excess revenues. On the other hand, the 83% of O & M expenses paid by the PPOA and $300 a month paid by the marina does not ensure that the utility is earning enough to cover its monthly expenses. Furthermore, it is likely that the PPOA is paying more than its share of costs to the utility under the current allocation 83% of costs. The utility's current rates, as set out by the court order plus the $300 a month paid by the marina, exposes both the customers and the utility to unnecessary risk.

As a regulating body, it is staff's duty to ensure that the customers receive quality service at a fair cost. Staff believes it almost impossible for a utility to provide quality service without adequate funds to cover the day to day operating expenses. This allowance is critical if the utility is to provide safe and reliable service. Should the expenses such as testing, chemicals, or operator services, to name a few, go unpaid, the ratepayers could be placed at risk. The pending certification docket is scheduled to go to hearing on August 1, 1997, and to the agenda conference for a Commission decision on November 18, 1997. If the utility has to wait until after certification, it could not expect

to receive compensatory rates until sometime after November 18, 1997. Requiring the utility to wait until the certification decision is final in order to establish a rate may hamper PWS' ability to perform and maintain minimum levels of service. Staff believes that the setting of final rates by the Commission in this SARC proceeding is the most equitable solution and in the best interests of all parties involved.

During the test year, PWS provided service on a flat rate basis to 2 general service water and wastewater customers (the marina and the PPOA). The utility currently has a 2" meter for the marina, but not the PPOA. The engineer has recommended that the utility install a 2" inch meter for the service extending to the PPOA.

The cost for a meter has been included in rate base; the engineer recommends the utility be given 90 days from the stamped date of the order to complete the installation of the meter. Consequently, Staff has calculated rates in two Phases. Phase I consists of water and wastewater flat rates for both customers. These rates will remain in effect until the utility has installed the meter and has filed new tariff sheets with the Commission reflecting metered water rates and flat wastewater rates for both customers. The marina has 3 restrooms and two showers, that are connected to the wastewater system. Whereas wastewater metered rates usually are based on water consumption, staff believes that this would not fairly represent wastewater treated for the marina. Due to these uncertainties, staff calculated flat rates for the wastewater system.

Staff has calculated rates based on test year expenses and estimated average consumption for water and ERC's for wastewater. The flat rates and metered rates have been calculated to generate Staff's recommended revenue requirement. The utility's current rates and Staff's preliminary rates are as follows.

OPERATING RATIO METHOD

MONTHLY GENERAL SERVICE WATER RATES

Flat Rate	Existing Rates
Marina	$ 150
PPOA	$1,500

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(PHASE I)

Flat Rate	Staff's Recommended Rates
Marina	$ 760.74
PPOA	$ 909.04

(PHASE II)

Metered Rates	Staff's Recommended Rates
Base Facility Charge	
Meter Size	
5/8" x 3/4"	$ 63.31
3/4"	94.97
1"	158.29
1-1/2"	316.57
2"	506.52
3"	1,013.04
4"	1,582.87
6"	3,165.74
Gallonage Charge	
Per 1,000 gallons (all metered connections)	$ 1.99

MONTHLY GENERAL SERVICE WASTEWATER RATES

Flat Rate	Existing rates
Marina	$ 150
PPOA	$1,500

Flat Rate	Staff's Recommended Rates
Marina	$ 615.73
PPOA	$1,850.19

In accordance with Rule 25-30.475, Florida Administrative Code, the rates should be effective for service rendered as of the stamped approval date on the tariff sheets, provided the customers have received notice. The tariff sheets should be approved upon Staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge should be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge may be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event should the rates be effective for service rendered prior to the stamped approval date.

ALTERNATE STAFF ANALYSIS: During the test year, PWS provided service on a flat rate basis to 2 general service water and wastewater customers (the marina and the PPOA). The utility currently has a meter for the marina, but not the PPOA. The engineer has recommended that the utility install a two inch meter for the service extending to the PPOA.

The cost for a meter has been included in rate base; the engineer recommends the utility be given 90 days from the stamped date of the order to complete the installation of the meter. Consequently, Staff has calculated rates in two Phases. Phase I consists of water and wastewater flat rates for both customers. These rates will remain in effect until the utility has installed the meter and has filed new tariff sheets with the Commission reflecting metered water rates and flat wastewater rates for both customers. The marina has 3 restrooms and two showers, that are connected to the wastewater system. Whereas wastewater metered rates usually are based on water consumption, staff believes that this would not fairly represent wastewater treated for the marina. Due to these uncertainties, staff calculated flat rates for the wastewater system.

Staff has calculated rates based on test year expenses and estimated average consumption for water and ERC's for wastewater. The flat rates and metered rates have been calculated to generate

Staff's recommended revenue requirement. The utility's current rates and Staff's preliminary rates are as follows.

RATE BASE METHOD

MONTHLY GENERAL SERVICE WATER RATES

Flat Rate	Existing Rates
Marina	$ 150
PPOA	$ 1,500

(PHASE I)

Flat Rate	Staff's Recommended Rates
Marina	$ 504.89
PPOA	$ 832.57

(PHASE II)

Metered Rates	Staff's Recommended Rates
Base Facility Charge	
Meter Size	
5/8" x 3/4"	$ 63.11
3/4"	94.67
1"	157.78
1-1/2"	315.56
2"	504.89
3"	1,009.78
4"	1,577.78
6"	3,155.56
Gallonage Charge	
Per 1,000 gallons (all metered connections)	$ 1.62

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MONTHLY GENERAL SERVICE WASTEWATER RATES

Flat Rate	Existing rates
Marina	$ 150
PPOA	$1,500

Flat Rate	Staff's Recommended Rates
Marina	$ 569.26
PPOA	$1,707.77

In accordance with Rule 25-30.475, Florida Administrative Code, the rates should be effective for service rendered as of the stamped approval date on the tariff sheets, provided the customers have received notice. The tariff sheets should be approved upon Staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge should be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge may be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event should the rates be effective for service rendered prior to the stamped approval date.

ISSUE 12: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: Revenues should be reduced by a total of $2,685.86 and $3,254.45 annually for water and wastewater, respectively, to reflect the removal of rate case expense grossed-up for regulatory assessment fees which are being amortized over a four year period. The effect of the revenue reduction results in rate decreases as shown on Schedule Nos. 4 through 4C. The decrease in rates should become effective immediately following the expiration of the four year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. (KEMP)

STAFF ANALYSIS: Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is $2,685.86 for water and $3,254.45 for wastewater annually. The reduction in revenues will result in the rates recommended by Staff on Schedules Nos. 4 through 4C.

The utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also should be required to 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.

OTHER ISSUES

ISSUE 13: Should the utility be required to reconcile its books and records to the Commission Order as well as maintain them in conformity with the 1984 NARUC Uniform System of Accounts (USOA)?

RECOMMENDATION: Yes, the utility should be required to reconcile its books and records to the Commission Order as well as maintain them in conformity with the 1984 NARUC Uniform System of Accounts. (KEMP)

STAFF ANALYSIS: During the test year, the utility's books were not maintained in conformity with the USOA. Rule 25-30.115 (1), Florida Administrative Code, requires jurisdictional utilities to maintain their books and records in conformity with NARUC USOA. Staff has made an allowance, as discussed in Issue 9 under contractual services, for the utility to pay its C.P.A. to reconcile its books and records as well as maintain them in conformity with the 1984 NARUC Uniform System of Accounts. Allowing this expense for accounting service provides the utility with the expertise to convert and maintain its books and records in conformity with NARUC USOA. Therefore, staff recommends that the utility be required to maintain its books and records in conformity with NARUC USOA.

ISSUE 14: Should the recommended rates be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility?

RECOMMENDATION: Yes, the recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after Staff's approval of the security for potential refund, the proposed customer notice, and the revised tariff sheets. (KEMP)

STAFF ANALYSIS: This recommendation proposes an increase in water and 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 timely protest filed by a party other than the utility, Staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility shall be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the Staff's approval of the security for potential refund and the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of $15,390. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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 final Commission order is rendered, either approving or denying the rate increase.

If 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 Cosentino 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 should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should 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 should 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 should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility should 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.

ISSUE 15: Should this docket be closed?

RECOMMENDATION: No. Upon expiration of the protest period, if no timely protest is received from a substantially affected person, this docket should remain open for an additional 90 days from the issuance date of the Order to allow the utility time to complete pro forma installation of the 2" meter recommended in Issue 3. After the utility has complied with the Order in all respects, and has submitted and has had approved revised tariff sheets reflecting the Phase II rates, this docket should be closed administratively. However, if the utility fails to timely complete the aforementioned pro forma additions, Staff will prepare a follow-up recommendation. (JOHNSON)

STAFF ANALYSIS: As discussed in Issue 3, Staff has recommended that the utility install a 2" meter for the PPOA general service customer. Therefore, this docket should remain open for an additional 90 days from the issuance date of the Order to allow the utility time to complete the pro forma meter installation recommended in Issue 3. After the utility has complied with the Order in all respects, and has submitted and has had approved revised tariff sheets reflecting the Phase II rates, this docket should be closed administratively. However, if the utility fails to timely complete the aforementioned pro forma additions, Staff will prepare a follow-up recommendation.

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 1
DOCKET NO. 961434-WS

SCHEDULE OF WATER RATE BASE

	COMPONENT	BALANCE PER UTILITY	STAFF ADJUSTMENTS	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$ 42,769	$ (13,491)	$ 29,278
2.	LAND/NON-DEPRECIABLE ASSETS	7,231	(7,231)	0
4.	NON-USED AND USEFUL PLANT	0	(4,267)	(4,267)
5.	ACQUISITION ADJUSTMENT			0
6.	CONTRIBUTIONS IN AID OF CONSTRUCTION	0	(17,948)	(17,948)
7.	ACCUMULATED DEPRECIATION	(2,917)	(14,333)	(17,250)
8.	AMORTIZATION OF ACQUISITION ADJUSTMENT		0	0
9.	AMORTIZATION OF CIAC	0	10,452	10,452
10.	WORKING CAPITAL ALLOWANCE	0	2,073	2,073
	WATER RATE BASE	$ 47,083	$ (44,745)	$ 2,338

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 1A
DOCKET NO. 961434-WS

SCHEDULE OF WASTEWATER RATE BASE

	COMPONENT	BALANCE PER UTILITY	STAFF ADJUSTMENTS	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$ 36,549	$ 42,835	$ 79,384
2.	LAND/NON-DEPRECIABLE ASSETS	13,451	(13,451)	0
4.	NON-USED AND USEFUL PLANT	0	(3,525)	(3,525)
5.	ACQUISITION ADJUSTMENT	0	0	0
6.	CONTRIBUTIONS IN AID OF CONSTRUCTION	0	(64,519)	(64,519)
7.	ACCUMULATED DEPRECIATION	(2,917)	(57,720)	(60,637)
8.	AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
9	AMORTIZATION OF CIAC		49,297	49,297
10.	WORKING CAPITAL ALLOWANCE	0	3,050	3,050
	WASTEWATER RATE BASE	$ 47,083	$ (44,033)	$ 3,050

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 1B
DOCKET NO. 961434-WS

ADJUSTMENTS TO RATE BASE

EXPLANATION	WATER	WASTEWATER
A. UTILITY PLANT IN SERVICE		
1. To reflect plant per the Original Cost Study	(13,791)	42,835
2. To record pro forma plant - meter	600	
3. To record averaging adjustment on pro form plant	(300)	
	$ (13,491)	$ 42,835
B. LAND		
1. To remove land	$ (7,231)	$ (13,451)
C. NON-USED AND USEFUL PLANT		
1. To reflect non-used & useful on plant	(11,030)	(14,865)
2. To reflect non-used & useful on average accumulated depreciation	6,763	11,340
	$ (4,267)	$ (3,525)
D. CIAC		
1. To reflect 100% of plant contributed	(28,978)	(79,384)
2. To reflect avg. non-used & useful on CIAC	11,030	14,865
	$ (17,948)	$ (64,519)
E. ACCUMULATED DEPRECIATION		
1. To concile the utility's balance to reflect the calculation of accumulated depreciaiton as set in Rule 25-30.140 (4) (b)	(14,923)	(59,976)
2. To reflect accumulated depreciation of pro forma plant	(35)	
3. To reflect averaging adjustment	625	2,256
	$ (14,333)	$ (57,720)
H. AMORTIZATION OF CIAC		
1. To reflect amortization of CIAC imputed on plant	17,840	62,893
2. To reflect avg. non-used & useful on amortized CIAC	(6,763)	(11,340)
3. To reflect averaging adjustment	(625)	(2,256)
	$ 10,452	$ 49,297
I. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses	$ 2,073	$ 3,050

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 2
DOCKET NO. 961434-WS

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	PER UTILITY	STAFF ADJUSTMENTS	BALANCE PER STAFF	% OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	$ 100,000	$ (96,073)	$ 3,927	72.88%	9.50%	6.92%
SHORT TERM DEBT-IGR	34,352	(33,003)	1,349	25.03%	6.31%	1.58%
SHORT TERM DEBT-JEY	2,370	(2,277)	93	1.73%	6.31%	0.11%
EQUITY	500	(480)	20	0.36%	11.88%	0.04%
PREFERRED STOCK	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	6.00%	0.00%
TOTAL	$ 137,222	$ (131,834)	$ 5,388	100.00%		8.65%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.88%	12.83%
OVERALL RATE OF RETURN	8.65%	8.66%

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3
DOCKET NO. 961434-WS

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	$ 13.685	$ 0	13.685	$ 6.359	$ 20.044
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 29,183	(12,597)	16,586	0	16,586
DEPRECIATION (NET)	2,500	(1,730)	770	0	770
AMORTIZATION	0	(735)	(735)	0	(735)
TAXES OTHER THAN INCOME	984	494	1,478	286	1,764
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 32.667	$ (14,568)	$ 18.099	$ 286	$ 18.385
OPERATING MARGIN	$ (18.982)		$ (4.414)		$ 1.659
MARGIN % OF O & M	-65.04%		-26.61%		10.00%
OPERATING RATIO	238.71%		132.26%		91.73%

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3A
DOCKET NO. 961434-WS

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	$ 13,685	$ 0	13,685	$ 4,834	$ 18,519
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 29,183	(12,597)	16,586	0	16,586
DEPRECIATION (NET)	2,500	(1,730)	770	0	770
AMORTIZATION	0	(735)	(735)	0	(735)
TAXES OTHER THAN INCOME	984	494	1,478	218	1,695
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 32,667	$ (14,568)	$ 18,099	$ 218	$ 18,317
OPERATING INCOME/(LOSS)	$ (18,982)		$ (4,414)		$ 202
WATER RATE BASE	$ 47,083		$ 2,338		$ 2,338
RATE OF RETURN	-40.32%		-188.78%		8.65%

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3B
DOCKET NO. 961434-WS

SCHEDULE OF WASTEWATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	$ 13,685	$ 0	13,685	$ 15,918	$ 29,603
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 35,404	(11,004)	24,400	0	24,400
DEPRECIATION (NET)	2,500	1,168	3,668	0	3,668
AMORTIZATION	0	(3,668)	(3,668)	0	(3,668)
TAXES OTHER THAN INCOME	1,562	485	2,047	716	2,763
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 39,466	$ (13,019)	$ 26,447	$ 716	$ 27,163
OPERATING MARGIN	$ (25,781)		$ (12,762)		$ 2,440
MARGIN % OF O & M	-72.82%		-52.30%		10.00%
OPERATING RATIO	288.39%		193.25%		91.76%

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3C
DOCKET NO. 961434-WS

SCHEDULE OF WASTEWATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	$ 13,685	$ 0	13,685	$ 13,639	$ 27,324
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 35,404	(11,004)	24,400	0	24,400
DEPRECIATION (NET)	2,500	1,168	3,668	0	3,668
AMORTIZATION	0	(3,668)	(3,668)	0	(3,668)
TAXES OTHER THAN INCOME	1,562	485	2,047	614	2,661
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 39,466	$ (13,019)	$ 26,447	$ 614	$ 27,061
OPERATING INCOME/(LOSS)	$ (25,781)		$ (12,762)		$ 264
WASTEWATER RATE BASE	$ 47,083		$ 3,050		$ 3,050
RATE OF RETURN	-54.76%		-418.42%		8.65%

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3D (Sheet 1 of 3)
DOCKET NO. 961434-WS

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER	WASTEWATER
A OPERATION AND MAINTENANCE EXPENSES		
1. Salaries & Wages -Employee		
a. To reflect annual salarary for a part time employee	$ (3,210)	$ (3,210)
2. Employee Pensions & Benefits		
a. To reflect annualized health insurance on employee	$ 43	$ 43
3. Sludge Removal		
a. To reflect annual sludge removal expense		$ 600
4. Chemicals		
a. To reflect annual chemicals expense		$ 61
5. Contractual Services		
a. To reflect annual expense for groundskeeping per engineer	0	80
b. To remove unsupported expenses for repairs		(140)
c. To reflect annual allowance for maintenance & repairs of $583 for water and $925 for wastewater	122	353
d. To reflect proper allocation of contract operator cost	(1,320)	1,320
e. To reflect total legal fees against PPOA for nonpayment amortized over 5 years	(3,226)	(3,226)
f. To reflect annualized accounting fees	750	750
g. To reflect annual expenses for DEP required testing per engineer	1,131	(861)
	$ (2,543)	$ (1,724)
6. Rent Expense		
a. To reflect annualized monthly rent expense of $100	$ (1,326)	$ (1,326)
7. Transportation Expense		
a. To reflect annual transportation expense per engineer	$ 186	$ 186

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3D (Sheet 2 of 3)
DOCKET NO. 961434-WS

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER	WASTEWATER
8. Insurance Expense		
a. To reflect annual insurance expense	$ 2,303	$ 2,303
9. Regulatory Commission Expense		
a. To reflect legal fees amortized over 4 years	(2,493)	(1,950)
b. To reflect reclassification of application fees for Certification amortized over 4 years	188	188
c. To reflect SARC application fee amortized over 4 years	50	50
d. To include accounting fees related to the SARC amortized over 4 years	800	800
	$ (1,455)	$ (912)
10 Miscellaneous Expenses		
a. To remove interest expense	(6,275)	(6,275)
b. To reflect allowance of $275 for misc. expenses	250	250
c. To reflect annualized bank charges	60	60
d. To reflect reclassify application fees for Certification	(750)	(750)
e. To reflect DEP permit application fee amortized over 5 years		(800)
f. To reflect engineering fees for DEP permit amortized over 5 yrs..		370
g. To reflect a monthly expense for a pager or emergency service.	120	120
	$ (6,595)	$ (7,025)
TOTAL O & M ADJUSTMENTS	$ (12,597)	$ (11,004)

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3D (Sheet 3 of 3)
DOCKET NO. 961434-WS

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER	WASTEWATER
B. DEPRECIATION EXPENSE (NET)		
1. To reflect test year depreciation expense	(1,285)	2,012
2. To reflect non-used & useful on depreciation expense	(480)	(844)
3. To reflect depreciation expense on pro forma meters	35	
	$ (1,730)	$ 1,168
C. AMORTIZATION EXPENSE (CIAC)		
1 To reflect amortization expense for CIAC	(1,215)	(4,512)
2 To reflect non-used & useful on amortization of CIAC	480	844
	$ (735)	$ (3,668)
D. TAXES OTHER THAN INCOME		
1. To reflect payroll taxes on partime employee	494	485
	$ 494	$ 485
E. OPERATING REVENUES		
1. Primary Rec - to reflect revenueincrease	$ 6,359	$ 15,918
2. Alternative Rec - to reflect revenue increase	$ 4,834	$ 13,639
F. TAXES OTHER THAN INCOME		
1. Primary Rec - to reflect TOTI per revenue requirement	$ 286	$ 716
2. Alternative Rec - to reflect TOTI per revenue requirement	$ 218	$ 614

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3E
DOCKET NO. 961434-WS

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$ 5,810	$ (3,210)	$ 2,600
(603) SALARIES AND WAGES - OFFICERS	0		
(604) EMPLOYEE PENSIONS AND BENEFITS	0	43	43
(610) PURCHASED WATER	0		
(615) PURCHASED POWER	0		0
(616) FUEL FOR POWER PRODUCTION			
(618) CHEMICALS	599	0	599
(620) MATERIALS AND SUPPLIES	182	0	182
(630) CONTRACTUAL SERVICES	8,687	(3,675)	5,012
DEP REQUIRED TESTING	934	1,132	2,066
(640) RENTS	1,926	(1,326)	600
(650) TRANSPORTATION EXPENSE	0	186	186
(655) INSURANCE EXPENSE	0	2,303	2,303
(655) REGULATORY COMMISSION EXPENSE	4,020	(1,455)	2,565
(670) BAD DEBT EXPENSE			
(675) MISCELLANEOUS EXPENSES	7,025	(6,595)	430
UNCLASSIFIED DISBURSEMENTS			
TOTAL O & M EXPENSES	$ 29,183	$ (12,597)	$ 16,586

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3F
DOCKET NO. 961434-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST.	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$ 5,810	$ (3,210)	$ 2,600
(703) SALARIES AND WAGES - OFFICERS	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	43	43
(710) PURCHASED SEWAGE TREATMENT			
(711) SLUDGE REMOVAL EXPENSE	400	600	1,000
(715) PURCHASED POWER	0		0
(716) FUEL FOR POWER PRODUCTION			
(718) CHEMICALS	2,740	61	2,801
(720) MATERIALS AND SUPPLIES	183	0	183
(730) CONTRACTUAL SERVICES	8,937	(863)	8,074
DEP REQUIRED TESTING	3,063	(861)	2,202
(740) RENTS	1,926	(1,326)	600
(750) TRANSPORTATION EXPENSE	0	186	186
(755) INSURANCE EXPENSE	0	2,303	2,303
(765) REGULATORY COMMISSION EXPENSES	4,020	(912)	3,108
(770) BAD DEBT EXPENSE			
(775) MISCELLANEOUS EXPENSES	8,325	(7,025)	1,300
UNCLASSIFIED DISBURSEMENTS			
	$ 35,404	$ (11,004)	$ 24,400

RECOMMENDED RATE REDUCTION SCHEDULE

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 4
DOCKET NO. 961434-WS

MONTHLY WATER RATES

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL & GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	$ 63.31	$ 8.48
3/4"	94.97	12.73
1"	158.29	21.21
1-1/2"	316.57	42.42
2"	506.52	67.87
3"	1,013.04	135.75
4"	1,582.87	212.10
6"	3,165.74	424.21
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	$ 1.99	$ 0.27

RECOMMENDED RATE REDUCTION SCHEDULE

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 4A
DOCKET NO. 961434-WS

MONTHLY WATER RATES

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL & GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	$ 63.11	$ 9.15
3/4"	94.67	13.73
1"	157.78	22.88
1-1/2"	315.56	45.77
2"	504.89	73.23
3"	1,009.78	146.45
4"	1,577.78	228.83
6"	3,155.56	457.66
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	$ 1.62	$ 0.23

RATE COMPARISON BETWEEN PROPOSED RATES OF PWS AND CURRENT RATES OF CLAY COUNTY UTILITY AUTHORITY

Assumptions

1. The Point Property Owners Association ("Association") is a 2 inch meter general service customer.

2. The Association has 17 Equivalent Residential Customers ("ERCs") at 350 GPD/ERC or 178,500 Gallons Per Month (17 ERCs x 350 GPD/ERC x 30 days/month = 178,500 Gallons Per Month).

PWS Staff Assisted Rate Case-Phase I

Flat Rates	
Water	$ 909.04
Wastewater	1,850.19
Total	$2,759.23
Number of Units	÷ 19
Total Per Unit	$ 145.22/Unit

PWS Staff Assisted Rate Case-Phase II

Water	
Base Facility Charge	$ 506.52
Gallonage ($1.99/1000 Gallons)	355.22
Total Water	$ 861.74
Wastewater (Flat Rate)	1,850.19
Total	$2,711.93
Number of Units	÷ 19
Total Per Unit	$ 142.73/Unit

Clay County Utility Authority - Kingsley Service Area

Water	
Base Facility Charge*	$ 36.34
Gallonage ($0.71/1000 Gallons)	126.74
Total Water	$ 163.08
Wastewater	
Base Facility Charge*	82.85
Gallonage ($1.69/1000 Gallons)	301.67
Total Wastewater	$ 384.22
Total	$ 547.30
Number of Units	÷ 19
Total Per Unit	$ 28.81/Unit

Comparison - Percentage

Phase I is 404 percent higher than the Authority's rates ($145.22 - $28.81 = $116.41 ÷ $28.81 = 404%).

Phase II is 395 percent higher than the Authority's rates ($142.73 - $28.81 = $113.92 ÷ $28.81 = 395%).

Comparison - Annual Charges

Phase I Monthly Total ($2,759.23) x 12 = $33,110.76

Phase II Monthly Total ($2,711.93) x 12 = $32,543.16

Authority Monthly Total ($547.30) x 12 = $ 6,567.60

Annual charges are $26,543.16 higher for Phase I and $25,975.56 higher for Phase II than under the Authority- which must be paid by 19 homeowners.

*Quarterly Base Facility Charge divided by 3 to get Monthly Base Facility Charge.
($109.03 ÷ 3 = $36.34; $248.56 ÷ 3 = $82.85)

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-12
Exhibit _____
April 29, 1997 letter from Kemp

STATE OF FLORIDA

DIVISION OF WATER & WASTEWATER
CHARLES H. HILL
DIRECTOR
(904) 413-6900

Public Service Commission

April 29, 1997

Mr. Mark Easterling
324 Scenic Point Lane
Orange Park, FL 32073

Re: Staff assisted rate case for Point Water & Sewer, Inc. in Clay county. Docket No. 964134-WS

Dear Mr. Easterling:

Thank you for your letter to Kathy Johnson dated April 14, 1997, expressing your concerns about the development of the expenses and rates for Point Water & Sewer, Inc. (PWS). In order to better answer your questions, the letter was forwarded to me. Many of your inquiries have been addressed within the enclosed recommendation filed on April 24, 1997, however. I would like to take this opportunity to elaborate on some and clarify others for you.

Your first question asks why staff does not recognize historical costs beyond 1995. As a Commission practice, staff uses the most recent 12 month period to represent a historical test year as a basis for identifying necessary costs to operate the utility. However, staff does review prior year's expenses, if available, to determine what expenses have increased and assess the prudence of those increased costs. In addition, staff examines the utility's invoices to verify test year expenses. To assure that the utility has the ability to provide quality service, it is imperative that the rates established cover current costs. Also, Section 367.081 (3), Florida Statutes, authorizes the Commission to allow a utility the opportunity to earn a fair rate of return on rate base. As indicated in issue 3 of staff's recommendation, the utility's rate base has been reduced to reflect a $300 pro forma meter installation for water and zero plant investment for wastewater.

Another major concern of yours was staff s calculation of an adjustment for acquisition costs. An acquisition adjustment is the difference between the amount paid for a utility and its net book value based on its original cost. An acquisition adjustment is not normally allowed unless extraordinary circumstances surround the purchase of a utility. As stated in issue 4 of the recommendation, staff is not recommending an acquisition adjustment. However, because a sale occurred, it is necessary for staff to address the issue of whether or not an acquisition adjustment should be allowed. Ultimately, the Commission will decide if an adjustment should be included, consequently, each issue must be comprehensive so that the Commissioners may make an informed vote.

You also inquired as to whether or not the utility was required to purchase environmental insurance. Environmental insurance is not requirement. However, as indicated in your letter, there is a high risk of discharging polluted water into the St. Johns River. If contamination ever occurred, the costs to rectify the situation could be enormous. Staff believes hedging the potential costs through an insurance policy is a prudent expense. Also, please note that the original cost of $ 13,571 for insurance has been reduced to $4,606, an annual savings of $8,965.

Another concern of yours entailed the involvement of James Yonge in the staff assisted rate case (SARC) and an illegal sale of the utility. To support ownership, PWS has submitted to staff a security agreement dated September 12, 1995, which transferred ownership of the utility from IGR, Inc. to PWS. The utility also submitted a signed document, dated September 12, 1995, which assigned all the rights, powers, duties and responsibilities of IGR, Inc. These documents are available to the public for review. Since these agreements transferred ownership of the utility to PWS, the current owner and president, John Yonge, is the appropriate party to be addressed in this staff assisted rate case. Because Mr. James Yonge is not an owner or officer of PWS, he is not involved in this process. This issue will be further addressed in the certification hearing, Docket No. 961321-WS.

On May 6, 1997, the SARC recommendation for PWS will go before the Commissioners at agenda for approval or denial. The agenda conference is open to the public, all interested parties are welcome to be heard before the Commission. If you have any further questions or comments, please contact me at (904) 413-6930.

Sincerely,

Hillary Y. Kemp
Regulatory Analyst

HYK:hyk
Enclosure

cc: John Thrasher - Clay County State Representative
Division of Records and Reporting
Division of Water and Wastewater (Hill, Bethea)
Division of Legal Services (Johnson)

Docket No. 961321-WS
Mark J. Easterling
Exhibit MJE-13
Exhibit _____
Impact of Investment on Revenue

REVENUE REQUIREMENT INCREASE BECAUSE OF ALLEGED $200,000 INVESTMENT

Assumptions

1. Increase in revenue will be recovered from Whitney's Marina and the Association in the same proportion as the Phase I rates. (Whitney - $760.74 + $616.73=$1,377.47. Association - $909.04 + $1,850.19=$2,759.23. Association percentage is 67% ($2,759.23 ÷ ($1,377.47 + $2,759.23) = 67%)

2. PWS Rate of Return remains 8.65%.

3. Estimated Life of Investment is 20 years.

Revenue Increase -

Additional Revenue Recovery Because of Investment

$200,000	Investment	
x 8.65%	Rate of Return	
$17,300.00		$17,300.00

Additional Revenue Recovery Because of Depreciation

$200,000	Investment	
÷ 20 yrs.	Life	
$10,000/year	Depreciation Increase	$10,000.00

Total Revenue Increase to be Recovered From Whitney and the Association	$27,300.00
Association Proportion (67%)	$18,291.00

RECOMMENDED RATE REDUCTION SCHEDULE

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 4B
DOCKET NO. 961434-WS

MONTHLY WASTEWATER RATES

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL & GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
Marina	616.73	67.80
PPOA	1,850.19	203.40

RECOMMENDED RATE REDUCTION SCHEDULE

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 4C
DOCKET NO. 961434-WS

MONTHLY WASTEWATER RATES

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL & GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
Marina	569.26	67.80
PPOA	1,707.77	203.40