

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of CINNAMON RIDGE) DOCKET NO. 871065-WU
Utilities, Inc., for a staff-assisted) ORDER NO. 19524
rate case in Citrus County) ISSUED: 6-20-88
)

The following Commissioners participated in the disposition of this matter:

KATIE NICHOLS, Chairman
THOMAS M. BEARD
GERALD L. GUNTER
JOHN T. HERNDON
MICHAEL McK. WILSON

ORDER AUTHORIZING INTERIM RATES IN EVENT OF PROTEST

AND

PROPOSED AGENCY ACTION

ORDER GRANTING INCREASED WATER RATES
REQUIRING NOTICE OF UTILITY CONTACTS, AND
ESTABLISHING RATE STRUCTURE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission of its intent, pursuant to Sections 367.081, 367.011, and 367.121, Florida Statutes, to grant increased water rates to Cinnamon Ridge Utilities, Inc. in Citrus County, to require notification of utility contacts, and to establish rate structure. These actions are 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. By this Order, the Commission also authorizes interim rates in the event a person other than the utility files a protest to the proposed agency action.

CASE BACKGROUND

The service area and treatment facilities of Cinnamon Ridge Utilities, Inc. ("Cinnamon Ridge" or "utility") is located in Citrus County. The utility provides water service to two separate subdivisions known as The Cinnamon Ridge community. The area served has 146 residential customers, including mobile homes and single family residences.

By Order No. 10967, issued July 7, 1982, this Commission granted an original water certificate to Cinnamon Ridge and set rates. By Order No. 14624, issued July 23, 1985, the utility's certificate was amended to include additional territory.

On October 12, 1987, the utility filed an application for a staff-assisted rate case and staff assistance was thereafter granted. In conjunction with this case, staff performed an audit of the utility's books and records; inspected the service area; reviewed records and the rate application on file at the Commission; conducted telephone interviews with utility personnel; prepared used and useful analyses of the treatment plant and distribution system; and reviewed operation and maintenance costs. A customer meeting was held on April 1, 1988 to receive customer testimony regarding quality of service and to respond to petition on other issues.

DATE OF DECISION

DATE OF ORDER

CARD-RECORD 5/ APR 1988

The test period selected is the twelve month period ended November 30, 1987.

CUSTOMER MEETING AND QUALITY OF SERVICE

At the time of staff's inspection, the water treatment plant and distribution system appeared to be operating satisfactorily. The most recent water sample test results show that the water produced complies with all water quality standards established by the Department of Environmental Regulation (DER) as set forth in Rule 17-22.200, Florida Administrative Code.

At the customer meeting on April 4, 1988, the customers provided positive and negative comments with respect to the utility's quality of service. Forty-two customers attended and eight customers testified.

Four customers complained of extended water outages and difficulties in contacting the utility. It became apparent that the customers were not sure who to contact during an emergency. The utility agreed to post a sign on the chain link fence enclosing the treatment plant which will state the utility's office telephone number and, to facilitate contact outside regular working hours, an emergency telephone number. The utility should also list these telephone numbers on customer bills.

One customer complained of high iron magnesium content that caused a black circle around the toilet bowl and sink. As stated above most recent water sample tests show that the water produced complies with the water quality standards set forth in Rule 17-22.200, Florida Administrative Code. Both iron content and manganese were below detectable limits.

One customer complained of low water pressure. Three customers stated that water pressure was satisfactory. Following the customer meeting, a DER conducted field pressure test measured the lowest pressure at 30 pounds per square inch (psi). Since his pressure exceeds the required level of 20 psi, we believe the pressure to be adequate. DER has noted that a second well source will be required in the near future. The utility has employed an engineer to investigate the need for a second well.

DER records show that the water facilities are being operated properly. All chemical analyses are up-to-date and indicate a very high quality raw water supply. While pressure in one unit may not be desirable at all times, a field survey indicates it meets DER requirements.

The utility appears to be cooperating with customers in order to meet their needs. Upon consideration, we find that the overall quality of service provided by Cinnamon Ridge is satisfactory.

RATE BASE

Our calculations of the utility's rate base are displayed on Schedule No. 1 attached to this Order. Further detail is given below.

Used and useful - Instantaneous demands of present customers equal or exceed plant capacity. The utility is at or very near a time when an additional drinking water supply well

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will be required by DER rules. Therefore, no less of a plant could serve existing customers and we find that the water treatment plant is 100% used and useful. The distribution system is 5.6% used and useful. Customer meters and meter installations are added as customer growth dictates and are 100% used and useful. Our used and useful calculations are attached to this Order as Schedule No. 5.

Plant in service - Land is shown on Schedule No. 1 and our adjustments are shown on Schedule No. 1-A, attached to this order.

Utility records included prior period operation and maintenance expenses of \$1421 in the land account. This amount consists of \$285 paid in 1984 for plugging an abandoned well; \$140 paid in 1984 for preparation of an estimate for construction of a water system; \$470 paid in 1982 for delivery of water samples; and \$526 paid in 1982 for a reimbursement for lab testing charges. We have decreased the land account by \$1,421 to remove prior period operation and maintenance expenses. This adjustment conforms to the National Association of Regulatory Utility Commissioners (NARUC) Systems of Accounts.

On December 17, 1987, Gulf Highway Land Corporation ("Gulf"), the utility's parent company, deeded the plant property (.2 of an acre) to the utility. We have included this land in rate base at \$400 to reflect Gulf's original cost of \$2000 per acre.

An original cost study was conducted for plant additions since issuance of the original certificate. Plant in service is \$198,465 as determined by the original cost study and reconciled with the utility's depreciable plant as listed on its income tax form 1120 at December 1986.

Plant held for future use - Plant held for future use is the utility's current investment in its system which will serve future customers. The appropriate value for this account is a negative \$17,983 in accordance with the above stated used and useful calculations. Our calculations are shown on Schedule No. 1-A, attached to this order.

Working Capital - It is Commission practice to use the balance sheet method of calculating a working capital allowance. By the balance sheet method, we net current assets and deferred debits with current liabilities and deferred credits.

We have employed year-end balances as monthly data was not available. Application of the balance sheet method in this case results in a working capital allowance of \$5,134.

Accumulated Depreciation - Accumulated Depreciation is negative \$20,214. This amount was calculated following the guidelines of Rule 29-30.140(2), Florida Administrative Code.

Contributions in Aid of Construction (CIAC) and Accumulated Amortization of CIAC - Amortization of CIAC is \$12,253. This amount was calculated following the guidelines of Rule 29-30.140, Florida Administrative Code.

Thirteen-Month Average - The thirteen-month average water rate base is \$35,315. We calculated this amount by subtracting the sum of accumulated depreciation, amortization and the CIAC from the sum of depreciable plant-in-service and land.

COST OF CAPITAL

Schedule No. 2 displays our calculation of the utility's capital structure and rate of return for ratemaking purposes. The utility's capital structure includes a personal loan to the utility by the owner of the utility with a cost of 11.29% and investment tax credits at no cost. In developing the cost of capital of the utility, we treated the loan by the owner of the utility as common equity. Based on this treatment, we find that the appropriate overall cost of capital, based on a 100% equity return applied to the leverage graph established in Order No. 16975, is 10.39%.

NET OPERATING INCOME

Test Year Revenue - The utility recorded \$5,738 in revenue for the test year. We increased revenue by \$1375 to reflect additional revenues based on the billing analysis audit and miscellaneous service charges collected by the utility. Three customers complained of the utility charging a \$5 late penalty fee that is not authorized by the utility's tariff. The utility agreed to forego charging late fees. Test year revenue, as adjusted, is \$7113.

Operation and Maintenance Expense - The utility recorded expenses of \$17,719 for the test year. The approved level of expenses is \$16,945. Expenses are shown on Schedule No. 3-F. Details of the adjustments follow.

Salaries and Wages - Employees - This account has been increased by \$317. Adjustments reflect an annual \$2,880 salary allowance for a secretary (288 hours @ \$10 hour); an annual \$750 salary allowance for a meter reading transcriber (96 hours @ \$7.81 hour); and a \$453 decrease to remove non-utility wages as recorded by the utility.

Salaries and wages - Officers - This account has been increased by \$1,916 to reflect an annual salary for the utility owner which we believe to be reasonable. (120 hours @ \$15.97 hour).

Pensions and Benefits - During the test year the utility did not record employee's insurance expense. We have increased this account by \$403 to reflect employee's insurance expense.

Purchased Power - This account has been decreased by \$156 to remove a prior period expense, by \$34 to remove a non-utility expense, and by \$204 to reflect reclassification. The account was increased by \$196 to reflect unrecorded purchased power expense. The net adjustment is a reduction of \$198.

Chemicals - This account has been reduced by \$177 to remove a prior period expense and by \$4169 to reflect reclassification. The account was increased by \$11 for an unrecorded chemical expense. The adjustment is a reduction of \$4335.

Contractual Services - This account has been increased by \$9,728 to reflect reclassifications, by \$424 to reflect an unrecorded DER required water testing expense, by \$172 to reflect an unrecorded contractual service expense, by \$800 to reflect 1987 income tax preparation expense, by \$159 to reflect annual mowing expenses. The account was decreased by \$5,311 to

remove the unamortized portions of expenses for plant repair and DER required water testing. The net adjustment is an increase of \$5,972.

Regulatory Commission Expense - This account has been decreased by \$800 to remove a prior period expense, by \$840 to reflect reclassification, and by \$744 to remove the unamortized portion of rate case expense. It was increased to reflect sales tax on rate case expense. The net adjustment is a reduction of \$2,342.

Rent - The utility did not record a rent expense during the test year. This account has been increased by \$1,655 to reflect annual rental expense for office facilities and equipment.

Miscellaneous Expenses - This account has been decreased by \$329 to remove the unamortized cost for a mechanized billing system, by \$2,668 to remove plant capital, by \$4,330 to reflect a reclassification, and by \$60 to remove meter removal cost. The account was increased by \$354 to reflect allocation for postage expenses, and by \$11 to reflect a reclassification. The net adjustment is a reduction of \$7,022.

REVENUE REQUIREMENT

In order to recover prudent expenses and have the opportunity to earn 10.39% on utility investment, we find that annual operating revenues of \$23,044 are appropriate. This represents an increase in revenue of \$15,931 on an annual basis.

RATES AND RATE STRUCTURE

We find that the utility should retain its base facility charge rate structure. The following rates are designed to allow the utility to recover prudent expenses and the opportunity to earn a 10.39% return on its investment.

WATER MONTHLY RATES RESIDENTIAL AND GENERAL SERVICE

Base Facility Charge

Meter Size

5/8 x 3/4"	\$	6.10
1"		15.25
1 1/2"		30.50
2"		48.86

Gallage Charge per 1000 gallons

\$ 1.28

Service Availability Charges - Current system capacity charges are \$330 per equivalent residential connection (ERC). Rule 28-30.520, Florida Administrative Code, requires a portion of utility investment to be contributed. The utility's current contribution level is 58.58%.

Estimating planned plant expansion costs of \$17,500, 132 additional ERCs, and six years to build out, the existing charge results in a contribution level of 90.11% at designed

capacity. This results in a contribution level that exceeds that authorized in Rule 25-30.580, Florida Administrative Code. Therefore we find it appropriate to decrease the charge for water service availability to \$172 per ERC, where one ERC = 350 gallons per day (gpd) for a single family residence, and \$123 per ERC where one ERC = 250 gpd for a mobile home. These charges will allow a 75% level of CIAC at design capacity.

Meter Installation Fees - Presently the utility has no meter installation fees. We find the following meter installation fees appropriate:

<u>Meter Size</u>	<u>Present Fee</u>	<u>Recommended Fee</u>
5/8 x 3/4"	\$55.00	\$125.00
1"	Actual Cost	Actual Cost

Miscellaneous Service Charges - The utility currently has no authorized Miscellaneous Service Charges. The following charges are designed to charge the cost of miscellaneous services to the customer receiving the service, rather than to the ratepaying body as a whole. The following charges are approved:

Initial Connection	\$15.00
Normal Connection Charge	\$15.00
Violation Reconnection Charge	\$15.00
Premises Visit Charge	\$10.00

Definition of each charge is provided for clarification:

Initial Connection - This charge is to be levied for transfer of service to a new customer account at the same location where service did not exist previously.

Normal Connection - This charge is to be levied for transfer of service to a new customer account at the same location or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection - This charge is to be levied subsequent to disconnection of service for cause including a delinquency in billpayment.

Premises Visit Charge (In lieu of Disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

INTERIM CONDITIONS IN THE EVENT OF A PROTEST

This order proposes an increase in water rates. Without a provision for increased interim water rates, a timely protest could delay what may be a justified rate increase, pending a formal hearing and final order in this case, resulting in unrecoverable loss of revenue to the utility. Accordingly, in the event of a timely protest filed by anyone other than the utility, we authorize collections of the proposed rates as interim rates, subject to refund, provided that the utility furnishes security for such a potential refund. The security

shall be in the form of a bond or letter of credit in the amount of \$13,963 or an escrow account with an independent financial institution, pursuant to a written agreement. If this alternative is chosen, all revenue collected under the rate increase would be subject to escrow. Any withdrawal of funds from this escrow account shall be subject to the prior approval of this Commission. Should any refund ultimately be required, it shall be made with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. The utility shall keep an accurate account, in detail, of all monies received by the rate increases, specifying by whom and in whose behalf the amounts were paid. The utility shall file a report no later than the twentieth day of each month the interim rates are in effect, showing the amount of revenue that would have been collected under the old rates. In the event there is no protest to this Order, a consummating order will be issued indicating that the proposed agency action has become effective and final.

Based on the foregoing it is

ORDERED by the Florida Public Service Commission that the application of Cinnamon Ridge Utilities, Inc., for a staff-assisted rate case is granted, as set out in the body of this Order. It is further

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

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

ORDERED that the provisions of this Order issued as proposed agency action shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 3239-0870, by the close of business on July 11, 1988. It is further

ORDERED that in the event this Order becomes final, the utility shall implement the rates, service availability charges, and miscellaneous service charges set forth and approved herein after the effective date of the Order and that such rates and charges shall be effective for service rendered on or after that date. It is further

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

ORDERED that the utility shall, within 30 days of the effective date of this Order, post a sign on the fence enclosing the treatment plant that states the utility's telephone number and an emergency telephone number for contact outside working hours. These numbers shall also be listed on customer bills. It is further

ORDERED that after July 12, 1988, this Commission shall either issue a notice of further judicial proceedings or an

order acknowledging that the provisions of this notice have become final. It is further

ORDERED that in event that a written objection to this proposed Order is timely filed by a person other than the utility, the utility shall be permitted to collect the increased rates proposed herein as interim rates, subject to refund with interest, for service provided on or after July 12, 1988, under the terms and conditions set forth in the body of the Order. In the event of such objection, the utility shall notify each affected customer of interim nature and conditions of the new rates. Such notice and explanation shall be submitted to the Commission for its prior approval. It is further

ORDERED that the interim rate provisions of this Order are not issued as proposed agency action. It is further

ORDERED that in the event this Order becomes final, and all conditions hereunder are satisfied by the utility, Docket No. 871065-WU shall be closed.

By Order of the Florida Public Service Commission,
this 20th day of June, 1988.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

DAS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes (1985), as amended by Chapter 87-345, Section 6, Laws of Florida (1987), to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions granting increased water rates, establishing rate structure, approving miscellaneous service charges, and service availability charges are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(3), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 11, 1988. In the absence of such a

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petition, this order shall become effective July 12, 1988 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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

If the proposed provisions of this order become final and effective on July 12, 1988, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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

CHICAGO RIVER UTILITIES, INC.
 STATEMENT OF WATER RATE BASE
 FISCAL YEAR ENDED NOVEMBER 30, 1987

SCHEDULE NO. 1
 CHECK NO. 871965-WU

UTILITY PLANT IN SERVICE	1987 YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER CMAA
UTILITY PLANT IN SERVICE	\$ 158,465	\$ 158,465	\$ 158,465
LAND/DEPRECIABLE ASSETS	1,421 B	(1,921)	466
PLANT HELD FOR FUTURE USE	9 C	(12,883)	(12,883)
ACQUISITION ADJUSTMENT	9	9	9
C.M.I.P.	9	9	9
C.I.A.C.	9 D	(168,648)	(168,648)
ACCELERATED DEPRECIATION	9 E	(28,214)	(28,214)
ACQUISITION ADJUSTMENT	9	9	9
ACQUISITION OF C.I.A.C.	9 F	13,253	13,253
REPAIRS CAPITAL IMPROVEMENT	9 G	5,134	5,134
WATER RATE BASE	\$ 1,421	\$ 33,894	\$ 35,315

Cinnamon Ridge Utilities, Inc.
Schedule of Adjustments to Rate Base
Schedule No. 1-A.

	<u>Water</u>
A. <u>Utility Plant-in Service</u> To reflect 13-month average based on original cost study	\$158,465
B. <u>Land</u> 1. To remove prior period operation and maintenance expense	(1,421)
2. To reflect land value as calculated by staff	400
	<u>\$ (1,021)</u>
C. <u>Plant Held for Future Use</u> Non-used and useful plant (\$122,349 x .4440)	\$(54,234)
Related Contribution Plant (\$90,662 x .4440)	40,254
13-month average accumulated depreciation Net of amortization of accumulated CIAC	1,897
	<u>\$ (12,083)</u>
D. <u>Contributions-in-Aid-of-Construction (CIAC)</u> 1. To reflect 13-month average based on original cost study	\$ (103,136)
2. To reflect CIAC associated with margin reserve (32 ERCs' x \$172)	(5,504)
	<u>\$ (108,640)</u>
E. <u>Accumulated Depreciation</u> 1. To reflect 13-month average	\$ (20,274)
2. To reflect meter removal cost	(60)
	<u>(20,274)</u>
F. <u>Amortization of CIAC</u> To reflect 13-month average	<u>\$ 12,253</u>
G. <u>Working Capital Allowance</u> To reflect allowance employing the balance sheet method	<u>\$ 5,134</u>

CONROCK RIDGE UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED NOVEMBER 30, 1987

SCHEDULE NO. 2
 DOCKET NO. 871065-46

	AMOUNT PER UTILITY	COMP. ADJUST. TO UTIL. BAL.	MARKET PER SH.	PERCENT OF TOTAL	WGT COST	WEIGHTED COST
LONG-TERM DEBT	\$ 20,125	\$ 9,352	\$ 32,477	92.80%	11.29%	19.39%
SHORT-TERM DEBT	0	0	0	1.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	0	0	0	0.00%	0.00%	0.00%
INVESTMENT TAX CREDITS	2,838	0	2,838	7.7%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 25,963	\$ 9,352	\$ 35,315	129.80%		19.39%

RANGE OF RESPONSIVENESS

LOW HIGH

RETURN ON EQUITY

8.80% 0.80%

OVERALL RATE OF RETURN

19.39% 18.39%

CINNAMON RIDGE UTILITIES, INC.
 SCHEDULE OF WATER OPERATING INCOME
 TEST YEAR ENDED NOVEMBER 30, 1987

SCHEDULE NO. 1
 DOCKET NO. 871065-WU

	TEST YEAR PER UTILITY	CRM. ADJUST. TO UTIL. BAL.	CRM. ADJUST. TEST YEAR	CRM. ADJUST. FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$ 5,728 A	\$ 1,375	\$ 7,113 F	\$ 15,931	\$ 23,044
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	17,719 B	(774)	16,945	0	16,945
DEPRECIATION	0 C	1,231	1,231	7	1,231
MODIFICATION	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	1,831 D	(236)	851 G	398	1,199
INCOME TAXES	0 E	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 18,750	\$ 227	\$ 18,977	\$ 398	\$ 19,375
OPERATING INCOME/(LOSS)	\$ (13,012)	\$ 1,148	\$ (11,854)	\$ 15,533	\$ 3,669
WATER RICE BASE	\$ 1,421		\$ 35,315		\$ 35,315
RATE OF RETURN	-915.59%		-33.59%		10.39%

Cinnamon Ridge Utilities, Inc.
Schedule of Adjustments to Operating Income
Schedule No. 3-A.

Water

A. Operating Revenues	
To reflect test year revenue based on billing analysis	\$ 1,375
B. Operating Expense	
1. To reflect recommended salaries for employees	\$ 3,630
2. To remove non-utility wages	(453)
3. To reflect officer's salary	1,916
4. To remove prior period expense	(156)
5. To reflect reclassification	(204)
6. To reflect unrecorded purchased power expense	196
7. To remove non-utility expense	(34)
8. To remove prior period expense	(177)
9. To reflect reclassification	(4,169)
10. To reflect unrecorded chemical expense	11
11. To reflect classification	9,728
12. To remove unamortized portion of plant repair/replacement	(4562)
13. To remove unamortized portion of DER required water testing	(749)
14. To reflect additional recommended mowing allowance	159
15. To reflect unrecorded DER required water testing	424
16. To reflect unrecorded contractual service	172
17. To reflect preparation of 1987 income tax	800
18. To remove prior period expense	(800)
19. To reflect reclassification	(840)
20. To remove unamortized portion of rate case expense	(744)
21. To reflect sales tax on rate case expense	42
22. To reflect recommended rent allocation	1,655
23. To remove unamortized cost for mechanized billing system	(329)
24. To reflect allocation for postage expense	354
25. To remove plant capital	(2,668)
26. To reflect reclassification	(4,330)
27. To remove meter removal cost	(60)
28. To reflect reclassification	11
29. To reflect recommended allocation for insurance expense for employees	403
	<u>(774)</u>

Cinnamon Ridge Utilities, Inc.
Schedule of Adjustments to Operating Income
Schedule No. 3-A.

	<u>Water</u>
C. <u>Depreciation Expense</u>	
To reflect test year depreciation expense	\$4,352
To reflect test year amortization of CIAC	(2,758)
To reflect non-used and useful depreciation.	(363)
	<u>\$ 1,231</u>
D. <u>Taxes other than Income</u>	
1. To reflect reclassification	\$ 76
2. To reflect additional regulatory assessment fee due on test year revenue	102
3. To reflect real estate tax as calculated by staff	33
4. To reflect payroll tax as calculated by staff	507
5. To remove prior period tax penalties	(491)
6. To remove prior period regulatory assessment fee	(68)
7. To reflect reclassification	(314)
8. To remove plant capital	(75)
	<u>\$(230)</u>
F. <u>Operating Revenues</u>	
To reflect increase in revenue required to meet expenses and earn allowed rate of return	<u>\$15,931</u>
G. <u>Taxes other than Income</u>	
To reflect regulatory assessment fee @ 2.5% of required revenue	<u>\$ 398</u>

CINNAMAN RIDGE UTILITIES, INC.
 ANALYSIS OF WATER O & N EXPENSES
 TEST YEAR ENDED NOVEMBER 30, 1967

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 500	\$ 3,177	\$ 3,677
SALARIES AND WAGES - OFFICERS	0	1,916	1,916
PENSIONS AND BENEFITS	0	483	483
FORWARDED WATER	0	0	0
PURCHASED POWER	2,497	(198)	2,299
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	4,441	(4,335)	106
MATERIALS AND SUPPLIES	0	0	0
CONTRACTUAL SERVICES	50	5,972	6,022
RENTS	0	1,655	1,655
TRANSFORMATION EXPENSES	0	0	0
INSURANCE EXPENSE	0	0	0
REGULATORY COMMISSION EXPENSES	2,590	(2,342)	248
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	7,641	(7,822)	619
TOTAL	\$ 17,719	\$ (774)	\$ 16,945

UTILITY NAME: Cinnamon Ridge Utilities, Inc.

 WATER TREATMENT PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 4 + 5 - 6)}{1} = \text{***** N/A *****} \%$$

- (1) Capacity of plant - - - - - N/A GPD
- (2) Maximum Daily Flow (5 highest days of sustained flows)- - - N/A GPD
- (3) Average Daily Flow- - - - - N/A GPD
- (4) Fire flow capacity required - - - - - N/A GPD
- (5) Margin Reserve (not to exceed 20% of present ERC's):

- (a) Average number of customers in ERC's 130
- (b) Average yearly customer growth in ERC's for most recent 5 years 21
- (c) Construction time for additional capacity (in months) 18

$$\text{Margin Reserve} = 21 \times \left(\frac{1 \frac{1}{2}}{12 \text{ mths}} \right) \times \left(\frac{230}{130} \right) = \text{***** N/A 0 GPD *****}$$

- (6) Excessive Unaccounted for water - - - - - 0 GPD
- (a) Total amount GPD 0.00 % of Avg. Daily Flow
- (b) Reasonable amount: 0 GPD % of Avg. Daily Flow

* No less of a plant could serve the existing customers of Cinnamon Ridge Utilities.

Robert T. Jones Engineer assigned

 signature

Schedule 4

Sheet 1 of 3

UTILITY NAME: Cinnamon Ridge Utilities, Inc.

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

% USED AND USEFUL =	(103 + 32)	=	55.6	%
	243		=====	
(1) Capacity of present distribution system - - - - -			243	ERC
			=====	
(2) Average number of connections to the system for the year - -			103	ERC
			=====	
(3) Margin Reserve (not to exceed 20% of present ERC's):				
(a) Average yearly customer growth in ERC's for most recent 5 years	21		=====	
(b) Construction time for additional capacity (in months)	18		=====	
Margin Reserve =	21 x	-----	=	0 ERC
	12 mths		=====	
			32	

Robert T. DeLoach Engineer assigned

Signature

USED AND USEFUL ADJUSTMENTS TO
 WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PLANT PER BOOKS (c)	USED AND USEFUL % (d)	USED AND USEFUL PLANT (e)
301	Organization		- %	0
302	Franchises		- %	0
303	Land and Land Rights		100 %	0
304	Structures and Improvements		100 %	0
305	Collecting and Impounding Reservoirs		- %	0
306	Lake River and Other Intakes		- %	0
307	Wells and Springs		100 %	0
308	Infiltration Galleries and Tunnels		- %	0
309	Supply Mains		100 %	0
310	Power Generation Equipment		- %	0
311	Pumping Equipment		100 %	0
320	Water Treatment Equipment		100 %	0
330	Distribution Reservoirs and Standpipes		- %	0
331	Transmission and Distribution Mains		55.6 %	0
333	Services		100 %	0
334	Meters and Meter Installation		100 %	0
335	Hydrants		100 %	0
339	Other Plant and Miscellaneous Equipment		100 %	0
340	Office Furniture and Equip.		- %	0
341	Transportation Equipment		- %	0
342	Stores Equipment		- %	0
343	Tools, Shop and Garage Equip.		- %	0
344	Laboratory Equipment		- %	0
345	Power Operated Equipment		- %	0
346	Communication Equipment		- %	0
347	Miscellaneous Equipment		- %	0
348	Other Tangible Plant		- %	0
	Total Water Plant		0	0

Schedule 4

Sheet 3 of 3