

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of THREE "S")	DOCKET NO. 881276-SU
DISPOSAL, INC. for a staff-assisted))	ORDER NO. 21535
rate case in Lee County)	ISSUED: 7-12-89
)	

The following Commissioners participated in the disposition of this matter:

- MICHAEL McK. WILSON, Chairman
- THOMAS M. BEARD
- JOHN T. HERNDON

ORDER SETTING TEMPORARY RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER SETTING FINAL RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

Three "S" Disposal, Inc. (Three S or utility) is a sewer utility in Lee County which serves 151 homes and 42 condominium units in the Bonita Springs area. The utility has been in operation since 1974, and, since 1979, has been owned by James Shannon, Sr., James Shannon, Jr., James Suffridge, Jerry Shannon and Charles Conn.

The Commission learned of the utility's existence when a customer advised the Commission of the utility's intention to increase its monthly rates from \$14 to \$27. The Commission contacted the utility and advised it that it was subject to Commission jurisdiction. On October 4, 1988, the utility applied for a certificate, and, in Docket No. 881275-SU, the utility was granted a certificate by Order No. 20780. That

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order authorized the utility's present monthly flat rate of \$14 as an interim rate.

The utility requested staff assistance on October 4, 1988. All requirements for granting staff assistance were met on December 1, 1988. The official filing date for the staff-assisted rate case is January 30, 1989. The test year is the year ending August 31, 1988.

CUSTOMER MEETING

As part of our Staff's investigation, a customer meeting was held on May 11, 1989 in Bonita Springs to afford customers the opportunity to present testimony on the quality of service provided by the utility and to voice their concerns about other issues as well. Approximately 45 customers attended and 9 testified. In addition to expressing their concerns about the magnitude of the rate increase, the customers also had concerns about quality of service, the utility's original drainfield and rate structure. Those concerns are addressed in subsequent portions of this Order.

One utility customer presented Staff with an income statement which had been prepared by the utility's consultant and which projected annual revenue of \$75,000. Apparently, this income statement had been presented to several customers at a meeting in the summer of 1988 during which the utility's owner attempted to sell the utility to the customers. We note that this projected income statement has no bearing on the calculation of the revenue requirement of \$57,674 in this case, since the projected income statement was not prepared according to Commission practices and procedures.

QUALITY OF SERVICE

To determine a utility's quality of service, we look at the following factors: compliance with the regulations of the Department of Environmental Regulation (DER) and other regulatory agencies; operation and maintenance of the system; and overall customer satisfaction with the service. Presently, there are no outstanding DER citations or corrective orders.

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At the customer meeting, one customer expressed considerable concern about the quality of service. This customer's back property line is common with the south boundary of the wastewater treatment plant. During the failure of the drain field in 1987, she experienced wastewater spilling into her backyard and difficulty in flushing her toilet. The toilet also backed up. She continued to have problems until November 1988. From November 1988 to March 1989, she experienced periodic odor problems. She testified that there had been an improvement since that time. These occurrences are well documented with DER. All of this customer's complaints were investigated, corrective actions were taken and all are now considered resolved.

It appears that the drainfield failure was the direct cause of the quality of service problems experienced by this customer. To correct the problem, repairs have been made with direct guidance and approval from DER. The plant periodically experiences flows that tax its ability to discharge quality effluent. However, until the utility expands the capacity of its plant, the alternative solution to producing quality effluent is a sludge removal program. The utility currently does use sludge removal to augment the existing plant. Invoices for sludge hauling were reviewed and were found to be frequent and timely.

Upon consideration of the foregoing, we find the quality of service to be satisfactory.

RATE BASE

Our calculation of the utility's rate base is attached to the Order as Schedule No. 1(a). Adjustments to the rate base are itemized on Schedule No. 1(b). Those adjustments essentially mechanical in nature are shown on the schedule without further explanation in the text of this Order. The major components of the utility's rate base and adjustments to them are discussed below.

Used and Useful

The utility's plant is rated at 40,000 gallons per day (gpd). During the test year, several daily flows exceeded the rated capacity and reached levels of 65,000 gallons. Daily

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averages this high indicate that the plant's rated capacity is being exceeded for periods greater than three hours. This is critical for a contact stabilization plant. The plant was originally constructed as a 25,000 gpd extended aeration plant and later converted to contact stabilization to increase capacity. We believe that the 40,000 gpd rated capacity is optimistic, and approximately 33,000 gpd is actually a more practical estimate. The large volume of sludge being hauled is evidence of stress within plant operations and indicates the operator is having to employ extensive removal in order to meet effluent discharge requirements.

The formula method, accepted by this Commission as the indicator of a plant's usefulness, confirms a used and useful percentage of 100 percent. This was based on an average of the five highest days of inflow volume. Recorded by lapse time meters, the month of highest flows occurred in October, 1988, and the five highest days averaged 50,400 gpd. Based on this information, we find the plant to be 100 percent used and useful and thus no margin reserve is appropriate.

The distribution system serves 191 customers out of a potential 230 customer base. At the end of the test year the remaining vacancies within the service area were scattered among the occupied homesites. It is believed that no less of a network of mains could serve the existing customers. The formula method of calculating used and useful yielded a percentage of 85 percent. However, since the collection system is fully contributed, we find that no used and useful adjustment is necessary.

Original Cost of Plant and Land

Though the utility's financial statements represented the original cost of the plant as \$303,560, we found no support for this amount. In cases where original cost source documents have been lost, our policy is to allow reasonable estimates of original cost. Using system maps and construction-year prices of the components, we have estimated the original cost of the plant to be \$146,735 and the original cost of the land to be \$3,065, for a total of \$149,800. Schedule No. 4 presents a breakdown by plant account of this amount.

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

Since documentation was not available to establish the original cost of the plant or amounts for CIAC prior to 1979, we have imputed the original cost of the collection system as CIAC, pursuant to Rule 25-30.570(2), Florida Administrative Code. The amount is \$120,772.

Since 1979, when the utility's present owners took over, the utility has collected \$52,850 in connection fees. This amount has been added to CIAC. With the thirteen month average adjustment of \$2,231, the appropriate balance for CIAC is \$171,391. Since there is no margin reserve for the sewage treatment plant, we have not imputed CIAC for the margin reserve.

Plant-in-Service

In 1984, the utility installed a drainfield, for the disposal of effluent, at a cost of \$67,763. This drainfield became inoperable in 1987 and had to be excavated and rebuilt at a cost of \$94,058. At the customer meeting, customers were concerned that the drainfield replacement was due to poor management by the utility and that they, as customers, would have to pay for the utility's mistake. Although the retirement of the drainfield is extraordinary, the utility had fully depreciated it by the beginning of the test year. Therefore, the original drainfield is not a part of plant-in-service and does not affect the final rates approved in this Order. The new drainfield, along with a pump costing \$852, has been added to plant-in-service. This results in total plant additions of \$94,910, and total plant-in-service of \$241,645. Since plant was not added during the test year, no thirteen month average adjustment is necessary.

Based on the amount for plant-in-service, we have calculated accumulated depreciation using the depreciation rates from Rule 25-30.140, Florida Administrative Code. Based on the imputation of CIAC and the cash additions to CIAC, we have calculated the amortization of CIAC. These amounts appear on Schedule No. 1(b).

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Working Capital

Our preferred method in calculating a working capital allowance is the balance sheet approach, which nets current assets and deferred debits with current liabilities and deferred credits. However, due to the small size of this utility, the cost of maintaining records to support the balance sheet approach would have a significant impact on rates. Accordingly, we find it appropriate to utilize the 1/8 of operation and maintenance expenses method because it provides a close approximation of the utility's working capital needs and does not require extensive bookkeeping. Use of this method results in a working capital allowance of \$5,566.

Based on all of our adjustments, we find the appropriate thirteen-month average rate base to be \$72,882.

CAPITAL STRUCTURE

The utility's capital structure consists entirely of debt. Using the average of the balances for beginning of year and end of year debt, the weighted average cost of debt is 10.81 percent. Thus, the appropriate overall rate of return is 10.81 percent.

NET OPERATING INCOME

Attached as Schedules Nos. 3(a) and 3(b), respectively, are the schedules of wastewater operating income and our adjustments thereto. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on these schedules without further explanation in the text of this Order.

Operating Revenue

We calculated test year revenue by using the present flat rate and a billing analysis. To match test year revenue with the present flat rate, test year revenue must be reduced by \$324.

Operating Expenses

The utility's books reflected only direct cash expenses incurred by the utility. Therefore, we have calculated several

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expense allowances or have allocated them from the utility's affiliated company, S and S structural Systems, Inc. Since the utility recently hired a new contract operator, the entire amount for test year contractual services has been removed from expenses and replaced by an appropriate allowance based on the annualized fees and repair bills of the new operator.

Depreciation Expense

Pursuant to Rule 25-30.140, Florida Administrative Code, the appropriate depreciation rate is 3.17 percent. Offsetting the depreciation amount by amortization of CIAC, results in a depreciation expense of \$2,225.

Income Tax Expense

Since the utility's capital structure is all debt, we have not included any income tax allowance.

REVENUE REQUIREMENT

To give the utility the opportunity to earn a 10.81 percent overall rate of return, the appropriate annual revenue requirement is \$57,674. This results in an increase of \$25,250, on an annual basis.

RATES AND RATE STRUCTURE

Presently, the utility charges a flat wastewater rate on a monthly basis. The base facility charge is the Commission's preferred rate structure because of its ability to track costs and give customers some control over their wastewater bills. Each customer pays his or her pro rata share of the fixed costs of providing service through the base facility charge and pays for actual usage through the gallonage charge. Thus we find it appropriate to require the utility to implement the base facility charge rate structure.

Several customers expressed concern at the customer meeting about the base facility charge rate structure. One customer expressed dissatisfaction about paying a sewer charge on water that goes to fill his pool. We note that the residential rates have a 20,000 gallon cap and, therefore, the

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wastewater bill is limited during periods of high water use. Another customer expressed dissatisfaction about having to pay the base facility charge when his home was not occupied during the summer. We believe every customer should pay his or her pro rata share of the utility's fixed costs, as represented by the base facility charge.

The rates, which we find to be fair, just and reasonable, and which are designed to achieve the authorized revenue requirement, are set forth below. The base facility charge rates have been calculated for bi-monthly billing. The present monthly rate is shown for comparison.

Current Monthly and Approved Bi-Monthly Wastewater Rates

	Current ----- Monthly
Residential and General Service FLAT RATE	\$ 14.00 =====

	Commission Approved ----- BI-MONTHLY RATES
<u>Residential</u>	
Base Facility Charge:	
Meter Size:	
All Meter Sizes	\$ 24.74
Gallonge Charge per 1,000 G. (Maximum 20,000 G.)	\$ 3.25

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General Service

Base Facility Charge:

Meter Size:

5/8" x 3/4"	\$ 24.74
1"	\$ 61.85
1-1/2"	\$ 123.70
2"	\$ 197.92
3"	\$ 395.84
4"	\$ 618.50
6"	\$1,237.00

Gallage Charge per 1,000 G. \$ 3.90

NOTE: General Service rates apply to condominiums.

The new rates will be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The initial bills at the new rate may be prorated, but in no event shall the rate be effective for service rendered prior to the stamped approval date on the tariff sheets. The tariff sheets will be approved upon Staff's verification that the tariff revisions are consistent with our decision herein, that the proposed customer notice is adequate and that the required security, if any, has been provided.

MISCELLANEOUS SERVICE CHARGES

Miscellaneous service charges are designed to place the responsibility for the costs associated with miscellaneous services on those persons creating those costs, rather than on the general body of ratepayers. Currently, the utility has no miscellaneous service charges. We believe it is appropriate for the utility to implement the following miscellaneous service charges for the four services described below.

Miscellaneous Service Charges

<u>Type of Service</u>	<u>Sewer</u>
Initial Connection	\$ 15.00
Normal Connection	\$ 15.00
Violation Reconnection	Actual Cost
Premises Visit	\$ 10.00

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Initial Connection - This charge would be levied for service initiation at a location where service did not exist previously.

Normal Reconnect - This charge would be levied for transfer of service to a new customer account at a previously served location, or reinstatement of service subsequent to a customer-requested termination.

Violation Reconnection - This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

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

These charges should be effective for service rendered on or after the stamped approval date on the tariff sheet.

SERVICE AVAILABILITY CHARGES

The utility's current service availability policy provides for a plant capacity charge of \$1,500 per equivalent residential connection (ERC). We believe it appropriate to reduce the charge to \$950 per ERC or \$2.71 per gallon of reserved capacity. In order for the utility to serve new customers, it will have to add plant capacity. With this revised charge, upon build-out the level of CIAC will be at 75 percent, which is consistent with our rule.

ESCROW FUNDS

As previously stated, Order No. 20780 authorized a monthly flat rate of \$12 and an interim flat rate of \$14. The utility, as ordered, provided security for a possible refund by establishing an escrow account and depositing the revenue difference between the two rates into the account. Since the

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approved final revenue requirement exceeds the revenue produced by the interim rate, a refund is not necessary and the funds in the escrow account should be released if this Proposed Agency Action Order is not protested.

RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater 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 an unrecoverable loss of revenue to the utility.

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the service rates approved herein, on a temporary basis, subject to refund, provided that it furnishes security for such a potential refund. The security should either be a bond or letter of credit in the amount of \$18,000 or the utility may establish another escrow account with an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting.

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

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Three "S" Disposal, Inc., for an increase in its

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wastewater rates for its customers in Lee County is approved as set forth in the body of this Order. It is further

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

ORDERED that the provision of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.035, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 2, 1989. It is further

ORDERED that the utility is hereby authorized to charge the new rates and charges, effective as follows: the bi-monthly rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets and may be prorated, but in no event shall the rate be effective for service rendered prior to the stamped approval date on the tariff sheets; the miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets; and the service availability charges shall be effective for connections on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decisions herein, that the proposed customer notice is adequate and that the required security, if applicable, has been provided. It is further

ORDERED that the utility shall notify each customer of the increases authorized herein and explain the reason for the increases. The form of the notice and explanation shall be submitted to the Commission for prior approval. It is further

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

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

By ORDER of the Florida Public Service Commission this 12th date of JULY, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NSD

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action setting final rates and charges 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 at his office at

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101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 2, 1989. In the absence of such a petition, this order shall become effective August 3, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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

If the relevant portion of this order becomes final and effective on August 3, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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

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THREE "S" DISPOSAL, INC.
SEWER RATE BASE
TEST YEAR ENDED 8/31/88

SCHEDULE NO. 1(a)
DOCKET NO. 881276-SU

PAGE 1 OF 1

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 0	\$ 241,645	\$ 241,645
LAND/NON-DEPRECIABLE ASSETS	0	3,065	3,065
PLANT HELD FOR FUTURE USE	0	0	0
NON-USED AND USEFUL PLANT	0	0	0
CUSTOMER ADVANCES	0	0	0
C.I.A.C.	0	(171,391)	(171,391)
ACCUMULATED DEPRECIATION	0	(62,300)	(62,300)
NET ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0	56,297	56,297
WORKING CAPITAL ALLOWANCE	0	5,566	5,566
	-----	-----	-----
RATE BASE	\$0	\$72,882	\$72,882
	=====	=====	=====

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SCHEDULE NO. 1(b)
PAGE 1 OF 1

THREE "S" DISPOSAL, INC.
TEST YEAR ENDING 8/31/88
ADJUSTMENTS TO RATE BASE

SEWER

1. UTILITY PLANT IN SERVICE	
a.) Add plant per original cost study	\$146,735
b.) Add cost of drainfield	94,910

TOTAL ADJUSTMENT	\$241,645
	=====
2. LAND	
Add cost of land per original cost study	\$3,065
	=====
3. CONTRIBUTIONS IN AID OF CONSTRUCTION	
a.) Impute original cost of collection system	(120,772)
b.) Include connection fees for homes, collected by present owners, as additions to CIAC	(33,950)
c.) Include connection fees for condo, collected by present owners, as additions to CIAC	(18,900)
d.) 13 month average	2,231

TOTAL ADJUSTMENT	(\$171,391)
	=====
4. ACCUMULATED DEPRECIATION	
a.) Includes accumulated depreciation for original cost and plant additions	(66,126)
b.) 13 month average	3,826

TOTAL ADJUSTMENT	(\$62,300)
	=====
5. ACCUMULATED AMORTIZATION - CIAC	
a.) Includes amortization of CIAC for imputed CIAC and cash additions to CIAC	59,026
b.) 13 month average	(2,729)

TOTAL ADJUSTMENT	\$56,297
	=====
6. WORKING CAPITAL	
Working capital allowance as 1/8 of O & M expenses	5,566
	=====

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THREE "S" DISPOSAL, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 8/31/88

SCHEDULE NO. 2
 DOCKET NO. 881276-SU

	TEST YEAR BALANCES	COMMISSION ADJUSTMENTS TO BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$101,046	(\$28,164)	\$72,882	100.00%	10.81%	10.81%
SHORT TERM DEBT	0	0	\$0	0.00%	0.00%	0.00%
COMMON EQUITY	0	0	\$0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	\$0	0.00%	0.00%	0.00%
TOTAL	\$101,046	(\$28,164)	\$72,882	100.00%		10.81%

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THREE "S" DISPOSAL, INC.
 SEWER OPERATING STATEMENT
 TEST YEAR ENDING 8/31/88

SCHEDULE NO.3(a) PAGE 1 OF 1
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL.BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$32,748	(\$324)	\$32,424	\$25,250	\$57,674
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	49,382	(4,851)	44,531	0	44,531
DEPRECIATION	0	2,225	2,225	0	2,225
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	2,280	128	2,408	631	3,039
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$51,662	(\$2,498)	\$49,164	\$631	\$49,795
OPERATING INCOME/(LOSS)	(\$18,914)	\$2,174	(\$16,740)	\$24,619	\$7,879
=====					
RATE BASE	\$0		\$72,882		\$72,882
=====					
RATE OF RETURN	0.00%		-22.97%		10.81%
=====					

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SCHEDULE NO. 3(b)
PAGE 1 OF 2

THREE "S" DISPOSAL, INC.
TEST YEAR ENDING 8/31/88
ADJUSTMENTS TO OPERATING STATEMENT

SEWER

1. OPERATING REVENUE	
Match to billing analysis	(\$324)
	=====
2. O & M EXPENSES	
a.) Include staff calculated salary allowance	11,302
b.) Include sludge removal per engineer	7,800
c.) Adjust to amount per engineer	(30)
d.) Include repairs per engineer	958
e.) Includes office supplies per audit	965
f.) Includes chemicals per engineer	856
g.) Removes test year contractual services	(41,047)
h.) Includes contractual services per engineer	5,940
i.) Includes operator repairs per engineer	6,191
j.) Includes lawn care expense per engineer	665
k.) Includes testing expense per engineer	252
l.) Includes accounting fees per staff analyst	1,200
m.) Includes allocated rent for office	556
n.) Includes transportation per engineer	199
o.) Removes insurance on vehicle	(417)
p.) Amortizes filing fee over 4 years	38
q.) Removes test year computer expense	(2,000)
r.) Allocates computer expense to utility	451
s.) Includes purchased water per engineer	170
t.) Includes cost of billing BFC rates	300
u.) Allocates telephone expense to utility	800

TOTAL ADJUSTMENT	(\$4,851)
	=====
3. DEPRECIATION	
Includes depreciation at 3.17% rate	\$2,225
	=====
4. TAXES OTHER THAN INCOME	
a.) Removes loan cost from taxes other	(683)
b.) Matches regulatory assessment fees to adjusted revenue	811

TOTAL ADJUSTMENT	\$128
	=====

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SCHEDULE NO. 3(b)
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THREE "S" DISPOSAL, INC.
TEST YEAR ENDING 8/31/88
ADJUSTMENTS TO OPERATING STATEMENT

SEWER

5. OPERATING REVENUE	
Revenue increase to allow a 10.81% return on rate base	\$25,250
	=====
6. TAXES OTHER THAN INCOME	
Matches regulatory assessment fees to revenue increase	\$631
	=====

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 THREE "S" DISPOSAL, INC.
 SEWER O & M EXPENSES
 TEST YEAR ENDS 8/31/88

SCHEDULE NO. 3(C)
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ACCOUNT NO.	ACCOUNT TITLE	UTILITY BALANCE	COMMISSION ADJUSTMENT	COMMISSION BALANCE
703	SALARIES AND WAGES - OFFICERS	0	11,302	11,302
711	SLUDGE REMOVAL EXPENSE	0	7,800	7,800
715	PURCHASED POWER	4,330	(30)	4,300
720	MATERIALS AND SUPPLIES	1,134	2,779	3,913
730	CONTRACTUAL SERVICES	41,047	(26,799)	14,248
740	RENTS	0	556	556
750	TRANSPORTATION EXPENSE	101	199	300
755	INSURANCE EXPENSE	417	(417)	0
765	REGULATORY COMMISSION EXPENSE	0	38	38
775	MISCELLANEOUS EXPENSE	2,353	(279)	2,074
	TOTAL O & M EXPENSES	\$49,382	(\$4,851)	\$44,531

ORDER NO. 21535
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DOCKET NO. 881276-SU
 THREE "S" DISPOSAL, INC.
 SEWER PLANT
 TEST YEAR ENDS 8/31/88

SCHEDULE NO. 4
 PAGE 1 OF 1

ACCOUNT NO.	ACCOUNTS	Original Cost	Plant Additions	Total Plant and Land
351	Organization	1,150		1,150
353	Land	3,065		3,065
380	Treatment and Disposal Equipment	14,882	94,910	109,792
370	Receiving Wells	9,370		9,370
354	Structures and Improvements	561		561
361	Collection Sewers - Gravity	108,122		108,122
362	Special Collecting Structures	12,038		12,038
360	Collection Sewers - Force	612		612
TOTAL PLANT AND LAND		\$149,800	\$94,910	\$244,710