

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|                                      |                      |
|--------------------------------------|----------------------|
| In re: Petition for a limited )      | DOCKET NO. 911168-WS |
| proceeding for emergency interim )   |                      |
| rates and for permanent adjustment ) | ORDER NO. 25685      |
| in rates in Duval County by ORTEGA ) |                      |
| UTILITY COMPANY )                    | ISSUED: 2/4/92       |
| _____ )                              |                      |

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 SUSAN F. CLARK  
 J. TERRY DEASON  
 BETTY EASLEY

ORDER SUSPENDING PROPOSED RATES,  
GRANTING TEMPORARY EMERGENCY RATES IN WASTEWATER,  
SUBJECT TO REFUND, AND SETTING WATER RATES SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Ortega Utility Company (Ortega or utility) is a Class B water and wastewater utility providing service to the public in Duval County. On December 30, 1990, the utility was serving 1,083 water and 1,017 wastewater customers. In 1990, the utility had gross operating revenues of \$452,265 for the water system and \$513,948 for the wastewater system. The utility reported a net operating income of \$143,575 for the water system and a loss of \$3,724 for the wastewater system. Based upon the 1990 annual report, the utility is earning a 15.94% rate of return for water and has a .49% loss for wastewater. The utility's minimum authorized rate of return, 11.52%, was established in its previous rate case processed in Docket No. 871262-WS (1987 test year).

On November 27, 1991, Ortega filed its petition for a limited proceeding requesting emergency interim and permanent rate adjustments, pursuant to Sections 367.082 and 367.0822, Florida Statutes. As a part of the original filing, the utility requested an interim 2.09% decrease for water and an interim 34.80% increase for wastewater, on an emergency basis. In its petition, the utility states that it requests emergency rate relief in order for the utility to attain its minimum authorized rate of return. Although the utility filed for "interim" relief, as this is fundamentally a limited proceeding, rates pursuant to the interim statute are not available. However, the utility may request

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emergency temporary rates in the nature of interim rates. Therefore, we have treated the utility's request for interim rates as a request for emergency temporary rates.

#### SUSPENSION OF PROPOSED RATES

In processing the utility's request for rate relief, we discovered that certain items were deficient or needed clarification and on December 11, 1991, we requested additional information from the utility. For example, in Order No. 21137, issued April 27, 1989, resulting from the utility's last rate case, the Commission specifically addressed the capital projects (pro forma plant). The total value of the mandated projects during the rate case was estimated at \$306,800 for water and \$314,546 for wastewater. The mandated plant additions addressed by this filing total \$96,658 for water and \$723,308 for wastewater. There was a significant increase in the amount of wastewater additions since the last rate case. In addition, the utility included a letter in its petition listing estimated mandated costs yet to be completed at \$115,000 for water and \$113,800 for wastewater.

Another item which needed clarification concerned the utility's projects constructed under contract with an affiliated company. During the last rate case, projects estimated at \$297,800 for water and \$86,095 for wastewater were under contract with an affiliated company. By order No. 21137, this Commission disallowed these projects because the contract was on a "cost plus" basis.

The utility included in its original petition the "estimated" cost to interconnect the Herlong water and wastewater systems with the City of Jacksonville. The utility has informed us that the wastewater treatment plant will be shut down entirely, and there is a possibility that the water treatment plant will also be shut down. The petition does not include nor document the power, chemical, or salary costs, if any, that will be eliminated with the shut down of the two plants. This information must be verified in the audit.

Finally, the utility's petition included a statement that Ortega rebuilt the water distribution system, installed fire hydrants, and metered all of its customers. At present, it is unclear if this system includes the unmetered customers referenced in Order No. 21137 at pages 19 and 20. The Commission found, in that Order, that it would be cost prohibitive to require Ortega to

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either individually meter or master meter these duplexes. The Commission directed the utility to thoroughly look into the various options available for metering these units so that, in a future rate proceeding, we would have a more definitive measure of use. The utility failed to inform us if this is the specific system addressed in Order No. 21137, and whether various options were explored.

On December 12, 1991, the utility filed a supplement to its petition which contained all supporting documentation to finalize its request for permanent rates. The subsequent filing seeks additional consideration for governmentally mandated projects which are under contract and which must be accomplished in the immediate future and authority to return its rate of return on equity to that "average return" which was allowed in Ortega's last rate order, Order No. 21137, issued on April 27, 1989.

The utility's supplemental petition did not contain all of the data that we requested in our December 11, 1991, letter. The supplemental filing revised information and narrowed the scope of the original filing and addressed only the mandated projects. The request for the interim decrease in water was revised to an increase of 3.40% and the request for the interim increase in wastewater was reduced to 23.54%. On December 26, 1991, the utility filed its final documentation to support its permanent rate request. In this filing, the utility sought a permanent rate increase of 7.57% for water and 27.53% for wastewater. Also, with regard to projects constructed by an affiliate company, the December 26, 1991, filing contained the following statement:

No construction work performed on the utility plant of Ortega Utility Company is currently through an affiliated company. The principals of Ortega have fully divested themselves of any holdings in any construction related company. With the exception of small jobs (less than \$15,000), no work is performed without competitive bidding.

It still remains unclear to us when this divestiture occurred and whether some of the work performed since 1987 was performed by a related party. This also must be verified at the time of the audit.

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We have reviewed the filing and have considered the proposed rates, the amount of the additional revenues sought thereunder, and the supporting data which has been submitted. We find that it is reasonable and necessary to require further amplification and explanation of this data, and to require production of additional data. It may also be necessary to schedule a customer meeting and public hearings to obtain the additional information. In consideration of the above, we find it appropriate to suspend Ortega's proposed rate schedules.

#### EMERGENCY TEMPORARY RATES

Pending our final disposition of its application, Ortega has requested that we approve emergency temporary wastewater rates designed to generate annual operating revenues of \$608,672. According to the utility, these revenues exceed annualized test year revenues by \$114,873 (23.26%).

We have reviewed the requested wastewater "interim" calculation filed by the utility and have made several adjustments to the utility's proposed temporary increase. The cost of a Blanding treatment plant clarifier was removed for the emergency increase calculation. The utility included \$202,652 as an additional cost for the clarifier since the last rate case. We are concerned about inclusion of this item for several reasons. At the time of the last rate case, test year ended 12/31/87, the utility included in its filing a post test year addition of \$161,251 which was included in rate base at the full test year amount for a new clarifier at the Blanding sewage treatment plant. Order No. 21137 states "since the clarifier is complete and necessary to handle current customer demands, we have, therefore, included construction-work-in-progress (CWIP) at the full year-end cost." The utility has indicated that only one clarifier has been added to the Blanding treatment plant. If the clarifier was in fact complete at the time of the final order in Docket No. 871262-WS, it is not clear why there are additional construction costs of \$202,652.

A second adjustment was made to remove the 60% used and useful cost, \$14,400, included for the Blanding chlorine contact chamber. This post 1987 test year item was eliminated in the prior rate case because it added capacity to the plant and is therefore, a revenue producing asset. Our policy is to eliminate post test year revenue producing assets from historical test years.

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In calculating the emergency temporary increase, we have removed the write-off and effect on rate base for the retirement of the Herlong plants, discussed earlier, as the interconnection has not yet taken place. Additionally, the utility's proposed adjustment to capitalize interest of construction financing costs net of amortization has been excluded. We find it appropriate to exclude this item entirely because during rate proceedings, a utility is either allowed CWIP as a component of rate base, or the utility is allowed to include interest as a construction cost of plant. During the last rate case, Ortega was allowed CWIP. Rule 25-30.116, Florida Administrative Code, provides that no utility may charge an Allowance for Funds Used During Construction (AFUDC) without prior Commission approval. The utility has not applied for nor have we approved an AFUDC rate. In accordance with Commission policy, the proposed AFUDC is hereby disallowed.

The total company combined calculated overall rate of return for 1990 was 7.33%. This combined rate does not appear compensatory in view of the 11.52% overall rate of return authorized in the utility's last rate case processed in Docket No. 871262-WS. The achieved return on equity was 26.49% for water and a loss of 28.89% for wastewater. While it appears the water system is overearning, the wastewater system is underearning to a greater extent, in comparison to the last authorized return on equity, which was 14.35%. Our review of the information filed in the application indicates that it is appropriate, on an emergency temporary basis, to increase annual wastewater revenue by \$55,333, or 11.21%.

According to the water operating statement contained in the supplemental petition and the rate base contained in the original petition, the utility's water system earned a 14.22% rate of return for the twelve months ended October 31, 1991. This is in excess of the required rate of return of 12.51% using the maximum of the range on equity and the current embedded cost of long and short term debt. Generally, the water customers are also the wastewater customers. In an overearnings investigation, the elimination of the water overearnings would be more than offset by the needed increase in wastewater rates. As a result, we hereby find it appropriate to make no adjustment in the water rates at this time, pending further investigation and the final resolution of this docket. However, we find it appropriate to place the 1.71% of annual water revenue subject to refund with interest.



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A schedule is attached which depicts our emergency temporary increase calculation. The utility's current and requested rates and our approved temporary rates are shown below:

WATER RATES

General Service  
 Monthly Rates

| <u>Meter Size</u>            | <u>Existing Rates</u> | <u>Utility Proposed</u> | <u>Amount to Escrow</u> |
|------------------------------|-----------------------|-------------------------|-------------------------|
| <u>Base Facility Charge:</u> |                       |                         |                         |
| 5/8" x 3/4"                  | \$ 5.61               | \$ 5.80                 | \$ .10                  |
| 1"                           | 14.02                 | 14.50                   | .24                     |
| 1 - 1/2"                     | 28.06                 | 29.01                   | .48                     |
| 2"                           | 44.89                 | 46.42                   | .77                     |
| 3"                           | 89.76                 | 92.81                   | 1.53                    |
| 4"                           | 140.27                | 145.04                  | 2.40                    |
| 6"                           | 280.53                | 290.07                  | 4.80                    |
| <u>Gallage Charge:</u>       |                       |                         |                         |
| Per 1,000 Gallons            | .96                   | .99                     | .02                     |

Residential Service  
 Bi-monthly Rates

| <u>Meter Size</u>            | <u>Existing Rates</u> | <u>Utility Proposed</u> | <u>Amount to Escrow</u> |
|------------------------------|-----------------------|-------------------------|-------------------------|
| <u>Base Facility Charge:</u> |                       |                         |                         |
| 5/8" x 3/4"                  | \$ 11.23              | \$ 11.61                | \$ .20                  |
| 1"                           | 28.06                 | 29.01                   | .48                     |
| 1 - 1/2"                     | 56.12                 | 58.03                   | .96                     |
| 2"                           | 89.77                 | 92.82                   | 1.54                    |
| <u>Gallage Charge:</u>       |                       |                         |                         |
| Per 1,000 Gallons            | .96                   | .99                     | .02                     |

Duplexes of Herlong System  
 Monthly Rate

|           | <u>Existing Rates</u> | <u>Utility Proposed</u> | <u>Amount to Escrow</u> |
|-----------|-----------------------|-------------------------|-------------------------|
| Flat Rate | \$ 21.06              | \$ 21.78                | \$ .36                  |

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WASTEWATER RATES

General Service  
 Monthly Rates

| <u>Meter Size</u>            | <u>Existing Rates</u> | <u>Utility Proposed</u> | <u>Commission Approved Rates</u> |
|------------------------------|-----------------------|-------------------------|----------------------------------|
| <u>Base Facility Charge:</u> |                       |                         |                                  |
| 5/8" x 3/4"                  | \$ 6.42               | \$ 7.93                 | \$ 7.14                          |
| 1"                           | 16.04                 | 19.82                   | 17.84                            |
| 1 - 1/2"                     | 32.06                 | 39.61                   | 35.65                            |
| 2"                           | 51.30                 | 63.38                   | 57.05                            |
| 3"                           | 102.60                | 126.75                  | 114.10                           |
| 4"                           | 160.30                | 198.03                  | 178.27                           |
| 6"                           | 320.62                | 396.09                  | 356.56                           |
| <u>Gallage Charge:</u>       |                       |                         |                                  |
| Per 1,000 Gallons            | 1.31                  | 1.62                    | 1.46                             |

Residential Service  
 Bi-monthly Rates

| <u>Meter Size</u>            | <u>Existing Rates</u> | <u>Utility Proposed</u> | <u>Commission Approved Rates</u> |
|------------------------------|-----------------------|-------------------------|----------------------------------|
| <u>Base Facility Charge:</u> |                       |                         |                                  |
| All Sizes                    | \$ 12.84              | \$ 15.86                | \$ 14.28                         |
| <u>Gallage Charge:</u>       |                       |                         |                                  |
| Per 1,000 Gallons            | \$ 1.09               | \$ 1.35                 | \$ 1.21                          |

Duplexes of Herlong System  
 Monthly Rate

|           | <u>Existing Rates</u> | <u>Utility Proposed</u> | <u>Commission Approved Rates</u> |
|-----------|-----------------------|-------------------------|----------------------------------|
| Flat Rate | \$ 23.92              | \$ 29.55                | \$ 26.60                         |

The temporary rates approved herein shall be effective for meter readings on or after thirty (30) days from the stamped approval date of the revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariffs

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are consistent with the Commission's vote, that the appropriate security has been filed with the Commission, and that the proposed customer notice is adequate.

The utility's tariff provides for bi-monthly billings (billing every other month) for the wastewater residential customers. If the effective date of this emergency temporary increase falls within the regularly scheduled bi-monthly billing cycle, the utility is hereby authorized to pro rate the wastewater residential bills.

#### SECURITY FOR REFUND

No adjustment or increase in the existing water rates will be made at this time. However, due to the overearnings of the water system, we hereby find it appropriate to place the 1.71% excess earnings, or \$7,264.92 annual revenue subject to refund with interest. The utility may continue to collect its existing water rates and charges, however, the amounts indicated previously in the schedule of rates are hereby made subject to refund with interest.

We hereby find it appropriate to authorize the utility to collect the emergency wastewater rates approved herein, on a temporary basis, subject to refund. The utility shall submit a bond, a letter of credit in the amount of \$45,000 or an escrow agreement as a guarantee of any potential refund of revenues collected under emergency temporary conditions.

If the utility chooses to submit a bond as security, the bond must 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 to submit a letter of credit as a security, it must contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.



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- 2) The letter of credit will be in effect until the final Commission Order is rendered, either approving or denying the rate increase.

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

- 1) No funds 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

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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 the result of the rate increase must 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 must maintain a record of the revenues that are subject to refund. In addition, after the increased rates are in effect, the utility must file reports pursuant to Rule 25-30.360(6), Florida Administrative Code, with the Division of Water and Wastewater no later than twenty (20) days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Based on the foregoing, it is therefore,

ORDERED by the Florida Public Service Commission that the proposed final rate schedules filed by Ortega Utility Company are hereby suspended. It is further

ORDERED that the request of Ortega Utility Company for an emergency temporary increase in wastewater rates is hereby approved to the extent set forth in the body of this Order provided that the utility submits a bond or letter of credit in the amount of \$45,000 or an escrow agreement as a guarantee of any potential refund of revenues collected under emergency temporary conditions. It is further

ORDERED that the increased wastewater rates approved herein are subject to refund with interest pending the outcome of this proceeding. It is further

ORDERED that the 1.71% overearnings or \$7,265 in annual revenue in the water system is subject to refund with interest pending the outcome of this proceeding. It is further

ORDERED that Ortega Utility Company shall file revised tariff pages in accordance with the provisions of this Order, as well as a proposed notice to customers, in accordance with the provisions of this Order. It is further

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ORDERED that the temporary wastewater rates shall be effective for meter readings on or after thirty (30) days from the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility may pro rate the increase in the residential wastewater rates if the effective date of this emergency temporary increase falls within the two month, bi-monthly billing cycle. It is further

ORDERED that the revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with this Commission's decision, the appropriate security has been filed to guarantee any potential refund, and the proposed customer notice is adequate. It is further

ORDERED that this docket shall remain open pending further amplification, explanation and production of data.

By ORDER of the Florida Public Service Commission, this 4th day of FEBRUARY, 1992.

STEVE TRIBBLE, Director  
 Division of Records and Reporting

(S E A L)

LAJ

by: Kary Seligson  
 - 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.

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Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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ORTEGA UTILITY COMPANY  
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SCHEDULE NO. 1  
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CALCULATION OF EMERGENCY TEMPORARY INCREASE

| WASTEWATER |                                       |            | RATE<br>BASE<br>EFFECT | REVENUE<br>REQUIRE<br>EFFECT |
|------------|---------------------------------------|------------|------------------------|------------------------------|
|            | DESCRIPTION                           | AMOUNT     |                        |                              |
| 1          | Additional plant                      | \$ 297,402 | \$ 34,261              | \$ 35,875                    |
| 2          |                                       |            |                        |                              |
| 3          | Additional Accum. Depr.               | (28,293)   | (3,259)                | (3,413)                      |
| 4          |                                       |            |                        |                              |
| 5          | Additional Depreciation Exp           | 15,694     |                        | 16,434                       |
| 6          |                                       |            |                        |                              |
| 7          | Additional Property Taxes             | 6,147      |                        | 6,437                        |
| 8          |                                       |            |                        |                              |
| 9          |                                       |            |                        |                              |
| 10         |                                       |            |                        |                              |
| 11         | Additional Revenue Required           |            |                        | \$ 55,333                    |
| 12         |                                       |            |                        |                              |
| 13         | Divide by Annual Revenue              |            |                        | - 493,799                    |
| 14         |                                       |            |                        |                              |
| 15         |                                       |            |                        |                              |
| 16         | Percentage Increase to Existing Rates |            |                        | 11.21%                       |
| 17         |                                       |            |                        | =====                        |

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SCHEDULE NO. 1  
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CALCULATION ON NON-USED AND USEFUL PLANT

WASTEWATER PLANT

|                      | ACCOUNT<br>NUMBER | ACCOUNT NAME                     | YEAR END<br>BALANCES<br>PER MFRS | STAFF<br>ADJUST. | 13-MO. AVG<br>ADJUSTED<br>BALANCES |
|----------------------|-------------------|----------------------------------|----------------------------------|------------------|------------------------------------|
| INTANGIBLE PLANT     | 351.1             | ORGANIZATION                     | 0                                | 0                | 0                                  |
|                      | 352.1             | FRANCHISES                       | 0                                | 0                | 0                                  |
|                      | 389.1             | OTHER PLANT AND MISC. EQUIP.     | 0                                | 0                | 0                                  |
| COLLECTION PLANT     | 353.2             | LAND AND LAND RIGHTS             | 0                                | 0                | 0                                  |
|                      | 354.2             | STRUCTURES AND IMPROVEMENTS      | 14,400                           | (14,400)         | 0                                  |
|                      | 360.2             | COLLECTION SEWERS - FORCE        | 181,696                          | (103,490)        | 78,206                             |
|                      | 361.2             | COLLECTION SEWERS - GRAVITY      | 3,517                            | 0                | 3,517                              |
|                      | 362.2             | SPECIAL COLLECTION STRUCTURES    | 0                                | 0                | 0                                  |
|                      | 363.2             | SERVICES TO CUSTOMERS            | 840                              | 0                | 840                                |
|                      | 364.2             | FLOW MEASURING DEVICES           | 2,877                            | 0                | 2,877                              |
|                      | 365.2             | FLOW MEASURING INSTALLATIONS     | 4,822                            | 0                | 4,822                              |
|                      | 389.2             | OTHER PLANT AND MISC. EQUIP.     | 0                                | 0                | 0                                  |
| SYSTEM PUMPING PLANT | 353.3             | LAND AND LAND RIGHTS             | 0                                | 0                | 0                                  |
|                      | 354.3             | STRUCTURES AND IMPROVEMENTS      | 0                                | 0                | 0                                  |
|                      | 370.3             | RECEIVING WELLS                  | 0                                | 0                | 0                                  |
|                      | 371.3             | PUMPING EQUIPMENT                | 23,193                           | 0                | 23,193                             |
|                      | 389.3             | OTHER PLANT AND MISC. EQUIP.     | 0                                | 0                | 0                                  |
| TREAT AND DISPOSAL   | 353.4             | LAND AND LAND RIGHTS             | 0                                | 0                | 0                                  |
|                      | 354.4             | STRUCTURES AND IMPROVEMENTS      | 0                                | 0                | 0                                  |
|                      | 380.4             | TREATMENT AND DISPOSAL EQUIPMENT | 317,136                          | (202,652)        | 114,484                            |
|                      | 381.4             | PLANT SEWERS                     | 0                                | 0                | 0                                  |
|                      | 382.4             | OUTFALL SEWER LINES              | 0                                | 0                | 0                                  |
|                      | 389.4             | OTHER PLANT AND MISC. EQUIP.     | 0                                | 0                | 0                                  |
| GENERAL PLANT        | 353.5             | LAND AND LAND RIGHTS             | 0                                | 0                | 0                                  |
|                      | 354.5             | STRUCTURES AND IMPROVEMENTS      | 0                                | 0                | 0                                  |
|                      | 390.5             | OFFICE FURNITURE AND EQUIPMENT   | 0                                | 0                | 0                                  |
|                      | 391.5             | TRANSPORTATION EQUIPMENT         | 0                                | 0                | 0                                  |
|                      | 392.5             | STORES EQUIPMENT                 | 0                                | 0                | 0                                  |
|                      | 393.5             | TOOLS, SHOP AND GARAGE EQUIPMENT | 0                                | 0                | 0                                  |
|                      | 394.5             | LABORATORY EQUIPMENT             | 12,734                           | 0                | 12,734                             |
|                      | 395.5             | POWER OPERATED EQUIPMENT         | 0                                | 0                | 0                                  |
|                      | 396.5             | COMMUNICATION EQUIPMENT          | 0                                | 0                | 0                                  |
|                      | 397.5             | MISCELLANEOUS EQUIPMENT          | 56,730                           | 0                | 56,730                             |
|                      | 398.5             | OTHER TANGIBLE PLANT             | 0                                | 0                | 0                                  |
|                      |                   | TOTALS                           | 617,944                          | (320,542)        | 297,402                            |



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SCHEDULE M  
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## CALCULATION ON NON-USED AND USEFUL DEPRECIATION EXPENSE - WASTEWATER

| ACCOUNT NUMBER | ACCOUNT NAME                     | YEAR END BALANCES PER MFR'S | DEPR. RATE | ANNUAL DEPR. EXPENSE | 1988 DEPR | 1989 DEPR | 1990 DEPR | 1991 DEPR | TOTAL TO 10/31/91 |
|----------------|----------------------------------|-----------------------------|------------|----------------------|-----------|-----------|-----------|-----------|-------------------|
| 351.1          | ORGANIZATION                     | 0                           | 2.50%      | 0                    |           |           |           |           |                   |
| 352.1          | FRANCHISES                       | 0                           | 2.50%      | 0                    |           |           |           |           |                   |
| 389.1          | OTHER PLANT AND MISC. EQUIP.     | 0                           | 2.50%      | 0                    |           |           |           |           |                   |
| 353.2          | LAND AND LAND RIGHTS             |                             |            |                      |           |           |           |           |                   |
| 354.2          | STRUCTURES AND IMPROVEMENTS      | 0                           | 3.13%      | 0                    |           |           |           |           |                   |
| 360.2          | COLLECTION SEWERS - FORCE        | 78,206                      | 3.33%      | 2,604                |           |           |           | 1,745     | 1,745             |
| 361.2          | COLLECTION SEWERS - GRAVITY      | 3,517                       | 2.22%      | 78                   |           |           |           | 52        | 52                |
| 362.2          | SPECIAL COLLECTION STRUCTURES    | 0                           | 2.50%      | 0                    |           |           |           |           |                   |
| 363.2          | SERVICES TO CUSTOMERS            | 840                         | 2.63%      | 22                   |           | 59        |           |           | 59                |
| 364.2          | FLOW MEASURING DEVICES           | 2,877                       | 20.00%     | 575                  | 1,948     |           |           | 30        | 1,978             |
| 365.2          | FLOW MEASURING INSTALLATIONS     | 4,822                       | 2.63%      | 127                  |           |           |           | 85        | 85                |
| 389.2          | OTHER PLANT AND MISC. EQUIP.     | 0                           | 5.56%      | 0                    |           |           |           |           |                   |
| 353.3          | LAND AND LAND RIGHTS             |                             |            |                      |           |           |           |           |                   |
| 354.3          | STRUCTURES AND IMPROVEMENTS      | 0                           | 3.13%      | 0                    |           |           |           |           |                   |
| 370.3          | RECEIVING WELLS                  | 0                           | 3.33%      | 0                    |           |           |           |           |                   |
| 371.3          | PUMPING EQUIPMENT                | 23,193                      | 5.56%      | 1,290                | 12        | 2,065     | 856       |           | 2,923             |
| 389.3          | OTHER PLANT AND MISC. EQUIP.     | 0                           | 5.56%      | 0                    |           |           |           |           |                   |
| 353.4          | LAND AND LAND RIGHTS             |                             |            |                      |           |           |           |           |                   |
| 354.4          | STRUCTURES AND IMPROVEMENTS      | 0                           | 3.12%      | 0                    |           |           |           |           |                   |
| 380.4          | TREATMENT AND DISPOSAL EQUIPMENT | 114,484                     | 5.56%      | 6,365                |           | 947       | 8,009     | 814       | 9,770             |
| 381.4          | PLANT SEWERS                     | 0                           | 2.86%      | 0                    |           |           |           |           |                   |
| 382.4          | OUTFALL SEWER LINES              | 0                           | 3.33%      | 0                    |           |           |           |           |                   |
| 389.4          | OTHER PLANT AND MISC. EQUIP.     | 0                           | 5.56%      | 0                    |           |           |           |           |                   |
| 353.5          | LAND AND LAND RIGHTS             |                             |            |                      |           |           |           |           |                   |
| 354.5          | STRUCTURES AND IMPROVEMENTS      | 0                           | 2.50%      | 0                    |           |           |           |           |                   |
| 390.5          | OFFICE FURNITURE AND EQUIPMENT   | 0                           | 6.67%      | 0                    |           |           |           |           |                   |
| 391.5          | TRANSPORTATION EQUIPMENT         | 0                           | 16.67%     | 0                    |           |           |           |           |                   |
| 392.5          | STORES EQUIPMENT                 | 0                           | 5.56%      | 0                    |           |           |           |           |                   |
| 393.5          | TOOLS, SHOP AND GARAGE EQUIPMENT | 0                           | 6.25%      | 0                    |           |           |           |           |                   |
| 394.5          | LABORATORY EQUIPMENT             | 12,734                      | 6.67%      | 849                  |           |           | 958       | 185       | 1,143             |
| 395.5          | POWER OPERATED EQUIPMENT         | 0                           | 8.33%      | 0                    |           |           |           |           |                   |
| 396.5          | COMMUNICATION EQUIPMENT          | 0                           | 10.00%     | 0                    |           |           |           |           |                   |
| 397.5          | MISCELLANEOUS EQUIPMENT          | 56,730                      | 6.67%      | 3,784                | 7,722     |           | 2,805     |           | 10,528            |
| 398.5          | OTHER TANGIBLE PLANT             | 0                           | 10.00%     | 0                    |           |           |           |           |                   |
|                |                                  | 297,402                     |            | 15,694               | 9,683     | 3,071     | 12,628    | 2,911     | 28,293            |

COMPOSITE DEPRECIATION RATE

5.28%