

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 960799-WS
assisted rate case in DeSoto) ORDER NO. PSC-97-0540-FOF-WS
County by Lake Suzy Utilities,) ISSUED: May 12, 1997
Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES FOR WASTEWATER
IN THE EVENT OF A PROTEST AND
NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING INCREASE IN RATES AND CHARGES FOR WASTEWATER AND
REQUIRING DECREASE IN RATES AND CHARGES FOR WATER

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that our action discussed herein regarding the increase of rates and charges for wastewater and the decrease of rates and charges for water is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Lake Suzy Utilities, Inc. ("Lake Suzy" or "utility") is a Class C water and wastewater utility located in DeSoto County. The Commission granted the utility's Certificate Nos. 480-W and 416-S in Docket No. 850790-WS, by Order No. 16935, issued December 9, 1986.

The utility's initial rates, rate structure and service availability charges for water were approved by DeSoto County. These rates and charges with some modification were approved by the Commission when the utility was granted operating certificates for water and wastewater. Since that time, the utility's wastewater

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applications from 1987 through 1991. Its water rates have been increased through price index and pass through applications from 1987 through 1995. The utility has not had a formal prior rate case processed by the Commission.

On July 3, 1996, the utility applied for this staff-assisted rate case. In its application, the utility requested interim (emergency) rates and service availability charges for wastewater. By Order No. PSC-96-1284-FOF-WS, issued October 15, 1996, the Commission denied the utility's request for emergency wastewater rates and approved emergency service availability charges for wastewater. The service availability charges became effective November 6, 1996.

An audit of the utility's books and an engineering investigation has been completed to determine components necessary for setting rates. A historical test year ended June 30, 1996, has been selected. The utility's adjusted test year revenues are \$142,675 for water and \$39,280 for wastewater. The corresponding expenses are \$137,200 for water and \$68,584 for wastewater, resulting in an operating income of \$5,475 for water and an operating loss of \$29,304 for wastewater.

Lake Suzy is a consecutive water system that purchases water for resale from another consecutive water system. Water is supplied by the Peace River Water Supply Authority (PRWSA), DeSoto County purchases water from the PRWSA and resells drinking water to Lake Suzy through a twelve inch transmission main. During the test year, the utility provided wastewater service to some of its customers and Kingsway Country Club provided service to the remaining customers.

During the test year, the utility was expanding its wastewater treatment plant to satisfy a Department of Environmental Protection (DEP) requirement for correcting discharge violations. This expansion included an increase in capacity for wastewater treatment and reconstruction of the utility's two percolation ponds. All improvements have been completed and the costs are included in rate base.

The utility's customer base includes single family homes, condominiums, and businesses. During the test year the utility provided water service to approximately 119 residential customers, 153 multi-residential customers and 17 general service customers for a total of 289 customers. It provided wastewater service to 20 residential customers, 21 multi-residential customers and 13 general service customers.

QUALITY OF SERVICE

A customer meeting was held on the evening of December 19, 1996. The utility provides water service to 440 ERCs, and wastewater service to 292 ERCs. Approximately 120 of those customers were in attendance at this meeting, and approximately 15 customers addressed concerns. Of the customers that went on record to voice opinions, their primary concerns were with the rates. However, one customer commented that the water tasted bad, another customer stated that there was sediment in the water, and another customer asked if anyone had ever seen the utility flushing the water lines. Mr. Frank Glenmyer stated that he had no complaints on the water service and no complaints on the water quality. Mr. William Wilkes commented that he believed the water was as good as any in the state. Mr. Wallace Hertel stated that he had witnessed the utility flushing the lines last summer.

Lake Suzy is a consecutive water system which purchases water service from the DeSoto County Board of County Commissioners. DeSoto County is a member of the Peace River Water Supply Authority (PRWSA), the primary supplier of potable water. The PRWSA is an authority which must comply to standards set by the Environmental Protection Agency (EPA) under the jurisdiction of the Department of Environmental Protection (DEP). DEP has no citations or corrective orders pending against the PRWSA. Water served to Lake Suzy customers meets or exceeds all quality standards for safe drinking water.

Lake Suzy's wastewater treatment plant is a 0.050 million gallons per day (MGD) package plant which is required by DEP to be permitted. On May 14, 1993, Lake Suzy's permit expired. Since then, the utility has been involved with the DEP in attempts to renew its permit. An application to renew the operating permit was submitted, reviewed by the DEP, and was found to be incomplete. The DEP then requested additional information concerning unresolved citations against the utility for failure of the percolation/evaporation ponds and unauthorized discharges. As a result, the utility was placed in the position of signing a Consent Order (CO) to upgrade the plant and disposal system.

This utility is within the Southwest Florida Water Management District (SWFWMD) which considers the water system non-jurisdictional because it is a consecutive water system. The SWFWMD also considers the wastewater system non-jurisdictional because it is less than 100,000 gallons per day (gpd).

The interconnect facility that links the utility's water system to the County is maintained by DeSoto County. Operating conditions are considered satisfactory. Operating conditions at the wastewater plant appear normal and routine maintenance appears satisfactory. Plant upgrades at the wastewater site were already underway during the engineer's field audit. Conditions at the plant site were in disarray which is normal during construction. The new concrete block, blower room/storage facility was near completion and showed promise as a well engineered structure. By all appearances, operating conditions are satisfactory.

Necessary treatment is being performed to the water before it is sold to the utility. Since the utility resells purchased water, flushing is done on an as needed basis, and targeted to the specific area to limit purchased water loss. Should customers experience sediment problems, the utility should be contacted so flushing can be contained to a minimum. Taste is subjective, and comments by the customers supported opinions on both sides of the issue. The water delivered to the customers of Lake Suzy meets or exceeds the standards for safe drinking water. Few comments were voiced concerning the wastewater plant other than the cost of the new upgrade. All comments and questions from the customers were investigated and responded to either by direct contact with the customer or in this Order.

In consideration of the above, we find that the quality of service provided by Lake Suzy is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedules Nos. 1 and 1A, and our adjustments are itemized on Schedule No. 1-B. 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.

Used and Useful

Water Treatment Plant

Since the utility purchases its water for resale from DeSoto County, the calculation of a water treatment plant used and useful is not applicable.

Water Distribution System

The approved formula method, used as an indicator of useful plant, was followed in calculating the used and useful percentage for the water distribution system. By formula calculation, the water distribution system is determined to be 61.18% used and useful. The exception to this percentage of useful plant would be Account Number 334 (Meter & Meter Installations). Meters are installed upon demand and are considered 100% used and useful. We therefore find that the distribution system is 61.18% used and useful with the exception of account number 334, which is 100% used and useful. (See Attachment A)

Wastewater Treatment Plant

The capacity of the wastewater treatment plant is currently 50,000 gpd. The plant is being upgraded to a capacity of 87,000 gpd which should be complete by the end of this rate proceeding. The highest daily flows, during the test year, occurred in February, 1996, and was 63,000 gpd for an average of 199 ERCs, 54 actual connections. Metered water sold to the same customers, during the same month, averaged 39,034 gpd. After an allowance for normal infiltrated water, a difference of 17,665 gpd (or 28.04%) was applied to the used and useful formula as an adjustment for excessive infiltrated water. The used and useful formula, used as an indicator, yields a percentage of useful plant at 69.03%. We therefore find that the wastewater treatment plant is 69.03% used and useful with the exception of Account Number 353 (Land and Land Rights) which is 100% used and useful. (See Attachment B)

Wastewater Collection System

The approved formula method, used as an indicator of useful plant, was followed in calculating the used and useful percentage for the wastewater collection system. By formula calculation, the wastewater collection system is determined to be 51.36% used and useful. The exception to this would be Account Number 363 (Services) which is considered 100% used and useful. We therefore find that the collection system is 51.36% used and useful with the exception of Account Number 363, which is 100% used and useful. (See Attachment C)

Test Year Rate Base

The utility has not had a prior rate case. By Order No. 16935, issued December 9, 1986, in Docket No. 850790-WS, we granted the utility operating certificates and approved rates for water and wastewater and service availability charges for water only. DeSoto

County approved the utility's original rates and charges. The rates and charges approved in the above referenced docket were a modification of the original rates and charges approved by DeSoto County. Rate base was not established in Docket No. 850790-WS.

The utility's water facility includes transmission and distribution lines. The utility's wastewater facility includes a treatment plant and collection system. We selected a historical test year ended June 30, 1996. An audit has been completed to determine rate base components at June 30, 1996. In addition, signed contracts and pro forma costs for the wastewater treatment plant expansion have also been provided and the costs are included in rate base. A discussion of each component follows:

Utility Plant in Service (UPIS)

The utility recorded plant balances of \$276,824 for water and \$324,361 for wastewater at June 30, 1996. UPIS has been increased by \$511 for water and wastewater each to reflect a reclassification from operation and maintenance expense (O&M). It has been decreased by \$20,580 for wastewater to reflect the correct plant balance of \$304,292 at June 30, 1996.

To satisfy a DEP consent order, the utility was required to expand its wastewater treatment plant capacity from 50,000 gpd to 87,000 gpd and reconstruct and expand its percolation ponds. During the test year the utility recorded construction work in progress (CWIP) of \$127,837 for wastewater. The expansion project has been completed and UPIS has been increased by \$127,837 to include CWIP recorded during the test year.

On February 20, 1997 the utility provided Commission Staff with invoices for post test year plant costs required for completing the plant expansion totaling \$517,065. UPIS has been increased by \$517,065 to include post test year plant.

The averaging adjustments for rate-setting is \$961 for water and \$255 for wastewater.

Land

The utility purchases and resells water to its customers and does not own a water treatment plant. However, the water interconnection meter is located on .09 of an acre of land. The utility recorded a value of \$1,150 for this parcel of land. Based on a warranty deed, the utility owns this land and we hereby approve a land value of \$1,150 for water.

Based on warranty deeds, we have determined that the utility purchased and owns 25.52 acres of land for its wastewater facility, 5.97 acres was purchased in February 1987 and 19.55 acres was purchased in December 1996. Both parcels of land are adjoined and were purchased from the grandparents of the utility's owner. The utility purchased the 5.97 acres for \$150,000, which equates to \$25,126 per acre. It purchased the 19.55 acres for \$292,800, which equates to \$14,977 per acre.

At the meeting held on December 19, 1996, a customer voiced concerns about the price the utility paid a related party for the land. The customer also provided staff with a form that listed the owner of the property, the type zone, the number of acres and the appraisal price per acre determined by DeSoto County. The County appraiser informed staff that the two parcels of land are zoned agricultural, and the appraisal value is based on a market value between 85-100 percent for an agricultural zone. DeSoto County's appraisal value per acre for the 5.97 acre parcel is \$4,000, and \$1,000 per acre for the 19.55 acres.

It is the utility's burden to prove that its costs are reasonable. Florida Power Corporation v. Cresse, 413 So. 2d 1187, 1191 (1982). This burden is even greater when the purchase is between related parties. In GTE Florida, Inc. v. Deason, 642 So. 2d 545 (Fla. 1994), the Court established that when affiliate transactions occur, that does not mean that "unfair or excessive profits are being generated, without more". The standard established to evaluate affiliate transactions is whether those transactions exceed the going market rate or are otherwise inherently unfair. The Commission has applied the GTE Florida case to other utility land purchases. See, for example, Order No. PSC-96-1320-FOF-SU, issued October 30, 1996 in Docket No. 950495-WS, where the Commission disallowed a portion of the price of land purchased from a utility affiliate where the utility failed to prove the prudence of the purchase price.

We recognize that the land value recorded on the property appraiser's books may not represent the commercial value of the land or the amount for which the owner would be willing to sell. Therefore, an independent appraisal is necessary to determine the fair market value of such land. The utility hired an independent appraiser to determine the fair market value of the 19.55 acres of land purchased in December 1996. The appraiser calculated a market value of \$312,000, for the 19.55 acres of land, which equates to \$15,959 per acre. The appraiser used comparable arms-length sales of land sold in close proximity to the 19.55 acres purchased by the utility in determining the market value. The comparable sales ranged from \$8,000 to \$22,000 per acre. The utility purchased this

land for \$14,977 per acre, which is less than the calculated market value and within the mid-range of the per acre value of comparable sales used in the independent appraisal. In consideration of the above, we determine that the utility has met its burden in proving that the cost of the land would not be less if it was purchased from an unrelated party. Accordingly, we find a land value of \$292,800, \$14,977 per acre, for the 19.55 acres of land.

We also used the above appraisal to test the reasonableness of the amount paid for the 5.97 acres in 1987. Using the 43.34% growth in the Consumer Price Index (CPI) during the period 1987 through 1996, we discounted the current per acre value of \$14,977 to determine a fair market value of \$10,449 per acre in 1987. This produces a total value of \$62,381 for the 5.97 acres. We find that the utility has not met its burden in proving the prudence of the \$150,000 purchase price. Accordingly, consistent with GTE Florida, Inc. and prior decisions, we find that there shall be a reduction in the purchase price for the 5.97 acres of land.

The DEP has required the utility to upgrade its wastewater treatment plant, which included reconstruction of its percolation ponds. The utility's two original ponds were located on the 5.97 acres of land. The utility was required to purchase additional land for the percolation pond reconstruction. The total number of acres required for the upgrade is 19.20 acres. The utility owns 25.52 acres. Therefore, we have recognized 6.32 acres as land held for future use.

The utility recorded land value of \$150,000 for wastewater. We hereby approve an increase in Land by \$292,800 to reflect the approved value for the 19.55 acres of land and by \$2,056 to reflect the cost of the recording fee and documentary stamps for this property. It has been decreased by \$87,619 to reflect the Commission-approved value of land for the 5.97 acres and decreased by \$94,656 to reflect the value of land held for future use. Accordingly, the total adjustments for land equals \$112,581 resulting in a land value of \$262,581 for wastewater.

Non-used and Useful Plant

Non-used and useful plant represents that portion of the utility's investment that is non-used and useful for existing customers. We have determined the used and used percentage of each plant account. Multiplying the non-used and useful percentage by average plant results in average non-used and useful plant of \$86,669 for water and \$126,297 for wastewater. The corresponding average non-used and useful accumulated depreciation is \$23,481 for water and \$26,925 for wastewater.

The utility received \$345,000 in refundable cash advances to help fund the post test year plant improvement costs of \$644,902, excluding land, for wastewater. Therefore, the utility's investment in post test year plant is \$299,902. Applying the non-used and useful percentage times post test year utility investment results in non-used and useful plant of \$92,880 for wastewater. The corresponding non-used and useful depreciation is \$6,195. These adjustments result in net non-used and useful plant of \$63,188 for water and \$186,057 for wastewater.

Construction Work in Progress (CWIP)

The utility recorded CWIP of \$127,837 for wastewater. During the test year the utility was expanding its wastewater treatment plant and percolation ponds. All improvements have been completed and CWIP has been decreased by \$127,837 to reflect a reclassification to plant.

Contributions-in-Aid-of-Construction (CIAC)

The utility recorded CIAC of \$332,772 for water and \$212,756 for wastewater. Based upon the staff audit, year-end CIAC is \$389,428 for water and \$244,691 for wastewater. CIAC for water include contributed plant of \$107,215, capacity fees of \$236,763 and meter installation fees of \$45,450. CIAC for wastewater include contributed plant only.

CIAC has been increased by \$56,656 for water and by \$31,995 for wastewater to reflect CIAC at June 30, 1996. CIAC has been decreased by \$86,669 for water and by \$101,129 for wastewater to reflect non-used and useful CIAC. In addition, CIAC for wastewater has been increased by \$50,173 to reflect CIAC associated with the margin reserve. This adjustment imputes 50% of the amount of CIAC attributed to margin reserve, because the total amount imputed would be collected over the life of the margin reserve period rather than at the beginning of the period. This decision is consistent with past Commission decisions. See Order No. PSC-96-1320-FOF-WS, issued on October 30, 1996, in Docket No. 950495-WS, and Order No. PSC-96-1338-FOF-WS issued on November 7, 1996, in Docket No. 951056-WS. The averaging adjustment is \$2,143 for water. CIAC for wastewater remained constant and an averaging adjustment is not necessary. We hereby approve CIAC for rate-setting at \$300,616 for water and \$193,755 for wastewater.

Refundable Advances

A portion of the utility's post test year plant improvements were funded through cash advances from developers. Based on the agreements between the utility and developers, the utility shall collect Commission-approved service availability charges from future customers and refund the advance to the developers. At that time the advances shall be recorded as CIAC. Refundable advances have a negative impact on rate base. Therefore, wastewater rate base has been decreased by \$345,000.

We have calculated amortization on the cash advance, consistent with past Commission decisions. See Order No. PSC-94-1168-FOF-WS, issued on September 26, 1994, in Docket No. 930912-WS. This calculation allows plant balances and the funds used to build plant to be depreciated (or amortized) over the same period of time. This allows the asset and its source of funding to be equal throughout their lives. Approved amortization for the refundable advance is \$23,012. The net refundable advance is \$321,988.

Accumulated Depreciation

The utility recorded accumulated depreciation of \$67,942 for water and \$62,058 for wastewater at December 31, 1996. The utility's recorded depreciation is based on a 2.5% depreciation rate. The utility recorded depreciation through June 30, 1995 has been retained to reflect the utility's reserve balance prior to the test year. Test year depreciation expense has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. Accumulated depreciation has been increased by \$5,541 for water and by \$11,641 for wastewater to reflect depreciation at June 30, 1996. Depreciation expense has also been increased by \$43,015 for wastewater to reflect depreciation on post test year plant. The averaging adjustment is \$4,769 for water and \$8,034 for wastewater.

Amortization of CIAC

This account has been increased by \$97,145 for water and by \$52,013 for wastewater to reflect amortization at June 30, 1996. Amortization has been decreased to reflect non-used and useful amortization of \$23,481 for water and \$18,150 for wastewater. Amortization for wastewater has been increased by \$1,325 to reflect amortization on CIAC for margin reserve. The averaging adjustment for rate-setting is \$6,658 for water and \$6,227 for wastewater.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we have used the one-eighth of operation and maintenance expense formula for calculating working capital allowance. Applying that formula, we find a working capital allowance of \$15,863 for water and \$5,782 for wastewater (based on O&M expense of \$126,902 for water and \$46,254 for wastewater). Working capital allowance has been decreased by \$4,748 for water and increased by \$282 for wastewater to reflect one-eighth of the O&M expense.

Rate Base Summary

Applying all of the above adjustments results in a negative rate base of \$72,125 for water. We have adjusted water rate base to zero for rate-setting purposes. This is consistent with our prior decisions on this point. See Order No. 16238, issued on June 6, 1986, in Docket No. 840247-WU and Order No. PSC-94-0245-FOF-WS, issued on March 4, 1994, in Docket No. 930524-WS. The average rate base for wastewater is \$435,783.

COST OF CAPITAL

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

The utility's capital structure includes 46.03% equity. Using the current leverage formula approved by Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, in Docket No. 960006-WS, the rate of return on common equity is 11.51% with a range of 10.51% to 12.51%.

The utility's capital structure also includes loans with various costs. The weighted cost of each loan has been calculated based on the cost and the weight of each loan.

The utility's water rate base is negative. The negative water rate base has been adjusted to zero consistent with past Commission practice. Therefore, the utility's capital structure has been reconciled to the Commission-approved rate base for wastewater on a pro rata basis. Multiplying the cost by the weight of each capital component results in an overall rate of return of 9.74%, with a range of 9.28% to 10.21%.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedules Nos. 3 and 3-A, and our adjustments are itemized on Schedule No. 3-B. 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.

Test Year Operating Revenues

Based on the test year billing analysis, the utility provided water service to approximately 119 residential customers, 153 multi-residential customers and 17 general service customers. It provided wastewater service to approximately 20 residential customers, 21 multi-residential customers and 13 general service customers. A revenue check has been completed using the test year billing analysis and the authorized rates in effect during the test year. The calculated test year revenue is \$134,685 for water and \$39,280 for wastewater. The utility recorded test year revenue on a cash basis of \$126,851 for water and \$43,125 for wastewater. Test year revenue has been increased by \$7,834 for water and decreased by \$3,845 for wastewater to reflect the appropriate accrued total of \$134,685 for water and \$39,280 for wastewater.

A historical test year ended June 30, 1996 was selected for this rate case. The utility's existing water rates became effective August 28, 1995. Therefore, the utility's test year revenue includes ten months of revenue collected based on the existing rates. In instances where revenue has not been collected based on existing rates for a 12-month period, annualized revenue is calculated using the test year billing analysis and existing rates for a 12-month period to reflect revenue the utility would have collected had the rates been effect for a full year. This calculation also allows the determination of the appropriate revenue increase needed to provide the appropriate revenue requirement. The calculated annualized revenue is \$142,675 for water. Test year revenue has been increased by \$7,990 for water to reflect annualized revenue. There was no change in wastewater rates during the test year and a calculation of annualized revenue is not necessary.

Test Year Operating Income/Loss

The utility's test year revenue is \$142,675 for water and \$39,280 for wastewater. The corresponding test year operating expenses are \$137,200 for water and \$68,584 for wastewater (these

figures do not include the Commission-approved revenue increase and taxes). This results in a test year operating income of \$5,475 for water and a loss of \$29,304 for wastewater.

Test Year Operating Expenses

The utility's recorded operating expenses include operation and maintenance (O&M) expense, depreciation expense, amortization of CIAC and taxes other than income. The utility's recorded expenses have been traced to invoices and adjustments have been made to reflect expenses required for operating the systems on a going forward basis. A summary of adjustments follows:

Operation and Maintenance Expenses

A summary of adjustments that were made to the utility's operation and maintenance expenses follows.

Salaries and Wages - Employees (601/701)

The utility recorded employee salaries of \$9,979 for water and \$579 for wastewater. The utility has one salaried employee that answers the phone, prepares and mails bills, receives and posts payment of bills, makes deposits, maintains the filing system and logs customer complaints. The utility requested a \$10 per hour salary for this employee.

The utility shares office space and employees with two other businesses. Based on the duties performed by this employee, the salary shall be based on 40 hours per month. The requested hourly rate of \$10 is reasonable. Accordingly, we find that the appropriate annual employee salary is \$4,800 with an allocation of 80% and 20% for water and wastewater, respectively. This expense has been decreased by \$6,139 for water and increased by \$381 for wastewater to reflect the Commission-approved salary.

Salaries and Wages - Officers (603/703)

The utility's president handles all aspects of the utility's operations such as administrative duties, maintenance and meter reading. The utility has requested an annual salary of \$30,000. Based on the duties required of a utility this size, we find that 80 hours per month is adequate for performing the required administrative and maintenance duties. The hourly salary for a manager using salaries from a 1981 survey indexed forward for 1996 dollars is \$21.34 per hour. We find that an annual salary of \$20,486 for administrative and maintenance duties with an allocation of 80% to water and 20% to wastewater is appropriate.

In addition, we approve a meter reading allowance of \$867 for water. The utility did not record an officer's salary. Therefore, this expense has been increased by \$17,285 for water and by \$4,098 for wastewater.

Employee Pensions and Benefits (604/704)

The utility purchased health insurance coverage for its one salaried employee at a cost of \$2,304 annually. We find that an annual salary based on 480 hours, which is 23.08% of 2,080 full time hours, is appropriate. Therefore, 23.08% of the health insurance expense of \$532 with an allocation of 80% to water and 20% to wastewater is appropriate. This expense has been increased by \$426 for water and \$106 for wastewater.

Purchased Water and Wastewater Treatment (610/710)

The utility recorded purchased water expense of \$105,896. This expense has been decreased by \$29,225 to remove prior period expenses. It has been increased by \$563 to reflect the annualized cost based on the existing charge that became effective September 1995.

During the test year the utility purchased some wastewater treatment from Kingsway Country Club. The utility has since completed the expansion of its wastewater treatment plant and is now providing service to all of its customers. The utility recorded a purchased wastewater treatment expense of \$4,320. This service is no longer needed and this expense has been decreased by \$4,320 to remove a non-recurring expense.

Sludge Removal Expense (711)

The rated capacity of the wastewater treatment plant is very near its practical ability to process the flow volume produced by the existing customers. The need for sludge removal was obvious during the engineering field audit, which occurred during the off-season. When the utility has completed its plant upgrade, the need to have sludge removed will continue as a normal practice. It is estimated that this utility shall waste its excess sludge once each month at a cost of \$150 per hauling. We will therefore allow an annual sludge removal allowance of \$1,800. The utility recorded a sludge removal expense of \$1,085. This expense has been increased by \$715 to reflect the Commission-approved sludge removal allowance.

Purchased Power (615/715)

The utility recorded a purchased power expense of \$2,099 for water and \$5,500 for wastewater. There are no facilities associated with the water system that require purchased power. The recorded purchased power expense of \$2,099 for water is the power expense for the office. The rental agreement for office use include purchase power cost. Therefore, this expense has been decreased by \$2,099 for water to reflect a reclassification to rent.

We have estimated a purchased power cost of \$6,382 for wastewater to accommodate the upgrade of the wastewater treatment plant and to include three lift stations. The utility's recorded expense of \$5,500 include purchased power cost of \$500 for the office and \$5,000 for the wastewater system. This expense has been decreased by \$500 to reflect a reclassification to rent and has been increased by \$1,382 to reflect the annual allowance for the system.

Chemicals (718)

The utility uses liquid chlorine, which is injected into the chlorine contact chamber by a hypomechanical pump for wastewater. Scheduled as part of the treatment plant upgrade is the change-over from liquid chlorine to chlorine gas. Based on a comparison study of three of the similar sized utilities, it is estimated that Lake Suzy will need to purchase 12 cylinders of gas chlorine each year to disinfect its effluent leaving the plant. The most recently reviewed cost for a 150 pound cylinder of gas chlorine was \$95. It is anticipated that \$1,140 per year will be needed to properly disinfect the treated effluent for disposal.

In addition, other chemicals (lime and round-up) are needed on occasion to suppress bacterial growth and arrest vegetation in the ponds. During the test year, either the utility or the utility's operator utilized a total of \$301 for chemicals (other than chlorine). The use of these chemicals is considered necessary to the process of wastewater treatment and the purchase of these chemicals is considered reasonable.

In light of the above, we find that an annual chemical allowance of \$1,441 is appropriate for wastewater. The utility recorded a chemical expense of \$427. This expense has been increased by \$948 to reflect a reclassification from contractual services and by \$66 to reflect the Commission-approved annual allowance.

Materials and Supplies (620/720)

The utility recorded an expense of \$6,626 for water and \$5,896 for wastewater. This expense has been decreased by \$511 for water and wastewater each to reflect a reclassification to plant. The water expense has been decreased by \$512 to remove a prior period expense and by \$113 to reflect a reclassification to contractual services.

Contractual Services (630/730)

The utility recorded a contractual services expense of \$13,781 for water and \$19,449 for wastewater. The utility's recorded contractual expense includes a legal expense of \$11,158 for water and \$3,998 for wastewater. Subsequent to the test year the utility received bills for contractual services performed during the year, but was not recorded. The unrecorded expense includes cost for legal and consultant services. This expense has been increased by \$1,028 for water and by \$257 for wastewater to reflect unrecorded legal expense. This expense has also been decreased by \$6,085 for water and by \$1,521 for wastewater to remove non-utility legal expense. This results in a total legal expense of \$8,835 for water and wastewater. This amount appears excessive for any one year. This amount has been amortized over 5 years allowing \$1,767 annually for legal expense with an allocation of 80% for water and 20% for wastewater. Therefore, this expense has been decreased by \$4,687 for water and by \$2,381 for wastewater to reflect the Commission-approved annual legal expense.

The contractual services expense has also been increased by \$313 for water and wastewater each to reflect a reclassification of consultant costs from regulatory commission expense. It has also been increased by \$20,868 for water and by \$5,218 for wastewater to reflect unrecorded consultant cost. The total consultant cost is \$26,712. This amount appears excessive for annual duties performed by the consultant firm and has been amortized over five years allowing \$5,342 annually. This expense has been decreased by \$16,907 for water and by \$4,463 for wastewater to reflect an annual consultant allowance of \$5,342 with 80% allocated to water and 20% allocated to wastewater. This expense provides service for annual report preparation, index and pass through applications and maintenance of the utility's books. Contractual billing cost included in this expense have been increased by \$113 for water to reflect a reclassification from materials and supplies, decreased by \$28 for water and increased by \$28 for wastewater to reflect a reclassification and decreased by \$1,330 for water and by \$1,137 for wastewater to reflect an 80% allocation for water and 20% for wastewater.

Wastewater operator services are contracted through American Commonwealth, a service company that specializes in providing certified operators to operate and maintain utility plants in accordance with federal, state, and local regulatory standards. For this service Lake Suzy pays \$683.35 per month for wastewater operations. This amount includes collecting the required monthly sampling and transporting those samples to a certified lab for analysis (cost of analysis is separate). Considering the location of the utility, \$8,200 per year is considered reasonable wastewater operator services. However, when the wastewater upgrade is complete those customers currently connected to the Kingsway wastewater plant will be served by the utility and we have estimated an additional \$300 per month operator service expense. We approve an annual operator allowance of \$11,800. The utility recorded operator service expense of \$9,561 for wastewater. This expense has been increased by \$2,239 for wastewater to reflect the approved annual allowance.

The utility recorded DEP required testing expense of \$780 for wastewater. Water testing expenses have been increased by \$1,485 to reflect the annual cost for microbiological test, lead and copper test and asbestos. It has also been increased by \$350 for wastewater to reflect an annual cost for sludge analysis. A schedule of approved testing expenses follows:

Water

<u>Description</u>	<u>Frequency</u>	<u>Annual Cost</u>
Microbiological	Monthly	\$ 480
Lead & Copper	Biannual/Subseq. Annual	500
Asbestos	1 every 9 years	<u>25</u>
TOTAL		\$1,485

WasteWater

<u>Description</u>	<u>Frequency</u>	<u>Annual Cost</u>
Fecal Coliform	Monthly	\$ 360
Nitrate	Monthly	420
Sludge Analysis	Annually	<u>350</u>
TOTAL		\$1,130

The utility contracts a groundskeeping service for its wastewater facility for mowing the land on which the treatment plant is located and for pond sites. The land on which water facilities are located for the interconnection with DeSoto County

also requires upkeep. Therefore, the contractual services expense has been increased by \$160 for water and by \$600 for wastewater for groundskeeping service.

In addition this expense has been decreased by \$948 to reflect a reclassification to chemicals, by \$1,905 to remove a prior period expense, and by \$804 to remove a duplicate entry for wastewater.

Rents (640/740)

The utility recorded rent expense of \$4,952 for water and \$5,848 for wastewater. The recorded expense for water is rent for office space. The recorded expense for wastewater include \$960 in rent for office space and \$4,888 for a land lease payment on which the wastewater treatment plant is located. The utility purchased this land in December 1996 and the value of the land is included in plant. Therefore this expense has been decreased by \$4,888 for wastewater to remove a non-recurring expense.

This expense has been increased by \$2,099 for water and by \$500 for wastewater to reflect power expense for the office. The utility shares an office with two other businesses. The utility has agreed to pay \$400 per month for space and share the power expense. This expense has been decreased by \$1,399 for water and by \$333 for wastewater to reflect one-third of the power expense.

The total recorded expense for office space is \$5,912. The annual rent cost for space at \$400 per month is \$4,800. This expense has been decreased by \$1,112 for water to reflect the appropriate rent allocation of 80% for water and 20% for wastewater.

Transportation Expense (650/750)

The utility recorded \$6,296 for water and \$1,344 for wastewater for this expense. This expense has been decreased by \$331 for water to remove a car payment. We have determined that 60% of the transportation expenses shall be allowed for utility business. This expense has been decreased by \$2,386 for water and by \$537 for wastewater to reflect an annual transportation expense of \$3,579 for water and \$807 for wastewater.

Insurance (655)

The utility recorded an insurance expense covering a truck of \$1,599 for water and \$905 for wastewater. This expense has been decreased by \$1,079 for water and by \$776 for wastewater to reflect 60% of the cost for utility purposes.

The utility has expanded its wastewater treatment plant. The utility has purchased insurance coverage for the plant and has submitted the policy and proof of payment. The cost of the insurance is \$3,172 annually. This expense has been increased by \$3,172 to reflect the annual insurance expense for the wastewater plant.

Regulatory Commission Expense (665/765)

The utility recorded \$4,849 for water and \$2,740 for wastewater in this expense. This expense has been decreased by \$313 for water and wastewater each to reflect a reclassification to contractual services. It has been decreased by \$4,353 for water and by \$2,294 for wastewater to remove prior period expenses, and decreased by \$183 for water and by \$133 for wastewater to reflect a reclassification to miscellaneous expense.

The utility paid a rate case filing fee of \$1,000 for water and \$500 for wastewater. The filing fee has been amortized over four year and this expense has been increased by \$250 for water and by \$125 for wastewater.

Miscellaneous Expense (675/775)

The utility recorded an expense of \$8,810 for water and \$3,992 for wastewater. This expense has been decreased by \$4,240 for water and by \$165 for wastewater to allow one-third of the annual phone bill for utility business. It has been increased by \$183 for water and by \$133 for wastewater to reflect a reclassification, and increased by \$274 for water and by \$2,367 for wastewater to reflect an annual repair and maintenance expense. In addition, this expense has been decreased by \$1,260 for wastewater to remove a penalty payment associated with the DEP consent order, increased by \$200 for wastewater to reflect an operating permit cost amortized over 5 years and has been increased by \$160 for wastewater to reflect a land appraisal cost amortized over 5 years.

Depreciation Expense

Test year depreciation expense has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. Test year depreciation is \$9,594 for water and \$59,101 for wastewater including depreciation on year end and post test year plant for wastewater. Non-used and useful depreciation is \$2,722 for water and \$19,669 for wastewater. Net test year depreciation expense is \$6,872 for water and \$39,432 for wastewater. The utility recorded depreciation expense of \$8,002 for water and \$8,855 for wastewater.

This expense has been decreased by \$1,130 for water and increased by \$30,577 for wastewater to reflect net test year depreciation expense.

Amortization of CIAC

Amortization of CIAC has a negative impact on depreciation expense. The utility's CIAC for water includes contributed plant and cash collected from meter installation and system capacity charges. The utility's year end CIAC exceeds the value of its year end plant. Therefore, amortization of CIAC is greater than the test year depreciation. Test year amortization expense for water is \$13,410, non-used and useful amortization is \$2,722 and net amortization is \$10,688. This amount exceeds net depreciation expense by \$3,816. If the excess amortization is included in the calculation of rates, the utility will not recover the Commission-approved operating costs required for operating the system. Therefore, the amortization expense of \$3,816 shall be removed to match net depreciation and amortization. The utility recorded amortization expense of \$9,736. This expense has been increased by \$952 to reflect net amortization. It has been decreased by \$3,816 to adjust amortization total to match the depreciation total. This results in an amortization expense of \$6,872 for water.

Test year amortization of CIAC and cash advances for wastewater is \$35,466. The corresponding non-used and useful amortization is \$12,017. Amortization of CIAC on the margin reserve is \$2,649. The net amortization is \$26,098. The utility recorded amortization expense of \$6,117 for wastewater. This expense has been increased by \$19,981 to reflect net test year amortization.

Taxes Other Than Income

The utility recorded \$6,456 for water and \$6,093 for wastewater. This expense has been decreased by \$436 for wastewater to remove a prior period real estate tax expense and increased by \$2,257 for water and by \$72 for wastewater to reflect payroll taxes on Commission-approved salaries. It also has been increased by \$1,585 for water and by \$186 for wastewater to reflect regulatory assessment fees on test year revenue.

Income Tax Expense

The utility is an 1120 Corporation and is subject to a tax liability for wastewater only. The utility did not record an income tax expense. This expense has been increased by \$3,081 for wastewater to reflect our calculated income tax expense.

Increase/Decrease in Operating Revenues and Expenses

Operating Revenues

Revenue has been decreased by \$5,733 for water and has been increased by \$75,130 for wastewater to allow the utility to recover its expenses for water and recover its expenses and earn a 9.74% return on its investment for wastewater.

Taxes Other Than Income

This expense has been decreased by \$258 for water and increased by \$3,381 for wastewater to reflect the regulatory assessment fee at 4.5% on the required decrease and increase in revenue.

Operating Expenses Summary

Application of our approved adjustments to the utility's recorded operating expenses results in an operating expense of \$136,942 for water and \$71,965 for wastewater.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and based upon the adjustments discussed above, the utility's water revenues shall be decreased by \$5,733 or 4.02%. It shall be allowed to recover its expenses only for water. The utility shall be allowed an annual increase in revenue of \$75,130 or 191.26% for wastewater. This will allow the utility to recover its expenses and earn a 9.74% return on its investment.

RATES AND CHARGES

Rates and Rate Structure

The utility currently employs the base facility and a block gallonage charge rate structure for water. The utility currently employs the base facility and gallonage charge rate structure for wastewater. The utility shall begin using the base facility and gallonage charge rate structure for water and retain the same for wastewater. This rate structure is designed to provide equitable sharing by the ratepayers of both the fixed and variable costs for providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the

variable costs of providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

During the test year the utility provided water service to approximately 119 residential customers, 153 multi-residential customers, and 17 general service customers for a total of 289 customers. It provided wastewater service to approximately 20 residential customers, 21 multi-residential customers and 13 general service customers for a total of 54 customers.

Rates have been calculated using the number of customers billed and consumption for the test year ended June 30, 1996. The utility's existing rates and the monthly Commission-approved rates are as follows:

MONTHLY RATES

Water

Residential, Multi-residential and General Service

Base Facility Charge
Meter Size

Existing Rates

5/8" x 3/4"	\$ 12.63
1"	30.27
1 1/2"	60.58
2"	98.11

Gallonage Charge
 Per 1,000 gallons
 0-8,000 gals.
 over 8,000 gals.

\$ 3.54
5.45

Base Facility Charge
Meter Size

Commission Approved Rates

5/8" x 3/4"	\$ 9.76
3/4"	14.65
1"	24.41
1 1/2"	48.82
2"	78.11
3"	156.22
4"	244.10
6"	488.19

Gallonage Charge
 Per 1,000 gallons

\$ 4.88

Wastewater
Monthly Rates

Residential

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing</u> <u>Rates</u>	<u>Commission Approved</u> <u>Rates</u>
All sizes	\$ 13.59	\$ 28.98
<u>Gallonaage Charge</u> per 1,000 gals. maximum gals.	\$ 2.00 10,000	\$ 8.58 6,000

Multi-residential and General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing</u> <u>Rates</u>	<u>Commission Approved</u> <u>Rates</u>
5/8" x 3/4"	\$ 13.59	\$ 28.98
3/4"	N/A	43.46
1"	32.63	72.44
1 1/2"	65.22	144.88
2"	105.63	231.80
3"	N/A	463.60
4"	N/A	724.38
6:	N/A	1,448.76
<u>Gallonaage Charge</u> per 1,000 gals.	\$ 2.39	\$ 10.30

The average water usage for a residential customer with a 5/8 inch x 3/4 inch meter is approximately 4,196 gallons per month. A schedule of an average bill using existing and Commission-approved rates follows:

Average bill using approved rates	\$30.24
Average bill using existing rates	(27.48)
Increase in bill	\$ 2.76
Percentage increase in bill	10.04% (\$2.76/\$27.48)

Even though we are ordering a decrease in revenue for water, the average monthly bill for a single family residential customer will increase. This is due to the change from the existing inclining block rate structure where multi-family and general service customers have been paying a disproportionate share of the costs.

The average number of gallons of wastewater billed a residential customer is approximately 4,029 gallons per month. A schedule of an average billing using existing and Commission-approved rates follows:

Average bill using approved rates	\$63.55
Average bill using existing rates	<u>(21.65)</u>
Increase in bill	\$41.90
Percentage increase in bill	193.53% (\$41.90/\$21.65)

The rates are designed to produce revenue of \$136,942 for water and \$114,410 for wastewater. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of provision of such notice.

MISCELLANEOUS CHARGES

The utility's existing tariff does not authorize the utility to collect miscellaneous service charges. The utility is hereby authorized to collect charges consistent with Commission practice. The authorized charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the rate paying body as a whole. A schedule of the authorized charges follows:

Miscellaneous Service Charges

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

When both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

The authorized miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates shall not be implemented until proper notice has been received by the customers. The

utility shall provide proof of the date notice was given within 10 days after the date such notice has been provided.

SERVICE AVAILABILITY CHARGES

The utility's water plant include transmission and distribution lines only. The utility's original water system capacity charge of \$750 was approved by DeSoto County. By Order No. 16935, issued December 9, 1986, the Commission granted the utility's operating certificates, decreased the water system capacity charge to \$562.50 and approved meter installation charges. In order to evaluate the utility's service availability charges, we have relied on Rule 25-30.580, Florida Administrative Code, which states in part that:

- (a) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
- (b) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution lines and sewage collection lines.

Based on the staff audit the utility's contribution level for water exceeds 100%. Therefore, the system capacity charge for water shall be discontinued. The utility's existing meter installation charges shall remain in effect.

During the test year, the utility's wastewater system included a 50,000 gpd treatment plant and collection lines. To satisfy a DEP consent order, the utility has completed the expansion of its treatment plant to 87,000 gpd capacity. In its application for this rate case the utility requested emergency service availability charges for wastewater. By Order No. PSC-96-1284-FOF-WS, issued October 15, 1996, the Commission approved a system capacity charge of \$920 and a main extension charge of \$639. These charges became effective November 6, 1996. These charges were calculated prior to the staff audit and engineering investigation. The utility requested a service availability charge of \$2,135. After an audit and engineering investigation we calculated a new service availability charge for wastewater and found that the requested charge will not cause the utility to exceed the 75% maximum contribution level per Rule 25-30.580, Florida Administrative Code. A schedule of approved charges follows:

Service Availability Charges
Wastewater

	<u>Approved Charges</u>
Plant Capacity residential per ERC (209gpd)	\$1,950.00
All others - per gallon	\$ 9.33
Main extension charge residential per ERC (209gpd)	\$ 185.00
All others - per gallon	\$.86

The approved charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of the revenues associated with the amortization of rate expense and the gross-up for regulatory assessment fees, which is \$262 for water and \$131 wastewater. The reduction in revenues will result in the authorized rates on Schedule Nos. 4 and 4-A.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

The utility requested AFPI charges for its wastewater treatment plant. Rule 25-30.434, Florida Administrative Code, allows a utility the opportunity to earn a fair return on prudently constructed plant held for future use from future customers to be served by the plant. This charge allows the recovery of carrying

cost on the non-used and useful plant. This one-time charge is based on the number of ERCs and is generally applicable to all future customers who have not already prepaid connection fees, CIAC or customer advances.

In this case, the utility's existing wastewater facility can accommodate 199 future ERCs. We have calculated AFPI charges allowing carrying costs relative to the non-used and useful plant for the 199 ERCs. The amount of the AFPI charges are based on the date future customers connect. The utility shall collect AFPI charges as shown on Schedule 5, for the five year period ended June 2001. Carrying costs incurred beyond five years shall be considered excessive, unless the utility demonstrates extraordinary or unusual circumstances. The charges shall become effective on or after July 1996, the month following the end of the test period in accordance with Rule 25-30.434(4), Florida Administrative Code.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, we hereby authorize the utility to collect the wastewater rates approved herein as temporary rates. The wastewater rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary wastewater rates upon Commission staff's approval of the security for potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$51,903. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until final Commission order is rendered, either approving or denying the rate increase.

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is

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ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

CLOSING OF DOCKET

Upon expiration of the protest period, if no timely protest is received within 21 days from the issuance of the Order, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Lake Suzy Utilities, Inc.'s application for increased water and wastewater rates and charges is hereby approved with regard to wastewater and denied with regard to water as 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 as set forth in the body of this Order. It is further

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

ORDERED that Lake Suzy Utilities, Inc. is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Lake Suzy Utilities, Inc.'s rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received proper notice. It is further

ORDERED that Lake Suzy Utilities, Inc. shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Lake Suzy Utilities, Inc.

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is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Lake Suzy Utilities, Inc. first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Lake Suzy Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our staff's verification that the pages are consistent with our decision herein, and that the customer notice is adequate and that any required security has been provided. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Lake Suzy Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$51,903 as a guarantee of any potential refund of revenue collected on a temporary basis. Alternatively, the utility may establish an escrow agreement with an independent financial institution. It is further

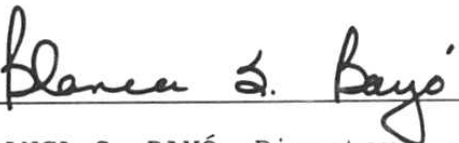
ORDERED that Lake Suzy Utilities, Inc. shall submit monthly reports no later than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that the provisions of this Order regarding the increase of rates and charges for wastewater and the decrease of rates for water are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 if no timely protest is received from a substantially affected person within twenty-one days of the issuance of this Order, this docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission, this 12th
day of May, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

DCW

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein regarding the increase of rates and charges for wastewater and the decrease of rates and charges for water is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 2, 1997.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 this order becomes final and effective on the date described above, any party substantially 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 wastewater 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.

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DOCKET NO. : 960799-WS

DATE: 10/18/96

UTILITY NAME: LAKE SUZY UTILITIES, INC.

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3)}{1} = 61.18\%$$

- (1) Capacity of present distribution system in ERCs - - - - - 756 ERCs
- (2) Average number of ERCs connected to the system - - - - - 425 ERCs
- (3) Margin Reserve (not to exceed 20% of present Cust):
 - (a) Average yearly customer growth in ERCs 25
 for most recent 5 years
 - (b) Construction time for additional 18
 capacity (in months)

$$\text{Margin Reserve} = \frac{3a \times 3b}{12 \text{ mths}} = 38 \text{ ERCs}$$



Engineer assigned

signature

ATTACHMENT "A"

DOCKET NO. : 960799-WS

DATE: 10/18/96

UTILITY NAME: LAKE SUZY UTILITIES, INC.

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3 - 4)}{1} = 69.03 \%$$

(1) Capacity of plant ----- 87,000 GPD

(2) Average Daily Flow (Peak Month , Feb. 1996) ----- 63,000 GPD

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average number of ERCs during test Year 199 -----

(b) Average yearly growth in ERCs 31 -----
 for most recent 5 years -----

(c) Construction time for additional 18 -----
 capacity (in months) -----

$$\text{Margin Reserve} = \frac{3c}{12 \text{ mths}} \times \frac{2}{3a} = 14,721 \text{ GPD}$$

(4) Excessive Infiltration ----- 17,665 GPD

(a) Total amount 23,965 GPD 38.04 % of Avg. Daily Flow

(b) Reasonable amount 6,300 GPD 10.00 % of Avg. Daily Flow



signature

Engineer assigned

ATTACHMENT "B"

DOCKET NO. : 960799-WS

DATE: 10/18/96

UTILITY NAME: LAKE SUZY UTILITIES, INC.

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION

	(2 + 3)		
% USED AND USEFUL =	-----	=	51.36 %
	1		-----
(1) Capacity of present collection system in ERCs - - - - -			478 ERCs

(2) Average number of ERCs during Test Year - - - - -			199 ERCs

(3) Margin Reserve (not to exceed 20% of present Cust):			
(a) Average yearly growth in ERCs		31	
for most recent 5 years		-----	
(b) Construction time for additional		18	
capacity (in months)		-----	
		3b	
Margin Reserve =	3a x -----	=	47 ERCs
			12 wths -----

RTD

Engineer assigned

ATTACHMENT 'C'

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
 DOCKET NO. 960799-WS

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 276,824	\$ (450) A	\$ 276,374
LAND/NON-DEPRECIABLE ASSETS	1,150	0 B	1,150
NON USED AND USEFUL PLANT	0	(63,188) C	(63,188)
CWIP	0	0 D	0
CIAC	(332,772)	32,156 E	(300,616)
REFUNDABLE ADVANCES	0	0 F	0
ACCUMULATED DEPRECIATION	(67,942)	(772) G	(68,714)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	67,006 H	67,006
WORKING CAPITAL ALLOWANCE	<u>20,611</u>	<u>(4,748) I</u>	<u>15,863</u>
WATER RATE BASE	\$ (102,129)	\$ 30,004	\$ (72,125)

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
 DOCKET NO. 960799-WS

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 324,361	\$ 624,578 A	\$ 948,939
LAND/NON-DEPRECIABLE ASSETS	150,000	112,581 B	262,581
NON USED AND USEFUL PLANT	0	(186,057)C	(186,057)
CWIP	127,837	(127,837)D	0
CIAC	(212,756)	19,001 E	(193,755)
REFUNDABLE ADVANCES	0	(321,988)F	(321,988)
ACCUMULATED DEPRECIATION	(62,058)	(46,622)G	(108,680)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	28,961 H	28,961
WORKING CAPITAL ALLOWANCE	<u>5,500</u>	<u>282 I</u>	<u>5,782</u>
WASTEWATER RATE BASE	\$ 332,884	\$ 102,899	\$ 435,783

ORDER NO. PSC-97-0540-FOF-WS
 DOCKET NO. 960799-WS
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LAKE SUZUKI UTILITIES INC.
 TEST YEAR ENDING JUNE 30, 1996
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
 DOCKET NO. 960799-WS

	WATER	WASTEWATER
A. UTILITY PLANT IN SERVICE		
1. Reclassification from O&M expense	\$ 511	\$ 511
2. To reflect plant at 6/30/96	0	(20,580)
3. Reclassification from CWIP	0	127,837
4. To reflect a dditional proforma plant	0	517,065
5. To reflect averaging a djustment	(961)	(255)
	<u>\$ (450)</u>	<u>\$ 624,578</u>
B. LAND		
1. To reflect value for 19.55 acres of land	\$ 0	\$ 282,800
2. To reflect recording and documentary stamp cost	0	2,056
3. To reflect value for 2.97 acres of land	0	(87,819)
4. To reflect land held for future use	0	(94,656)
	<u>\$ 0</u>	<u>\$ 112,581</u>
C. NON USED AND USEFUL PLANT		
1. To reflect average non used and useful plant	\$ (86,669)	\$ (126,297)
2. Average non used and accum. depre. on plant @ 6/30/96	23,481	26,825
3. Non used and useful post test year utili. plant investment	0	(82,880)
4. Non used and useful post test year depreciation	0	6,185
	<u>\$ (63,188)</u>	<u>\$ (186,057)</u>
D. CONSTRUCTION WORK IN PROGRESS(CWIP)		
1. To reflect a reclassification to plant	\$ 0	\$ (127,837)
E. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)		
1. To reflect the accumulated balance at 6/30/96	\$ (56,656)	\$ (31,865)
2. non used and useful CIAC	86,669	101,129
3. CIAC for margin reserve	0	(80,173)
4. To reflect averaging a djustment	2,143	0
	<u>\$ 32,156</u>	<u>\$ 19,001</u>
F. REFUNDABLE ADVANCES		
1. To reflect refundable cash advances	\$ 0	\$ (345,000)
2. Amortization on cash advances	0	23,012
	<u>\$ 0</u>	<u>\$ (321,988)</u>
G. ACCUMULATED DEPRECIATION		
1. To reflect the accumulated balance at 6/30/96	\$ (5,541)	\$ (11,841)
2. Depre. on post test year plant	0	(43,015)
3. To reflect averaging a djustment	4,789	8,034
	<u>\$ (772)</u>	<u>\$ (46,822)</u>
H. AMORTIZATION OF CIAC		
1. To reflect accumulated balance at 6/30/96	\$ 97,145	\$ 82,013
2. Non used and useful amortization of CIAC	(23,481)	(18,150)
3. Amortization of CIAC for margin reserve	0	1,325
4. To reflect averaging a djustment	(6,656)	(6,227)
	<u>\$ 67,008</u>	<u>\$ 59,961</u>
I. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/3 of test year O & M expense	\$ (4,748)	\$ 282

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 960799-WS

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 42,000	\$ (9,404)	\$ 32,596	7.48%	9.50%	0.71%
LONG TERM DEBT	12,000	(2,674)	9,326	2.14%	8.00%	0.17%
LONG TERM DEBT	218,506	(49,030)	169,476	38.89%	8.00%	3.11%
SHORT TERM DEBT	11,643	(2,622)	9,021	2.07%	8.00%	0.17%
SHORT TERM DEBT	19,037	(4,264)	14,773	3.39%	8.50%	0.29%
COMMON EQUITY	258,602	(58,011)	200,591	46.03%	11.51%	5.30%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 561,788	\$ (126,005)	\$ 435,783	100.00%		9.74%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	10.51%	12.51%
OVERALL RATE OF RETURN	9.28%	10.21%

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 960799-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 126,851	\$ 15,824 A	\$ 142,675	\$ (5,733)G	\$ 136,942
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	164,888	(37,986) B	126,902	0	126,902
DEPRECIATION	8,002	(1,130) C	6,872	0	6,872
AMORTIZATION(CIAC)	(9,736)	2,864 D	(6,872)	0	(6,872)
TAXES OTHER THAN INCOME	6,456	3,842 E	10,298	(258)H	10,040
INCOME TAXES	0	0 F	0	0	0
TOTAL OPERATING EXPENSES	\$ 169,610	\$ (32,410)	\$ 137,200	\$ (258)	\$ 136,942
OPERATING INCOME/(LOSS)	\$ (42,759)		\$ 5,475		\$ 0
WATER RATE BASE	\$ (102,129)		\$ 0		\$ 0
RATE OF RETURN	(41.87%)		0.00%		0.00%

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
 DOCKET NO. 960799-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ <u>43,125</u>	\$ <u>(3,845) A</u>	\$ <u>39,280</u>	\$ <u>75,130 G</u>	\$ <u>114,410</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	52,085	(5,831) B	46,254	0	46,254
DEPRECIATION	8,855	30,577 C	39,432	0	39,432
AMORT.(CIAC & ADVANCES)	(6,117)	(19,981) D	(26,098)	0	(26,098)
TAXES OTHER THAN INCOME	6,093	(178) E	5,915	3,381 H	9,296
INCOME TAXES	<u>0</u>	<u>3,081 F</u>	<u>3,081</u>	<u>0</u>	<u>3,081</u>
TOTAL OPERATING EXPENSES	\$ <u>60,916</u>	\$ <u>7,668</u>	\$ <u>68,584</u>	\$ <u>3,381</u>	\$ <u>71,965</u>
OPERATING INCOME/(LOSS)	\$ <u>(17,791)</u>		\$ <u>(29,304)</u>		\$ <u>42,445</u>
WASTEWATER RATE BASE	\$ <u>332,884</u>		\$ <u>435,783</u>		\$ <u>435,783</u>
RATE OF RETURN	<u>-5.34%</u>		<u>-6.72%</u>		<u>9.74%</u>

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 38 (Page 1 of 2)
 DOCKET NO. 960799-WS

A. OPERATING REVENUES	WATER	WASTEWATER
1. To reflect test year accrued total	\$ 7,834	\$ (3,845)
2. To reflect annualized revenue based on existing rates	7,990	0
	<u>\$ 15,824</u>	<u>\$ (3,845)</u>
B. OPERATION AND MAINTENANCE EXPENSES		
<u>1. Salaries and Wages - Employees</u>		
a. To reflect annual salary	\$ (8,139)	\$ 381
<u>2. Salaries and wages - Officers</u>		
a. To reflect annual salary	\$ 17,285	\$ 4,088
<u>3. Employee pensions and Benefits</u>		
a. To reflect annual insurance expense for employee	\$ 426	\$ 105
<u>4. Purchased Water & Wastewater Treatment</u>		
a. To remove a prior period expense	\$ (29,225)	\$ 0
b. To remove a non-recurring expense	0	(4,320)
c. To reflect annual cost based on existing rates	563	0
	<u>(28,662)</u>	<u>(4,320)</u>
<u>5. Sludge Removal Expense</u>		
a. To reflect annual expense	\$ 0	\$ 715
<u>6. Purchased Power Expense</u>		
a. To reclassify power expense for office to rent	\$ (2,099)	\$ (500)
b. To reflect annual expense for utility operations	0	1,382
	<u>(2,099)</u>	<u>\$ 882</u>
<u>7. Chemical Expense</u>		
a. Reclassification from contractual services	\$ 0	\$ 948
b. To reflect annual expense	0	86
	<u>\$ 0</u>	<u>\$ 1,014</u>
<u>8. Material and supplies</u>		
a. Reclassification to plant	\$ (511)	\$ (511)
b. To remove a prior period expense	(512)	0
c. Reclassification to contractual services	(113)	0
	<u>\$ (1,136)</u>	<u>\$ (511)</u>
<u>9. Contractual Services</u>		
a. To reflect an unrecorded legal expense	\$ 1,028	\$ 257
b. To remove a non utility legal expense	(8,085)	(1,821)
c. To reflect annual legal expense	(4,887)	(2,381)
d. To reflect unrecorded consultant expense	20,888	5,218
e. Reclassification from reg. comm. expense	313	313
f. To reflect annual consultant expense	(18,907)	(4,463)
g. Reclassification from materials and supplies	113	0
h. Reclassification from water to wastewater	(28)	28
i. To reflect annual billing costs	(1,330)	(1,137)
j. To reflect annual DEP required testing expense	1,485	350
k. To reflect annual operator allowances	0	2,239
l. To reflect annual groundskeeping allowance	180	600
m. To reflect a reclassification to chemical expense	0	(948)
n. To remove a prior period expense	0	(1,805)
o. To remove a duplicate entry	0	(804)
	<u>\$ (5,070)</u>	<u>\$ (4,154)</u>

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO 38 (Page 2 of 2)
 DOCKET NO 960799-WS

<u>10. Rent</u>		
a. To reflect a reclassification from purchased power	\$ 2,089	\$ 800
b. To reflect one-third of power expense for office	(1,399)	(933)
c. To reflect annual rent for office space	(1,112)	0
d. To remove a non-recurring land lease expense	0	(4,898)
	<u>\$ (412)</u>	<u>\$ (4,721)</u>
<u>11. Transportation Expense</u>		
a. To remove a car payment	\$ (931)	\$ 0
b. To reflect 80% of transportation expense	(2,399)	(937)
	<u>\$ (2,717)</u>	<u>\$ (937)</u>
<u>12. Insurance Expense</u>		
a. To reflect 80% of insurance expenses for truck	\$ (1,079)	\$ (779)
b. To reflect proforma insurance expense for wastewater plant	0	3,172
	<u>\$ (1,079)</u>	<u>\$ 2,393</u>
<u>13. Regulatory Commission Expense</u>		
a. To reflect reclassification to contractual service	\$ (313)	\$ (313)
b. To remove an out of period expense	(4,353)	(2,294)
c. Reclassification to misc. expense	(183)	(133)
d. To reflect rate case filing fee over four years	250	125
	<u>\$ (4,599)</u>	<u>\$ (2,815)</u>
<u>14. Miscellaneous Expense</u>		
a. To reflect one-third of annual telephone expense	\$ (4,240)	\$ (189)
b. Reclassification from reg comm. expense	183	133
c. To reflect annual repair and maintenance expense	273	2,387
d. To remove a penalty expense	0	(1,280)
e. To reflect permit cost amortized over five years	0	200
f. To reflect land appraisal cost amortized over five years	0	180
	<u>\$ (3,764)</u>	<u>\$ 1,436</u>
	TOTAL O&M ADJUSTMENTS	(5,831)
<u>C. DEPRECIATION EXPENSE</u>		
1. To reflect test year depreciation expense net of non-used and useful depreciation	\$ (1,130)	\$ 30,577
<u>D. AMORTIZATION OF CIAC</u>		
1. Amort. of CIAC to include the margin reserve and advance net of non used and useful amort.	\$ (952)	\$ (19,891)
2. To adj. amort. expense to match depre. expense	3,816	0
	<u>\$ 2,864</u>	<u>\$ (19,891)</u>
<u>E. TAXES OTHER THAN INCOME</u>		
1. To reflect payroll taxes on recommended salaries	\$ 2,257	\$ 72
2. To remove a prior period real estate tax	0	(439)
3. To reflect regulatory assessment fee on test year revenue	1,885	188
	<u>\$ 3,842</u>	<u>\$ (179)</u>
<u>F. INCOME TAX</u>		
1. To reflect income tax expense	\$ 0	\$ 3,091
<u>G. OPERATING REVENUES</u>		
1. To reflect comm. approved decrease and increase in revenue for water and wastewater respectively	\$ (5,733)	\$ 76,130
<u>H. TAXES OTHER THAN INCOME</u>		
1. To reflect regulatory assessment fee on decrease and increase in revenue	\$ (629)	\$ 3,291

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C
 DOCKET NO. 960799-WS

	<u>TOTAL PER UTIL</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES – EMPLOYEES	\$ 9,979	\$ (6,139)[1]	\$ 3,840
(603) SALARIES AND WAGES – OFFICERS	0	17,285 [2]	17,285
(604) EMPLOYEE PENSIONS AND BENEFITS	0	426 [3]	426
(610) PURCHASED WATER	105,896	(28,662)[4]	77,234
(615) PURCHASED POWER	2,099	(2,099)[6]	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	6,626	(1,136)[8]	5,490
(630) CONTRACTUAL SERVICES	13,781	(5,070)[9]	8,711
(640) RENTS	4,952	(412)[10]	4,540
(650) TRANSPORTATION EXPENSE	6,296	(2,717)[11]	3,579
(655) INSURANCE EXPENSE	1,599	(1,079)[12]	520
(665) REGULATORY COMMISSION EXPENSE	4,849	(4,599)[13]	250
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	8,811	(3,784)[14]	5,027
	<u>\$ 164,888</u>	<u>\$ (37,986)</u>	<u>\$ 126,902</u>

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D
 DOCKET NO. 960799-WS

	<u>TOTAL PER UTIL</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(701) SALARIES AND WAGES - EMPLOYEES	\$ 579	\$ 381 [1]	\$ 960
(703) SALARIES AND WAGES - OFFICERS	0	4,098 [2]	4,098
(704) EMPLOYEE PENSIONS AND BENEFITS	0	106 [3]	106
(710) PURCHASED SEWAGE TREATMENT	4,320	(4,320)[4]	0
(711) SLUDGE REMOVAL EXPENSE	1,085	715 [5]	1,800
(715) PURCHASED POWER	5,500	882 [6]	6,382
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	427	1,014 [7]	1,441
(720) MATERIALS AND SUPPLIES	5,896	(511)[8]	5,385
(730) CONTRACTUAL SERVICES	19,449	(4,154)[9]	15,295
(740) RENTS	5,848	(4,721)[10]	1,127
(750) TRANSPORTATION EXPENSE	1,344	(537)[11]	807
(755) INSURANCE EXPENSE	905	2,396 [12]	3,301
(765) REGULATORY COMMISSION EXPENSES	2,740	(2,615)[13]	125
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	3,992	1,435 [14]	5,427
	<u>\$ 52,085</u>	<u>\$ (5,831)</u>	<u>\$ 46,254</u>

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COMMISSION APPROVED RATE REDUCTION SCHEDULE

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996

SCHEDULE NO. 4
 DOCKET NO. 960799-WS

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

MONTHLY WATER RATES

<u>RESIDENTIAL, MULTI-RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY COMM. APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 9.76	\$ 0.02
3/4"	14.65	0.03
1"	24.41	0.05
1-1/2"	48.82	0.09
2"	78.11	0.15
3"	156.22	0.30
4"	244.10	0.46
6"	488.19	0.93
 <u>GALLONAGE CHARGE</u>		
<u>PER 1,000 GALLONS</u>	 \$ 4.88	 \$ 0.01

COMMISSION APPROVED RATE REDUCTION SCHEDULE

LAKE SUZY UTILITIES, INC.
 TEST YEAR ENDING JUNE 30, 1996

SCHEDULE NO. 4A
 DOCKET NO. 960799-WS

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

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL, MULTI-RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY COMM. APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 28.98	\$ 0.03
3/4"	43.46	0.05
1"	72.44	0.08
1-1/2"	144.88	0.16
2"	231.80	0.25
3"	463.60	0.51
4"	724.38	0.80
6"	1,448.76	1.59
 <u>RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS</u>	 \$ 8.58	 \$ 0.01
 <u>GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS</u>	 \$ 10.30	 \$ 0.01

COMPANY: Lake Suzy Utilities, Inc.
 SEWER TREATMENT PLANT
 TEST YEAR ENDED JUNE 30, 1996

SCHEDULE NO. 5
 DOCKET NO. 960799-WS

Allowance for Funds Prudently Invested
 Schedule of Charges:

	1996	1997	1998	1999	2000	2001	2002
	-----	-----	-----	-----	-----	-----	-----
January		106.13	290.87	485.40	694.04	918.16	1,014.33
February		121.29	306.43	502.08	711.94	937.40	1,014.33
March		136.45	321.99	518.75	729.83	956.63	1,014.33
April		151.61	337.55	535.43	747.73	975.86	1,014.33
May		166.77	353.12	552.10	765.62	995.10	1,014.33
June		181.93	368.68	568.77	783.52	1,014.33	1,014.33
July	15.16	290.87	385.35	586.67	802.75	1,014.33	1,014.33
August	30.32	306.43	402.03	604.57	821.99	1,014.33	1,014.33
September	45.48	321.99	418.70	622.46	841.22	1,014.33	1,014.33
October	60.64	337.55	435.38	640.36	860.46	1,014.33	1,014.33
November	75.80	353.12	452.05	658.25	879.69	1,014.33	1,014.33
December	90.96	368.68	468.73	676.15	898.93	1,014.33	1,014.33