

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of CRESTRIDGE)	DOCKET NO. 890170-WU
UTILITIES, INC. for staff assisted rate)	ORDER NO. 21919
case in Pasco County.)	ISSUED: 9-19-89
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

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

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER SETTING FINAL RATES AND
 DENYING PETITION TO ELIMINATE OR REDUCE IMPUTED CIAC

BY THE COMMISSION:

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

CASE BACKGROUND

Crestridge Utilities, Inc. (Crestridge or utility) is a Class C water utility in Pasco County which serves 613 homes. The utility has been in operation since 1967 and is owned by Holiday Gulf Homes, Inc., which also owns Holiday Gardens Utilities, Inc. (Holiday Gardens) and a non-regulated company, Holiday Gulf Builders, Inc.

Crestridge applied for staff assistance on February 20, 1989, and an official filing date of April 3, 1989, was established. Crestridge had its rates set on March 8, 1973, in Order No. 5674, by which it was granted an original water certificate. This docket represents the first rate case for the utility.

DOCUMENT NUMBER-DATE

09434 SEP 19 1989

FPSC-RECORDS/REPORTING

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QUALITY OF SERVICE

On July 20, 1989, a customer meeting was held by our Staff at the Orangewood Village Civic Association Clubhouse in Holiday, Florida, in order to learn about the utility's quality of service. Approximately eleven (11) persons attended the meeting, six of whom testified or asked questions relating to the rate increase or their water service. One customer expressed concern with the aesthetic appearance of several of the plant sites. No other complaints regarding the quality of service were expressed.

In addition to the customer meeting, we contacted the Department of Environmental Regulation (DER) and the Pasco County Health Department to determine whether the utility was in compliance with their standards, and performed a field inspection of the utility's facilities. According to DER, Crestridge is operating in compliance with DER's regulatory standards. Neither DER, the Pasco County Health Department, nor this Commission have active complaints against Crestridge.

During a field investigation on April 18 and 19, 1989, we noted some minor aesthetic deficiencies, the same ones noted at the customer meeting. To correct the problem, we propose to increase expenses for maintenance and operation and we have prescribed certain corrective steps. The utility agrees to make the repairs and improvements which should satisfy the customer's concerns. Otherwise, we found the plants, sites, and service area to be in good condition. Based upon the facts described above, we find Crestridge's quality of service to be satisfactory.

RATE BASE

The calculation of Crestridge's water rate base is attached to this Order as Schedule No. 1(a). Adjustments to the rate base are shown on Schedule No. 1(b). Those adjustments that are mechanical in nature are shown on these schedules without further explanation in the text of this Order. The major adjustments are explained below.

Original Cost

Although Crestridge's financial statements represented the original cost of its water treatment plant, consisting of five

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wells and well sites, to be \$95,787, we found no original cost source documents to support this amount. When original cost source documents have been lost or discarded, it is our policy to allow reasonable estimates of original cost. Using system maps and construction year prices of the components, we estimated the original cost of the plants and land to be \$136,098 and \$6,000, respectively, totaling \$142,098.

Plant-in-Service

Between 1983 and 1987, Crestridge recorded \$13,962 of capital items on its books as expenses. We find it appropriate to make an adjustment to increase plant by \$17,529, which capitalizes the items which had been recorded as expenses, and record audited plant additions of \$3,567. We further find it appropriate to make a \$560 adjustment to allocate part of the cost of a copier to the utility, and to make a (\$1,524) adjustment to reduce the plant balance to reflect the simple average of the beginning of year and end of year balances. With the above adjustments to the original cost of \$142,098, we find the proper balance for plant-in-service to be \$152,663.

Property Held for Future Use

During the test year, the twelve month period ending December 31, 1988, Crestridge used two of the wells. Three of the wells were inoperative, two needing repairs while one was producing unacceptable water. Engineering guidelines require one well to be used as a back-up. Since Crestridge needed more useful capacity, approximately six months after the close of the test year, one well was repaired at minimal cost and placed on line to be used as the back-up well. Therefore, we find it appropriate to classify the two remaining inactive wells and associated land as property held for future use, reducing rate base accordingly. We find the proper amount of property held for future use, net of accumulated depreciation, to be \$9,190, as calculated below:

Land	\$ (2,400)
Plant	(17,752)
Accumulated Depreciation	<u>10,962</u>
Property held for future use	\$ <u>(9,190)</u>

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Used and Useful

Water Treatment Plant - During the test year, Crestridge used two wells to full capacity. As Crestridge has placed a third well on-line to meet engineering requirements for a back-up well, we find the three wells and well sites to be 100 percent used and useful.

Distribution System - Crestridge's water distribution system was designed to provide service to 620 lots. As the system is at full capacity with 614 connections, the distribution system is found to be 100 percent used and useful.

Contributions-in-aid-of-Construction

Rule 25-30.570(1), Florida Administrative Code, reads as follows:

If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

As previously stated, documentation was not available to establish the original cost of the plant or the amounts for contributions-in-aid-of-construction (CIAC) prior to 1983. We could find no evidence of cash CIAC collected by Crestridge, lines donated as CIAC by a developer, or plant expenditures recorded as cost of goods sold on the consolidated tax return of Holiday Gulf Homes, Inc. Pursuant to Rule 25-30.570(2), Florida Administrative Code, we imputed the original cost of the water transmission and distribution system, \$86,055, as CIAC. We therefore find the proper amount of CIAC to be \$86,055.

On July 27, 1989, Crestridge filed a petition to eliminate or reduce the amount of imputed CIAC. The utility filed exhibits in support of its petition, consisting mainly of water service contracts and deed restrictions. Crestridge alleged that certain CIAC deposits mentioned in the deed restrictions are proof of CIAC. Apparently, these deposits are security for

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payment of water bills. In any event, we have no evidence that these deposits were ever collected. Upon consideration, we find the exhibits do not provide competent substantial evidence of CIAC.

Crestridge alleges that the imputation of \$86,055 as CIAC imposes unusual hardship on the utility as grounds for waiver of the rule, pursuant to Rule 25-30.570(2), Florida Administrative Code. We find no hardship to exist, as the rate base established in this Order is reasonable and provides an incentive for the owners of Crestridge to operate the utility.

Pursuant to Rule 25-30.570, Florida Administrative Code, we find the imputation of CIAC to be proper. Accordingly, we deny Crestridge's petition to eliminate or reduce CIAC.

Working Capital

The balance sheet method of calculating working capital allowance is our preferred method. However, due to the small size of this utility, the cost of maintaining records to support the balance sheet approach would exceed the benefits of such approach and would have a significant impact on rates. Thus, we find that the 1/8 of operating and maintenance (O & M) expenses method of calculating working capital allowance, also referred to as the formula method, would be appropriate in this instance. In this case, the formula method results in a working capital allowance of \$5,372. We find \$5,372 to be an appropriate working capital allowance for Crestridge.

Rate Base

Based upon the foregoing calculations and adjustments, we find the water rate base to be \$36,538.

COST OF CAPITAL

On March 5, 1975, Crestridge executed a chattel mortgage with Gibraltar Savings for \$183,900 at a stated interest rate of 11.00% per year on the remaining principal balance. The mortgage agreement is secured substantially by the utility's assets. The monthly payments are \$2,089.61 until the principal and interest are paid in full. We find that the appropriate cost of debt for Crestridge is 11.00%

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By Order No. 19718, issued July 26, 1988, this Commission established a leverage formula to be used in calculating equity returns for water and sewer utilities. When applied to Crestridge's capital structure, the leverage formula yields a return on common equity of 12.57%. Therefore, we find that the appropriate cost of equity for Crestridge is 12.57%.

Crestridge's capital structure is comprised 23.26% by long-term debt and 76.74% by common equity. Applying the appropriate weight to the capital components yields an overall rate of return of 12.20%. We find that 12.20% is the appropriate rate of return for Crestridge. The calculation of the rate of return is presented in Schedule No. 2, which is attached to this Order and by reference incorporated herein.

NET OPERATING INCOME

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

Operating and Maintenance (O & M) Expenses

We made several adjustments to reclassify expenses, match expenses with invoice amounts, and remove out-of-period expenses.

Other than specific expenses such as for chemicals and electricity, Crestridge's expense allowances were allocated from its affiliate, Holiday Gulf Builders, Inc. Of the total allowance for O & M expenses, \$26,624 has been allocated by applying allocation factors of 51% for Crestridge, 39% for Holiday Gardens, and 10% for Holiday Gulf Builders, Inc. We find that the expense allowances and allocation factors are reasonable.

We generally would not approve travel expenses for a small water utility such as Crestridge. However, Crestridge's director's fees of \$2,767 and travel expenses of \$1,788 total less than the typical management fee for a small utility. Therefore, we find it appropriate to allow these expenses.

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Depreciation Expense

Using the plant balances and using the rates prescribed in Rule 25-30.140, Florida Administrative Code, we calculated a composite depreciation rate of 4.29% for the test year. This yielded a depreciation expense of \$2,860. Upon consideration, we find the composite depreciation rate and resulting depreciation expense allowance to be reasonable, and thus are hereby approved.

Net Operating Income

Upon due consideration of the above, we find net operating income in the amount of \$5,533 to be reasonable, and is hereby approved.

REVENUE REQUIREMENT

In order to allow Crestridge the opportunity to earn a return of 12.20% on its investment, we find that the appropriate total revenue requirement is \$56,529. This represents a \$16,756, or a 39.54%, increase in revenue on an annual basis. The revenue requirement is presented on Schedule No. 3(a).

RATES AND CHARGES

Water Rates and Rate Structure

The following rates utilize the base facility charge rate structure. Compared to Crestridge's present minimum charge rate structure, the base facility charge rate structure more equitably distributes the cost of service and rewards customers who practice water conservation. We find the following rates to be just, reasonable, and compensatory. These rates are designed to allow Crestridge the opportunity to earn a 12.20% return on its investment. Crestridge's present rates and those approved herein are presented in Schedules No. 5., attached hereto.

The rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that they are consistent with our decision herein; that the proposed customer notice is adequate; and that the time for protesting this Order has expired. The initial

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bills at the new rates may be prorated, but in no event shall the rates be effective for service prior to the stamped approval date of the revised tariff sheets.

Service Availability Charges

Water Service "Tapping Fees" - Crestridge's tariff lists the following tapping fees:

<u>Meter Size</u>	<u>Tapping fee</u>
5/8" x 3/4"	\$ 50.00
1"	75.00
2"	100.00

The tapping fees were designed to charge a customer for "tapping" their service line into the utility's main. We found no evidence that this fee was ever collected. Since the utility's service area is fully developed and no new connections are anticipated, we find that these fees should be deleted from the utility's approved tariff.

Plant Capacity Charges - The utility's service area has been fully occupied for several years and no new connections are anticipated. The utility's current level of CIAC is 52%. We find that the current level of CIAC is adequate and, since no growth is expected, no plant capacity charges are appropriate.

Meter Installation Charges - For any new connections that might occur and for existing customers who want additional meters, we find the following meter installation charges to be appropriate:

<u>Meter Size</u>	<u>Meter Installation Charge</u>
5/8" x 3/4"	\$ 75.00
Larger Sizes	Actual Cost

The foregoing service availability charges shall be effective for connections made on or after the stamped approval date on the revised tariff sheets.

Miscellaneous Service Charges

Rule 25-30.345, Florida Administrative Code, provides that

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a utility may charge its customers certain miscellaneous service charges. These charges are designed to place the responsibility for the costs associated with miscellaneous services on those who utilize the services, rather than on the general body of ratepayers.

Crestridge presently has no miscellaneous service charges. We find it appropriate to approve four types of miscellaneous service charges, as described below, at the rate levels set forth below:

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

For purposes of clarification, the terms are defined below:

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

2) Normal Reconnection: This charge is to be levied subsequent to disconnection of service for cause including a delinquency in bill payment.

3) Violation Reconnection: This charge is to be levied subsequent to disconnection of service for cause pursuant to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

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

The foregoing miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets.

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TEMPORARY RATES IN THE EVENT OF PROTEST

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

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the water rates approved herein on a temporary basis, subject to refund, provided that it furnishes security for such potential refund. The security should either be a bond or a letter of credit in the amount of \$11,300, or the utility may establish an escrow account with an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting.

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

The utility shall be authorized to implement the temporary rates only upon providing the above-discussed security, and Staff's approval of the revised tariff sheets.

In consideration of the above, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Crestridge Utilities, Inc. for an increase in its water rates for its customers in Pasco County is approved as set forth in the body of this Order. It is further

ORDERED that the Petition by Crestridge Utilities, Inc. for the elimination or reduction of the imputation of contributions-in-aid-of-construction (CIAC) is hereby denied.

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It is further

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

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

ORDERED that the provision of this Order granting a permanent rate increase, and revising the amounts and types of service availability charges and miscellaneous service charges, are issued as proposed agency action, and as such, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the utility is hereby authorized to charge the new rates on or after the stamped approval date on the revised tariff sheets. The initial bills at the new rate may be prorated, but in no event shall the new rate be effective for service rendered prior to the stamped approval date on the revised tariff sheets. It is further

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

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

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; and that the time for protesting this Order has

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expired and no such protests were filed. It is further

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

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

By ORDER of the Florida Public Service Commission
this 19th day of SEPTEMBER, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

DCS

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions herein, except for the setting of temporary rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may

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file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on October 10, 1989. In the absence of such a petition, this order shall become effective the next day, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the next day, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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

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CRESTRIDGE UTILITIES, INC.
 WATER RATE BASE
 TEST YEAR ENDED 12/31/88

SCHEDULE NO. 1(a)
 DOCKET NO. 890170-WU

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 3,567	\$ 149,096	\$ 152,663
LAND/NON-DEPRECIABLE ASSETS	0	6,000	6,000
PROPERTY HELD FOR FUTURE USE	0	(9,190)	(9,190)
ADVANCES FOR CONSTRUCTION	0	0	0
C.W.I.P.	0	0	0
C.I.A.C.	0	(86,055)	(86,055)
ACCUMULATED DEPRECIATION	0	(82,198)	(82,198)
NET ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0	49,567	49,567
WORKING CAPITAL ALLOWANCE	0	5,751	5,751
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RATE BASE	\$ 3,567	\$ 32,971	\$ 36,538
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SCHEDULE NO. 1(b)

CRESTRIDGE UTILITIES, INC.
 TEST YEAR ENDS 12/31/88
 ADJUSTMENTS TO RATE BASE

	WATER

1. UTILITY PLANT IN SERVICE	
a.) Includes original cost per staff engineer	\$132,531
b.) Includes audited plant additions	17,529
c.) Reclassifies copier as plant	560
d.) Reflects average plant balance	(1,524)

TOTAL ADJUSTMENT	\$149,096

2. LAND	
Includes original cost of land	\$6,000

3. PROPERTY HELD FOR FUTURE USE	
Reflects two non-used and useful wells	(\$9,190)

4. CONTRIBUTIONS IN AID OF CONSTRUCTION	
Imputes original cost of transmission and distribution system as CIAC	(\$86,055)

5. ACCUMULATED DEPRECIATION	
a.) Includes accumulated depreciation for original cost and plant additions	(\$85,476)
b.) Reflects average balance	3,278

	(\$82,198)

6. ACCUMULATED AMORTIZATION OF CIAC	
a.) Includes accumulated amortization for imputed CIAC	\$51,130
b.) Reflects average balance	(1,563)

	\$49,567

7. WORKING CAPITAL	
Includes 1/8 of O & M expenses as an allowance for working capital	\$5,751

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CRESTRIDGE UTILITIES, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/88

SCHEDULE NO. 2
 DOCKET NO. 890170-WU

	TEST YEAR BALANCES	COMMISSION ADJUSTMENTS TO BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$38,667	(\$30,168)	\$8,499	23.26%	11.00%	2.56%
SHORT TERM DEBT	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	127,567	(\$99,528)	\$28,039	76.74%	12.57%	9.65%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$166,234	(\$129,696)	\$36,538	100.00%		12.20%

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CRESTRIDGE UTILITIES, INC.
WATER OPERATING STATEMENT
TEST YEAR ENDING 12/31/88

SCHEDULE NO.3(a)
DOCKET NO. 890170-WU

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL.BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$39,773	\$0	\$39,773	\$16,756	\$56,529
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	43,749	2,256	46,005	0	46,005
DEPRECIATION	222	1,875	2,098	0	2,098
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	2,840	0	2,840	419	3,259
INCOME TAXES	0	0	0	709	709
TOTAL OPERATING EXPENSES	\$46,811	\$4,132	\$50,943	\$1,128	\$52,071
OPERATING INCOME/(LOSS)	(\$7,038)	(\$4,132)	(\$11,170)	\$15,628	\$4,458
RATE BASE	\$3,567		\$36,538		\$36,538
RATE OF RETURN	-197.31%		-30.57%		12.20%

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SCHEDULE NO. 3(b)

CRESTRIDGE UTILITIES, INC.
 TEST YEAR ENDS 12/31/88
 ADJUSTMENTS TO OPERATING STATEMENT
 WATER

1. OPERATING AND MAINTENANCE EXPENSES	
a.) Reflects invoice amount of employee benefits	(66)
b.) Reflects invoice amount of purchased power	(16)
c.) Reflects invoice amount of chemicals	130
d.) Reclassification to miscellaneous expense	(633)
e.) Removes out-of-period expense	(80)
f.) Removes capitalized copier	(560)
g.) Matches invoice amount of contract services	619
h.) Amortizes SOC/VOC testing over 3 years	(1,123)
i.) Adds maintenance expense per engineer	216
j.) Matches invoice amount of insurance	106
k.) Reclassification from miscellaneous expense	633
l.) Pro forma salary increase for bookkeeper	550
m.) Adds meter replacement expense per engineer	1,400
n.) Increases liability insurance expense	350
o.) Increases group insurance expense	730

TOTAL ADJUSTMENT	\$2,256

2. DEPRECIATION	
Reflects depreciation at 4.29% composite rate	\$1,876

3. OPERATING REVENUE	
Increases revenue to allow a 12.20% return on rate base	\$16,756

4. TAXES, OTHER	
Matches regulatory assessment fees to increased revenue	\$419

5. INCOME TAXES	
Allows income taxes	\$709

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CRESTRIDGE UTILITIES, INC.
WATER O & M EXPENSES
TEST YEAR ENDS 12/31/88

SCHEDULE NO. 3(c)

ACCOUNT NO.		UTILITY BALANCE	COMMISSION ADJUSTMENT	COMMISSION BALANCE
601	SALARIES AND WAGES - EMPLOYEES	7,709	550	8,259
604	EMPLOYEE PENSIONS AND BENEFITS	1,513	664	2,177
615	PURCHASED POWER	3,001	(16)	2,985
618	CHEMICALS	605	130	735
620	MATERIALS AND SUPPLIES	2,664	(1,273)	1,391
630	CONTRACTUAL SERVICES	16,608	1,112	17,720
640	RENTS	2,458	0	2,458
650	TRANSPORTATION EXPENSES	714	0	714
655	INSURANCE EXPENSES	622	456	1,078
675	MISCELLANEOUS EXPENSES	7,855	633	8,488
		<u>\$43,749</u>	<u>\$2,256</u>	<u>\$46,005</u>

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Schedule No. 4

CRESTRIDGE UTILITIES, INC.
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 TEST YEAR: 12/31/88

RATE SCHEDULE

WATER

Schedule of Current and Approved Rates

	<u>Current</u>
	<u>Monthly</u>
Residential and General Service	
Minimum Charge, 1st 5,000 Gallons	\$5.00
Gallonage Charge, per 1,000 Gallons Over Minimum	\$0.35
	<u>Commission</u>
	<u>Approved</u>
	<u>MONTHLY</u>
	<u>RATES</u>
Residential and General Service	
<u>Base Facility Charge:</u>	
Meter Size:	
5/8"x3/4"	\$3.47
1"	\$8.68
1-1/2"	\$17.35
2"	\$27.76
3"	\$55.52
4"	\$86.75
6"	\$173.50
Gallonage Charge per 1,000 G.	\$0.71