

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 941280-WS
increase in Pasco County by) ORDER NO. PSC-95-0986-FOF-WS
BETMAR UTILITIES, INC.) ISSUED: August 10, 1995
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER SUSPENDING PROPOSED RATES AND GRANTING INTERIM
RATE INCREASE SUBJECT TO REFUND

BACKGROUND

Betmar Utilities, Inc. (Betmar or Utility) is a Class B utility located in Pasco County. According to the Southwest Florida Water Management District (SWFWMD), Betmar is not in a water use caution area. The main office for the Utility is located in the City of Port Richey and facilities are located near the City of Zephyrhills. The Utility has a water system with five wells; two of which are unusable and offline due to either poor recovery rate or setback requirements established by the Department of Environmental Protection (DEP). Betmar also maintains a wastewater collection system which has been connected to the Pasco County wastewater system as a bulk customer since 1991. According to the minimum filing requirements (MFRs) filed in this rate case, during the test year ending December 31, 1994, the Utility had an average of 1,621 water customers and 1,001 wastewater customers.

Betmar reported adjusted test year operating revenues of \$170,443 for water and \$198,314 for wastewater operations, producing rates of return of negative 14.21 percent and negative 32.29 percent respectively. The last Commission action considering rates for the Utility was a rate reduction effective April 1, 1995, as a result of the last general rate case for the Utility, Order No. 24225, issued March 12, 1991, in Docket No. 900688-WS.

The Utility filed this application for a rate case on April 14, 1995. We notified Betmar of several deficiencies in its filing. Those deficiencies were corrected and the official filing date was established as May 19, 1995. The Utility requested, and we granted, a test year ending December 31, 1994. Also, the

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Utility requested that this case be processed using the Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes.

The Utility has requested revenue adjustments of \$68,756 for water and \$65,289 for wastewater, designed to produce a rate of return of 10.99 percent each.

SUSPENSION OF RATES

Sections 367.081(6) and 367.091(5), Florida Statutes, provide that the rates and charges proposed by the utility shall become effective within sixty (60) days after filing unless this Commission votes to withhold consent to implementation of the requested rates. Further, under Section 367.081(8), Florida Statutes, the utility may implement its requested rates under bond and subject to refund at the expiration of five months if: (1) the Commission has not acted upon the requested rate increase or (2) if the Commission's PAA action is protested by a party other than the utility.

We have reviewed the filing and have considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We find that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination by staff will include on-site investigations by staff accountants, engineers and rate analysts. Based on the foregoing, we find that it is appropriate to suspend the proposed rate increase.

INTERIM RATES

Betmar requested interim rates for its water and wastewater systems to generate annual revenues of \$197,615 and \$245,013, respectively. These amounts represent increases of \$53,055 or 36.70 percent for water, and \$49,103 or 25.06 percent for wastewater. We find that the test year for interim rates is the historical year ended December 31, 1994. The utility filed rate base, cost of capital and operating statements to support its requested increases.

We find it appropriate to increase Betmar's rates on an interim basis as is set forth below and in the schedules attached hereto, which are by reference incorporated herein.

RATE BASE

Our calculation of the appropriate rate base and adjustments for the purpose of this proceeding is depicted on Schedules Nos. 1-A, 1-B and 1-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Working Capital

In its application, the utility has used the formula method, or one-eighth of its operating and maintenance (O&M) expenses, to compute the requested allowance for working capital. The utility calculated its allowance to be \$17,168 for water and \$22,938 for wastewater. In the utility's last rate proceeding, the working capital allowance was derived using the formula method. Section 367.082(5)(b)(1), Florida Statutes, requires that the achieved rate of return be calculated by applying appropriate adjustments consistent with those used in the utility's most recent rate proceeding. In accordance with the interim statute, and this Commission's long-standing interpretation of that statute, the working capital allowance for this case should be calculated using the formula method.

In correlation to our reduction in test year O&M expenses, an adjustment was made to reduce working capital to \$15,290 for water and \$21,383 for wastewater. Accordingly, working capital decreases of \$1,878 for water and \$1,555 for wastewater are appropriate.

Cost of Capital

Our calculation of the appropriate cost of capital, including our adjustments, is depicted in Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

In its MFRs, the utility used a simple average capital structure and made no specific adjustments. The utility then increased two of the three capital components using pro rata adjustments to reconcile the capital structure to rate base. Using the actual debt cost and a cost of equity of 10.44 percent, the utility requested an overall cost of capital of 10.99 percent.

We have made several adjustments to the cost of capital for interim purposes. First, the utility's common equity is not

reflected in the MFRs at its correct simple average. Therefore, we find it appropriate to increase common equity in the amount of \$15,585, which results in a simple average balance for common equity of \$265,298.

The utility's reconciliation of capital structure to rate base includes pro rata adjustments for only two of its three capital components. The utility made no pro rata adjustment to customer deposits. In the utility's last rate proceeding, all capital components were reconciled to rate base. Consistent with the requirements of the interim statute, we find it appropriate to make pro rata adjustments to all components included in the capital structure in order to reconcile the capital structure to rate base.

The utility used a cost rate of 7.00 percent for customer deposits in its MFRs. Rule 25-30.311(4)(a), Florida Administrative Code, requires that each utility which requires deposits to be made by its residential customers shall pay a minimum rate of interest on such deposits of 6 percent per annum. Non-residential customer deposits by that Rule are allowed an interest rate of 7 percent only if the utility elects not to refund the deposit after 23 months. Upon review of the MFRs, the majority of the utility's customers are residential. The MFRs do not support or explain why 7 percent was requested. Therefore, we find it appropriate to apply a cost of 6.00 percent to customer deposits.

In the utility's last rate proceeding (Order No. 24225), we established a return on equity of 12.18 percent. Consistent with the interim statute, the cost of capital used for interim rates should be the minimum of the range of the last authorized return on equity. However, since the requested cost of equity is less than what the statute would allow, we find it appropriate to utilize the requested cost rate of 10.44 percent. This treatment has been consistently applied by this Commission in interim rate proceedings. See Orders Nos. PSC-94-1237-FOF-WU, PSC-93-1174-FOF-SU and PSC-95-0573-FOF-WS, issued on October 11, 1994, August 10, 1993, and May 9, 1995, respectively. Upon consideration, we find that the appropriate required rate of return for interim purposes is 10.96 percent. Using the cost of equity which we previously authorized, we find that the appropriate range of the required rate of return is 11.42 percent to 12.68 percent.

NET OPERATING INCOME

We have made several adjustments to the utility's operating income for interim purposes. Those adjustments which are self-explanatory or which are essentially mechanical in nature are

reflected without further discussion in Schedules Nos. 3-A, 3-B, and 3-C. The major adjustments are described below.

Miscellaneous Pro Forma Expenses

In its MFRs, Betmar included numerous pro forma adjustments to its O&M expenses. Pro forma adjustments were made for salaries & wages, contractual services, equipment rental, transportation, depreciation, and amortization. In addition, the utility made annualization adjustments for employee benefits and purchased water. When determining whether to grant pro forma adjustments in interim rates, we must look at the test year chosen. In this docket, Betmar opted to use a historical test year, ended December 31, 1994. We have consistently interpreted the achieved rate of return, as used in Section 367.082(5)(b)(1), Florida Statutes, to mean actual expenses incurred, with adjustments made consistent with a utility's last rate proceeding. Section 367.082(1), Florida Statutes, provides that upon request by a utility, this Commission may use a projected test year. In this case, the utility did not make such a request. As such, we find it appropriate to remove these pro forma expense adjustments.

Employee and Officer Salaries

In Order No. 24225, we made an adjustment to reduce employee and officer salaries. The test year for that case was the projected test year ended December 31, 1991. The adjustment was calculated by escalating a prior 1988 rate case salary level forward to 1991 using the price index adjustments for each year. The difference between the escalated amount and the amount requested by the utility was removed from O&M expenses. We find it appropriate to apply the same methodology in this case. The 1991 expenses have been escalated to the 1994 test year, using the appropriate price indices for each year. Based on the above calculations, we hereby decrease water and wastewater employee salaries by \$2,594 and \$3,413, respectively. In addition, we hereby decrease officer salaries by \$6,870 for water and \$4,034 for wastewater.

Amortization of Gain on Sale of Land

Also in Order No. 24225, we made an adjustment to amortize a gain on sale of land over a period of five years. The allowed time period for amortization will expire on December 31, 1995, which is inside the test year for interim purposes. In accordance with the interim statute, we reduced the test year expenses to reflect the amortization of the gain on sale of land. Therefore, we find it

appropriate to decrease water and wastewater amortization by \$3,669 and \$2,345, respectively.

Based on the utility's filing and the above adjustments, we find that test year operating income, before any revenue increase, is \$23,120 for water. Furthermore, we find that the utility's wastewater system has an operating loss of \$4,064.

Revenue Requirement

Based upon recovery of actual operating expenses for the year ended December 31, 1994, and a 10.96 percent overall rate of return on an average rate base, we find the appropriate interim revenue requirements to be \$176,702 and \$222,843 for water and wastewater, respectively. This represents an annual increase of \$4,024 or 2.33 percent for water, and an annual increase of \$24,529 or 12.37 percent for wastewater.

Interim Rates

We find it appropriate that interim rates for Betmar be designed to allow the utility the opportunity to generate additional annual operating revenues of \$4,024 for its water operations and \$24,529 for its wastewater operations. This results in an increase of 2.36 percent in existing water rates and 12.37 percent in existing wastewater rates, when applied as an across the board increase to total revenues, excluding miscellaneous service charges.

The interim rates shall be implemented for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the proposed notice to the customers of the approved increase is adequate and the required security discussed below has been filed. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

Betmar's current, requested interim and requested final rates, and the approved interim rates are shown on Schedule No. 4.

SECURITY FOR REFUND

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over the previously authorized rates shall be collected under guarantee subject to refund with interest. The amount of a potential refund in this case has been calculated to be

\$17,246. A review of the utility's financial statements indicates that the utility cannot support a corporate undertaking for \$17,246.

If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state the following: That the account is established at the direction of this Commission for the purpose set forth above, that no withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of Records and Reporting, that the account shall be interest bearing, that information concerning the escrow account shall be available from the institution to the Commission or its representative at all times, and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d. DCA 1972), escrow accounts are not subject to garnishments.

The utility shall deposit the funds to be escrowed, \$2,464, into the escrow account each month. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$17,246. If the utility chooses a bond as security, the bond shall state that it will be released or shall terminate upon subsequent order of the Commission addressing overearnings or requiring a refund. If the utility chooses to provide a letter of credit as security, the letter of credit shall state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered addressing overearnings or requiring a refund.

Irrespective of the type of security provided, the utility shall keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the utility.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the final rates, charges and schedules proposed by Betmar Utilities, Inc. are hereby suspended in accordance with Sections 367.081(6) and 367.091(5), Florida Statutes. It is further

ORDERED that the request for an interim increase in water rates by Betmar Utilities, Inc. is hereby granted to the extent set forth in the body of this Order. It is further

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

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that the approved interim rates shall become effective for service rendered on or after the stamped approval date on the tariff sheets, provided customers have received notice. It is further

ORDERED that Betmar Utilities, Inc., shall provide proof of the date notice was given within ten days after the date of notice. It is further

ORDERED that the difference between the interim rates granted herein and Betmar Utilities, Inc.'s previously authorized rates shall be collected subject to refund, with interest. It is further

ORDERED that Betmar Utilities, Inc., shall deposit funds subject to refund into an escrow account consistent with the Commission's opinion set forth within the body of this Order or accordingly, Betmar Utilities, Inc., shall provide a bond or letter of credit in the amount of \$17,246 as security for the funds held subject to refund. It is further

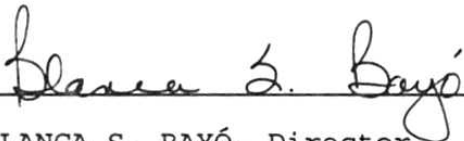
ORDERED that prior to the implementation of the interim rates approved herein, Betmar Utilities, Inc. shall file and have approved tariff pages revised in accordance with the provisions of this Order, appropriate security for the refund, a proposed customer notice, and proof that the customers have received notice of the rate increase. It is further

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ORDERED that the tariff sheets will be stamped approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the appropriate security is provided. It is further

ORDERED that during the time the interim rates are in effect, Betmar Utilities, Inc. shall file a report by the twentieth day of each month indicating the monthly and total revenue collected subject to refund, pursuant to Rule 25-30.360(6), Florida Administrative Code.

By ORDER of the Florida Public Service Commission, this 10th day of August, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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

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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.

BETMAR UTILITIES, INC. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 12/31/94		SCHEDULE NO. 1-A DOCKET NO. 941280-WS				
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 591,708	\$ 0	\$ 591,708	\$ 0	591,708	
2 LAND	27,302	0	27,302	0	27,302	
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0	
4 ACCUMULATED DEPRECIATION	(226,050)	0	(226,050)	0	(226,050)	
5 CIAC	(316,592)	0	(316,592)	0	(316,592)	
6 AMORTIZATION OF CIAC	147,624	0	147,624	0	147,624	
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	16,616	552	17,168	(1,878)	15,290	
RATE BASE	\$ 240,608	\$ 552	\$ 241,160	(1,878)	239,282	

BETMAR UTILITIES, INC. SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/94			SCHEDULE NO. 1-B DOCKET NO. 941280-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 468,326	\$ 0	\$ 468,326	\$ 0	468,326	
2 LAND	3,460	0	3,460	0	3,460	
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0	
4 ACCUMULATED DEPRECIATION	(186,409)	0	(186,409)	0	(186,409)	
5 CIAC	(356,800)	0	(356,800)	0	(356,800)	
6 AMORTIZATION OF CIAC	185,637	0	185,637	0	185,637	
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	22,314	624	22,938	(1,555)	21,383	
RATE BASE	\$ 136,528	\$ 624	\$ 137,152	(1,555)	135,597	

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BETMAR UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED 12/31/94

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EXPLANATION	WATER	WASTEWATER
(1) WORKING CAPITAL ALLOWANCE		
Adjustment to correspond with recommended test year operating revenues.	\$ <u>(1,878)</u>	\$ <u>(1,555)</u>

BETMAR UTILITIES, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 2
 DOCKET NO. 941280-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY							
1 LONG TERM DEBT	\$ 153,314	\$ 0	\$(11,057)	142,257	37.60%	12.00%	4.51%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY	249,713	0	\$(18,009)	231,704	61.25%	10.44%	6.39%
5 CUSTOMER DEPOSITS	4,353	0	0	4,353	1.15%	7.00%	0.08%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	0	0	0	0	0.00%	0.00%	0.00%
8 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
9 TOTAL CAPITAL	\$ 407,380	\$ 0	\$(29,066)	378,314	100.00%		10.99%
PER COMMISSION							
10 LONG TERM DEBT	\$ 153,314	\$ 0	\$(17,430)	135,884	36.25%	12.00%	4.35%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
13 COMMON EQUITY	249,713	15,585	\$(30,161)	235,137	62.72%	10.44%	6.55%
14 CUSTOMER DEPOSITS	4,353	0	\$(495)	3,858	1.03%	6.00%	0.06%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WTD COST	0	0	0	0	0.00%	0.00%	0.00%
16 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
17 TOTAL CAPITAL	\$ 407,380	\$ 15,585	\$(48,086)	374,879	100.00%		10.96%
RANGE OF REASONABLENESS					LOW	HIGH	
LAST AUTHORIZED RETURN ON EQUITY (ROE)					11.18%	13.18%	
OVERALL RATE OF RETURN USING LAST AUTHORIZED ROE					11.42%	12.68%	

BETMAR UTILITIES, INC. STATEMENT OF WATER OPERATIONS TEST YEAR ENDED 12/31/94		SCHEDULE NO. 3-A DOCKET NO. 941280-WS					
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 144,560	\$ 53,055	\$ 197,615	\$(24,937)	\$ 172,678	\$ 4,024	176,702
OPERATING EXPENSES:						2.33%	
2 OPERATION AND MAINTENANCE	\$ 132,931	\$ 4,412	\$ 137,343	\$(15,026)	\$ 122,317	\$	122,317
3 DEPRECIATION	11,853	(2,207)	9,646	2,208	11,854		11,854
4 AMORTIZATION	10,864	(10,864)	0	(3,669)	(3,669)		(3,669)
5 TAXES OTHER THAN INCOME	16,403	4,154	20,557	(4,488)	16,069	181	16,250
6 INCOME TAXES	0	3,589	3,589	(6,576)	2,987	738	3,726
7 TOTAL OPERATING EXPENSES	\$ 172,051	\$(916)	\$ 171,135	\$(27,552)	\$ 149,558	\$ 919	150,478
8 OPERATING INCOME	\$(27,491)	\$ 53,971	\$ 26,480	\$ 2,615	\$ 23,120	\$ 3,105	26,225
9 RATE BASE	\$ 240,608		\$ 241,160		\$ 239,282		\$ 239,282
RATE OF RETURN	-11.43%		10.98%		9.66%		10.96%

BETMAR UTILITIES, INC. STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/94			SCHEDULE NO. 3-B DOCKET NO. 941280-WS				
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 195,910	\$ 49,103	\$ 245,013	(\$ 46,699)	\$ 198,314	\$ 24,529	222,843
OPERATING EXPENSES						12.37%	
2 OPERATION AND MAINTENANCE	\$ 178,514	\$ 4,995	\$ 183,509	(\$ 12,442)	\$ 171,067	\$	171,067
3 DEPRECIATION	2,455	4,046	6,501	(4,047)	2,454		2,454
4 AMORTIZATION	16,351	(1,665)	14,686	(2,345)	12,341		12,341
5 TAXES OTHER THAN INCOME	18,905	4,310	23,215	(4,310)	18,905	1,104	20,008
6 INCOME TAXES	0	2,041	2,041	348	(2,389)	4,500	2,111
7 TOTAL OPERATING EXPENSES	\$ 216,225	\$ 13,727	\$ 229,952	(\$ 22,797)	\$ 202,378	\$ 5,604	207,982
8 OPERATING INCOME	\$ (20,315)	\$ 35,376	\$ 15,061	(\$ 23,902)	(\$ 4,064)	\$ 18,925	14,861
9 RATE BASE	\$ 136,528		\$ 137,152		\$ 135,597		\$ 135,597
RATE OF RETURN	- 14.88%		10.98%		- 3.00%		10.96%

BETMAR UTILITIES, INC.
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED 12/31/94

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EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES		
a) To reverse the utility's proposed revenue increase.	\$ (24,937)	\$ (46,699)
(2) OPERATION AND MAINTENANCE EXPENSES		
a) To remove the utility's annualization adjustment for employee benefits.	\$ (26)	\$ (26)
b) To remove the utility's annualization adjustment for purchased water.	(567)	0
c) To remove the utility's pro forma adjustment for manager's salary.	(27,000)	(27,000)
d) To remove the utility's pro forma adjustment for increased accounting fees.	(2,750)	(2,750)
e) To reverse the utility's pro forma adjustment for contractual services.	27,000	27,000
f) To remove the utility's pro forma adjustment for new copier lease.	(168)	(168)
g) To remove the utility's pro forma adjustment for new leased truck.	(2,051)	(2,051)
h) To decrease employee salaries expense in consistency with last rate case.	(2,594)	(3,413)
i) To decrease officer salaries expense in consistency with last rate case.	(6,870)	(4,034)
	<u>\$ (15,026)</u>	<u>\$ (12,442)</u>
(3) DEPRECIATION		
a) To remove the utility's pro forma depreciation adjustment.	\$ 3,336	\$ 1,369
b) To remove the utility's pro forma amortization adjustment.	(1,128)	(5,416)
	<u>\$ 2,208</u>	<u>\$ (4,047)</u>
(4) AMORTIZATION		
a) To decrease expenses for gain in accordance with last rate case.	\$ (3,669)	\$ (2,345)
(5) TAXES OTHER THAN INCOME		
a) To remove the utility's pro forma adjustment for increased payroll taxes.	(2,101)	(2,101)
b) To remove the utility's pro forma adjustment for increased regulatory fees pertaining to the requested increase in revenues.	(1,122)	(2,101)
c) To remove the annualization adjustment for regulatory assessment fees.	(1,265)	(108)
	<u>\$ (4,488)</u>	<u>\$ (4,310)</u>
(6) INCOME TAXES		
a) To remove utility's requested provision for income taxes.	\$ (3,589)	\$ (2,041)
(7) OPERATING REVENUES		
a) To reflect recommended revenue requirement.	\$ 4,024	\$ 24,529
(8) TAXES OTHER THAN INCOME		
a) To reflect regulatory assessment fees pertaining to recommended revenue increase.	\$ 181	\$ 1,104