

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff- ) DOCKET NO. 940496-WS  
assisted rate case in Lake ) ORDER NO. PSC-95-0129-FOF-WS  
County by J. SWIDERSKI ) ISSUED: January 26, 1995  
UTILITIES, INC. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN EVENT OF PROTEST AND  
ORDER TO SHOW CAUSE

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein regarding our granting of increased rates and charges 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

J. Swiderski Utilities, Inc. (JSUI or Utility) is a Class C water and wastewater utility operating the Kings Cove systems in Lake County. The Kings Cove system serves approximately 147 water and 143 wastewater customers. On February 12, 1990, Mr. Joe Swiderski filed an application with this Commission for the transfer of assets from Kings Cove Utilities, Inc. to JSUI. Kings Cove was owned by the Citizens National Bank of Leesburg (CNB) who obtained the Utility as well as vacant land within the Kings Cove subdivision through foreclosure and operated the Utility pending a resale. Under a separate contract, Mr. Swiderski also purchased the lots within the Kings Cove Subdivision owned by CNB. The contract for the sale of the Utility contained the provision that closing would not occur until the transfer is approved by this Commission.

DOCUMENT NUMBER-DATE

00984 JAN 26 85

FPSC-RECORDS/REPORTING

The Commission found the transfer to be in the public interest, approved the transfer and amended JSUI's certificates to include the territory served by Kings Cove Utilities, Inc. by Order No. 23378, issued August 21, 1990. JSUI filed its Staff Assisted Rate Case (SARC) application on May 9, 1994, and has paid the appropriate filing fee. The official filing date was July 8, 1994.

We audited the utility's records and conducted a field investigation of the utility's water and wastewater plants and the service area. An in-house study of the utility's operation expenses, maps, files, and rate application was also done to obtain information about the physical plant and operating costs.

We selected a historical test year ended June 30, 1994. During that period, the utility's books reflected unaudited operating revenues for the Kings Cove system of \$33,072 for water and \$38,016 for wastewater. The Kings Cove system recorded unaudited net operating losses of \$8,664 for water and \$5,225 for wastewater.

Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District. The district has designated the region as a critical use area, thereby requiring water conservation methods to be implemented. The Kings Cove consumptive use permit has expired and the utility is now in the process of renewing the permit.

#### QUALITY OF SERVICE

A customer meeting was held on November 3, 1994, at the Leesburg Community Center in Leesburg, Florida. There were approximately 67 customers who attended the meeting. Of the thirty who spoke, fourteen customers addressed concerns over the quality of service. The problems brought up dealt with unsuitable chlorine levels in the water, taste and odor problems with the water, meter accuracy questions and house plumbing problems caused by aggressive water.

Five customers questioned meter accuracy. They were instructed to contact the utility about their consumption if they believe there is a problem. One Customer wanted to know the status of a meter replacement program that had been previously approved by the Commission. In a previous rate case, Docket No. 900988-WS, it was determined that the older meters in the service area, due to age, were in need of replacement. A meter replacement program, allowing for the replacement of eight meters at a total yearly expense of \$600 (\$75 x 8 meters), was allowed by Order No. 24941, issued August 20, 1991. The utility reported that since 1991, it has replaced an average of 14 meters a year. Given its history of meter replacement, we believe that this expense is still necessary

and an annual expense of \$1,050 (14 x \$75) per year shall be allowed.

Four customers complained that there is too much chlorine in the water, and one complained that there was too little. Records show that the amount of chlorine used for disinfection purposes is normal for the amount of water consumed. Although there could be flow fluctuations that could cause chlorine to be noticeable to the consumer, records indicate that chlorine residuals are within normal acceptable ranges.

Several customers complained that the water tasted bad and that it had an odor to it. There is an indication, based on customer response, that many of the customers actually purchase bottled water to drink. Our review of the most recent water analysis shows that the water is within the parameters established by the Department of Environmental Protection (DEP). Although the potable water produced by the utility is within acceptable limits, some water that is found in most of Florida has taste and odor to some extent. These type of complaints are not considered abnormal, but it is considered to be more of a aesthetic problem rather than a health problem.

One customer brought up concerns over irrigation of utility property in the common areas. Our review of this situation uncovered that the area adjacent to the water treatment plant, which is located at the entrance of the Kings Cove subdivision, is irrigated through an unbilled metered connection. This connection belongs to the developer. The developer of the property within the Kings Cove subdivision also owns the water and wastewater utility. This connection shall be treated as a general service connection. The consumption records of this connection indicate that a monthly average of 71,040 gallons is used through this 5/8 inch x 3/4 inch connection. We imputed \$733 of revenue to recognize this usage.

One customer complained about poor water pressure. We believe that more than the minimum pressure of 20 psi is provided. Since there was just one complaint, it appears that this is not a common problem. The utility appears to be providing for the most part, adequate pressure.

At least one customer had house plumbing problems and indicated that the utility's water had caused the problem. Apparently some of the older homes in the service area have problems with leaks occurring at pipe joints and elbows. We reviewed this problem and believe that the cause is due to wear and tear brought on by normal velocity changes that occur within the plumbing of the house itself. This problem appears not to be the responsibility of the utility.

Since there are no outstanding compliance problems with state or local health requirements, and the utility, in general, is providing adequate service, we find that the utility's quality of service is satisfactory.

#### RATE BASE

Our calculation of the appropriate rate base for the water system is depicted on Schedules Nos. 1 and 1-A. 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

The designed capacity of the Kings Cove water treatment plant is 240,000 gallons per day (gpd). The maximum daily flow that occurred during the test year is 168,940 gpd. Using 15,515 gpd for margin reserve and 120,000 gpd for needed fire flow, we find that the Kings Cove water treatment system is 100% used and useful.

##### Wastewater Treatment Plant

The Kings Cove wastewater treatment plant has a treatment capacity of 55,000 gpd. The average daily flow of the peak usage month during the test year is 17,400 gpd. Allowing 1,310 gpd for margin reserve calculations shows that the wastewater treatment plant is 28% used and useful. However, since the plant is built to accommodate the development using design flow criteria rather than actual flow data, we find it appropriate to base the used and useful determination on connections capacity rather than gallonage. Using 143 average test year connections, plus 13.5 connections for margin reserve, we find that the appropriate used and useful percentage is 79%.

##### Water Distribution and Wastewater Collection Systems

The capacity of the existing Kings Cove water distribution system is 165 equivalent residential connections (ERCs). The test year ERCs at Kings Cove were 147. Considering 13.5 ERCs for margin reserve, we find that the appropriate used and useful percentage for the water distribution system is 100%.

The capacity of the existing Kings Cove wastewater collection system is 143 ERCs. The test year average ERCs at Kings Cove were 143. Considering 13.5 ERCs for margin reserve, the used and useful percentage for wastewater collection system is 100%.

Test Year Rate Base

The appropriate components of the Kings Cove rate base include depreciable plant in service, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and working capital allowance. Plant, depreciation, and CIAC balances were determined as of December 31, 1990, in the utility's last staff-assisted rate case by Order No. 24941. Further adjustments are necessary to reflect test year changes, the used and useful determinations of our engineer, and pro forma plant. The utility has not maintained a general ledger. We utilized a check register and invoices in order to determine appropriate adjustments. A discussion of each component follows.

Depreciable Plant in Service

The Kings Cove water treatment facility has two wells, a 7,500 gallon hydropneumatic tank and a 20 KW backup generator. Vandalism to the backup generator damaged the automatic controls and repairs were made to make the generator capable of manual backup. Since automatic backup is a requirement of the DEP, we are including a \$3,475 pro forma adjustment for water and \$2,765 for wastewater to repair the automatic controls and bring the systems into compliance with DEP requirements.

The Kings Cove wastewater treatment facility has a designed capacity of 55,000 gpd with chlorinated effluent to dual percolation and evaporation ponds. To accommodate anticipated flows from a proposed 35 lot development to Kings Cove subdivision, the treatment facility was expanded in early 1994, from 35,000 gpd to its present capacity. In addition to the plant expansion, a flow equalization system was installed in early 1994 and is included in utility plant.

The utility plant balances reflected by Order No. 24941, are \$147,653 for water and \$200,081 for wastewater. We are increasing the plant in service to reflect \$9,511 for water plant additions and \$50,688 for wastewater plant additions up to the test year. This results in averaging decreases of \$502 for water and \$11,623 for wastewater, a decrease to reduce plant in service to recognize the "7th addition" not currently online in water by \$1,725, and wastewater by \$12,376. Decreases were also imposed to reclassify amounts recorded as contractual services in water by \$1,127 and wastewater by \$941, and to reclassify plant in service from unclassified disbursements in water by \$195.

After the above adjustments, we find that total plant in service is \$159,734 for water and \$230,476 for wastewater.

Non-Used and Useful Plant

Order No. 24941 found the King Cove's water and wastewater plant to be less than 100% used and useful, and accordingly, an adjustment was made for non-used and useful plant of \$4,347 for water and \$10,254 for wastewater.

To effect the change in the used and useful calculation for this utility, we increased the water system by \$4,347 to eliminate the used and useful adjustment made in the last rate case and an decreased the wastewater system's non-used and useful plant by \$12,979. Therefore, no non-used and useful adjustment for the water system is necessary, while we decreased the wastewater system by \$23,233.

Contributions in Aid of Construction

The CIAC balances reflected in Order No. 24941 are \$52,317 for water and \$106,036 for wastewater. We increased \$2,832 to the water rate base and \$7,493 to wastewater rate base to remove imputed margin reserve of CIAC allowed in Order No. 24941. Decreases were also made to reflect CIAC collected, water by \$5,330 and wastewater by \$7,670; CIAC undercollected and imputed, water by \$7,298 and wastewater by \$10,502; and increased an averaging adjustment in water by \$51 and wastewater by \$434.

Based on these adjustments, we find that the appropriate CIAC balances are \$62,062 for water and \$116,281 for wastewater.

Accumulated Depreciation

The accumulated depreciation balances reflected by Order No. 24941 are \$21,975 for water and a negative \$48,405 for wastewater. Additions up through the test year total \$16,026 for water and \$25,649 for wastewater. The following adjustments were made to Accumulated Depreciation: (a) increases to reflect averaging differences in water by \$3,153 and wastewater by \$5,925; (b) decreases to allow one year of depreciation on pro forma plant in water by \$124 and in wastewater by \$102; (c) an increase to adjust out depreciation related to non-used and useful plant in wastewater by \$6,610; (d) increases to adjust for accumulated depreciation related to the "7th Addition" future use plant in water by \$153 and in wastewater by \$1,406; (e) decreases to adjust depreciation for plant reclassified from contractual services in water by \$59 and in wastewater by \$16; and (f) a decrease to adjust depreciation for plant reclassified from unclassified disbursements in water by \$11. We calculated accumulated depreciation using the prescribed rates described in Rule 25-30.140, Florida Administrative Code.

Therefore, we find that the appropriate accumulated depreciation balances are \$34,889 for water and \$60,231 for wastewater.

#### Accumulated Amortization

The accumulated amortization balances reflected by Order No. 24941 are \$13,297 for water and \$33,300 for wastewater. Additions up to the test year total \$5,933 for water and \$12,022 for wastewater. Amortization of CIAC has been calculated using a composite rate of 3.98% for water and 4.60% for wastewater. An averaging adjustment of \$624 for water and \$1,457 for wastewater brings the total balances to \$18,606 for water and \$43,865 for wastewater.

#### Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense approach, the formula method, for calculating the working capital allowance. Applying that formula, the working capital allowance is \$3,760 for water and \$4,158 for wastewater.

#### Rate Base Summary

Based on the foregoing, we find the appropriate Kings Cove test year rate base balances are \$87,050 for water and \$92,068 for wastewater.

#### COST OF CAPITAL

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

#### Return on Equity

Based on our audit, the utility's capital structure includes mostly long-term debt at interest rates ranging from 7% to 11%. Using the current leverage formula approved by Order No. PSC-94-1051-FOF-WS, issued August 29, 1994, the rate of return on common equity is 11.34%.

Overall Rate of Return

Applying the weighted average method to the total capital structure yields an overall rate of return of 8.84% with a range of 8.83% to 8.85%.

NET OPERATING INCOME

Our calculation of net operating income for the water and wastewater systems is depicted on Schedule No. 3-A. Our adjustments are itemized on Schedule No. 3-B, Schedule No. 3-C, and Schedule No. 3-D. 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

The Kings Cove system recorded water revenues of \$33,072 and wastewater revenues of \$38,016 during the test period. A check of the test year billing analysis showed test year revenue to be understated by \$482 for water and \$836 for wastewater. In addition, revenue was imputed to recognize the water that is being used in a common area by the utility owner. The amount of this adjustment is \$733. Based on these adjustments, we find the appropriate test year operating revenues are \$34,287 for water and \$38,852 for wastewater.

Test Year Operating Expenses

The utility recorded operating expenses of \$41,736 for water and \$43,241 for wastewater. The utility's test year operating expenses have been traced to invoices. Based upon the application and our adjustments, we find that the utility's operating expenses are \$38,711 for water and \$43,476 for wastewater.

Operation and Maintenance Expenses(O & M)

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year cancelled checks for verification of the appropriate account, amount, and reasonableness.

1) Salaries and Wages - Employees - The utility recorded Employee Salaries and Wages of \$4,556 for water and \$4,556 for wastewater. The utility has two employees which consist of a customer service representative and an office manager. The customer service representative works 24 hours per week at \$7.25 per hour with her wages being split equally with the Kings Cove

system. Effective July 1, 1994, she received a raise to \$8.00 per hour which we included as pro forma.

The office manager works and receives a salary of \$4,500 per year. The office manager received a raise of \$700 per year to \$5,200 per year which we included in pro forma. To effect this adjustment, salaries and wages for both the water and wastewater systems have been increased by \$540.

2) Salaries and Wages - Officers - The utility recorded Officer Salaries and Wages of \$5,004 for water and \$5,004 for wastewater. Mr. Swiderski, as president of the utility, averages 10 hours per week at the plants and is paid \$18.75 per hour. A pro forma increase raised his wage to \$20.00 per hour which we included as pro forma. To effect this adjustment, salaries and wages for officers for both the water and wastewater systems have been increased by \$197.

3) Sludge Removal Expense - The utility recorded \$1,863 for sludge removal expense during the test year. We reclassified this amount from contractual services to sludge removal expense. Because of excessive solids lost in high flow surges, the utility installed a flow equalization system. Sludge removal expenses are expected to be significantly increased with this new system. Regular sludge hauling will be necessary every two months and our engineer estimates bi-monthly hauling of 6,200 gallons at \$558 will be necessary. Therefore, we increased the sludge removal expense by \$1,485.

4) Purchased Power - The utility recorded purchased power expense of \$4,455 for water and \$4,648 for wastewater during the test year. We decreased purchased power expense adjustment by \$129 for water and increased it by \$3 for wastewater to remove out of period expense and add end of period expenses payable.

5) Chemicals - The utility recorded no balance in this account for the test year. We reclassified \$110 of water and \$206 of wastewater chemical expense from contractual services to the chemicals account. We also adjusted \$330 of water chemical expense that was included in payables but not reflected in operating expense for the test period.

6) Materials and Supplies - The utility recorded materials and supplies expense of \$114 for water and \$30 for wastewater. We made an adjustment to reclassify \$202 of water contractual service expense to materials and supplies expense.

7) Contractual Services - The utility recorded contractual services expenses of \$10,970 for water, of which \$10,206 was for contractual services and \$764 for water testing. The utility

recorded contractual services expenses of \$12,811 for wastewater during the test year. We made adjustments to the water and wastewater contractual services account to: a) decrease out of period expense in water by \$2,050; b) decrease office expense by reclassifying it to miscellaneous expense in water by \$18; c) decrease to reclassify to plant in service in water by \$2,254 and in wastewater by \$941; d) remove non-utility expense in water by \$60; e) reclassify chemical expense in water by \$110 and in wastewater by \$206; f) decrease by reclassifying to material and supplies in water by \$202; g) decrease to reclassify ad valorem taxes to taxes other expense in water by \$512 and in wastewater by \$801; h) decrease future use plant "7th Addition" in wastewater by \$325; i) decrease expense that should have been paid by the sister utility (Summit Chase) in wastewater by \$256; j) decrease to reclassify contractual services to sludge hauling expense in wastewater by \$1,863; k) increase by reclassifying wastewater expense from unclassified disbursements by \$20; l) increase to reclassify contractual services from unclassified disbursements in water by \$1,427 and in wastewater by \$1,427; m) include end of period expenses included in accounts payable but not reflected in test year expense in water by \$1,069 and in wastewater by \$1,391; n) increase to reclassify meter reading costs included in unclassified disbursements in water by \$486; o) adjust for pro forma DEP required testing in water by \$1,430; and p) adjust for meter replacement costs in water by \$1,050.

Based on the above adjustments, we find it appropriate to increase contractual expenses for water by \$256 and to decrease wastewater contractual services by \$1,554.

8) Rents - The utility recorded \$1,318 in the water and \$1,318 in the wastewater rents account. We adjusted the rent expense by \$193 for water and \$193 for wastewater to reclassify taxes on rent from the unclassified disbursements account, to annualize an increase in rent expense, and to annualize the tax that will be applied against the pro forma increase in rent.

9) Transportation Expenses - The utility recorded no transportation expense in the water or wastewater account. We adjusted this expense by \$11 for water and \$11 for wastewater to reclassify expense from the sister utility (Summit Chase) for vehicle registration, \$22 for water and \$22 for wastewater to reclassify mileage expense from unclassified disbursements and \$102 for water and \$102 for wastewater for a pro forma increase to recognize gasoline expense. Therefore, the appropriate expense is \$135 for water and \$135 for wastewater.

10) Insurance Expense - The utility did not record any expense in this account during the test year. We made adjustments to: a) increase to reclassify insurance from the unclassified

disbursements account in water by \$744 and wastewater by \$744; b) remove \$243 of water and \$243 of out of period insurance expense; c) include pro forma insurance increase on Dakota pickup of \$13 for water and \$13 for wastewater; d) include \$314 of water and \$314 of wastewater pro forma liability insurance increase; and e) allow \$109 of water and \$109 of wastewater workers compensation insurance. Therefore, the appropriate expense for insurance is \$937 for water and \$937 for wastewater.

11) Regulatory Commission Expense - The utility did not record any expense in the water or wastewater regulatory commission expense account. We made an adjustment of \$125 for water and \$125 for wastewater to include the staff assisted rate case filing fee amortized over 4 years.

12) Miscellaneous Expense - The utility recorded \$337 of water and \$337 of wastewater miscellaneous expenses. We made adjustments to: a) increase water by \$166 and wastewater by \$166 by reclassifying miscellaneous expenses from the sister utility (Summit Chase) for the cost of an operating permit; b) annualize an increase in telephone expense of \$13 for water and \$13 for wastewater; c) delete \$105 of water and \$105 of wastewater non-recurring mobile phone bills; d) reclassify postage expense from unclassified disbursements, \$80 for water and \$88 for wastewater and e) include \$271 of water and \$271 of wastewater pro forma operating permit expense amortized over 3 years.

Total miscellaneous expense adjustments are \$433 for water and \$433 for wastewater. Therefore, the appropriate level for miscellaneous expense is \$770 for water and \$770 for wastewater.

13) Unclassified Disbursements - The utility recorded \$14,982 of water and \$14,537 of wastewater unclassified disbursements. We examined each of the charges in this account and reclassified, disallowed or transferred all expenses to their appropriate account to conform with NARUC.

Depreciation Expense (Net of Amortization of CIAC)

The utility recorded no water or wastewater depreciation expense during the test year. We made an adjustment of \$6,306 for water and \$11,849 for wastewater to reflect test period expense for depreciation, a decrease of \$45 for water and \$732 for wastewater to reflect future use plant (7th Addition), a decrease of \$1,034 for wastewater to reflect depreciation expense on non-used and useful plant, an increase of \$59 for water and \$16 for wastewater to reflect adjustment of depreciation on plant in service that was reclassified from contractual services, and an increase of \$11 for water for plant in service that was reclassified from unclassified disbursements. Applying the prescribed depreciation rates to the

appropriate used and useful plant in service account balances, and then offsetting that by applying the composite depreciation rates to the appropriate CIAC account balances yields the appropriate depreciation expense net of CIAC of \$3,843 for water and \$4,720 for wastewater during the test year.

Taxes Other Than Income Taxes

The utility recorded no water or wastewater taxes other than income in this account. We made adjustments to: 1) reclassify \$1,481 of water and \$1,738 of regulatory assessment fees from unclassified disbursements; 2) increase regulatory assessment fees by \$55 for water and \$38 for wastewater to match test year revenue; 3) reclassify \$1,640 of water and \$1,640 of wastewater payroll taxes from unclassified disbursements; 4) increase payroll taxes by \$73 for water and \$73 for wastewater to match recommended salaries; 5) reclassify \$512 of water and \$801 of wastewater ad valorem taxes from unclassified disbursements; 6) reclassify \$26 of water and \$172 of wastewater property taxes from unclassified disbursements; and 7) reclassify \$453 of water and \$453 of wastewater county taxes from unclassified disbursements. Therefore, we find that the appropriate amounts of taxes other than income are \$240 for water and \$4,915 for wastewater.

Operating Revenues

Revenues have been adjusted by \$12,120 for water and \$12,763 for wastewater to reflect the increase in revenue required to cover the allowed expenses and allow a reasonable rate of return on investment.

Taxes Other Than Income Taxes

This expense has been increased by \$545 for water and \$574 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary

Based on the foregoing, we find that the utility's test year operating expenses are \$38,711 for water and \$43,476 for wastewater.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$46,407 for water and \$51,615 for wastewater. This represents an annual increase in revenue of \$12,120 or 35.35% for water, and an annual increase of \$12,763 or 32.85% for wastewater.

These revenue requirements will allow the utility to recover its expenses and the opportunity to earn a 8.84% return on its investment.

RATES AND RATE STRUCTURE

The utility currently employs the base facility/gallorage charge rate structure for all customers. The Commission has a memorandum of understanding with the Florida Water Management Districts. This memorandum recognizes that a joint cooperative effort is necessary to implement an effective, state wide water conservation policy. Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District. The water management district has been notified that the utility has filed for a change in rates, but because there are no special water use conditions placed on the utility in the permit issued by the water management district, no particular restrictions that promote conservation are necessary at this time. Therefore, we do not find that it is necessary to change the rate structure.

We calculated a base facility/gallorage charge for water and wastewater customers based on test year data. The base facility/gallorage charge rate structure is the preferred rate structure because it is designed to enable customers to control costs. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the costs of providing service (through the consumption or gallorage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

Approximately 28% of the water revenue requirement and 27% of the wastewater revenue requirement are associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored ERCs. The remaining 72% of the water revenue requirement and 73% of the wastewater revenue requirement represent the consumption charge based on the estimated number of gallons consumed during the test period.

The utility's current and approved rates are shown below:

WATER RATES  
RESIDENTIAL AND GENERAL SERVICE

|                             | <u>Current Rates</u> | <u>Commission<br/>Approved<br/>Rates</u> |
|-----------------------------|----------------------|--|
| <u>Base Facility Charge</u> |                      |  |
| Meter sizes: 5/8" x 3/4"    | \$ 5.96              | \$ 7.36                                  |

|        |        |        |
|--------|--------|--------|
| 3/4"   | N/A    | 11.04  |
| 1"     | 14.90  | 18.40  |
| 1-1/2" | 29.83  | 36.80  |
| 2"     | 47.71  | 58.87  |
| 3"     | 95.42  | 117.75 |
| 4"     | 149.10 | 183.98 |
| 6"     | 298.17 | 367.96 |

|                         |        |         |
|-------------------------|--------|---------|
| <u>Gallorage Charge</u> |        |         |
| Per 1,000 gallons       | \$ .86 | \$ 1.18 |

WASTEWATER RATES

RESIDENTIAL SERVICE

|   | <u>Current Rates</u> | <u>Commission<br/>Approved<br/>Rates</u> |
|---|----------------------|--|
| <u>Base Facility Charge</u>               |                      |  |
| Meter sizes: 5/8" x 3/4"                  | \$ 6.49              | \$ 8.07                                  |
| 3/4"                                      | 6.49                 | 12.10                                    |
| 1"  | 6.49                 | 20.17                                    |
| 1-1/2"                                    | 6.49                 | 40.35                                    |
| 2"  | 6.49                 | 64.56                                    |
| 3"  | 6.49                 | 129.11                                   |
| 4"  | 6.49                 | 201.73                                   |
| 6"  | 6.49                 | 403.47                                   |
| <u>Gallorage Charge</u>                   |                      |  |
| Per 1,000 gallons<br>(10,000 gallon max.) | \$ 2.18              | \$ 2.83                                  |

GENERAL SERVICE

|                             | <u>Current Rates</u> | <u>Commission<br/>Approved<br/>Rates</u> |
|-----------------------------|----------------------|--|
| <u>Base Facility Charge</u> |                      |  |
| Meter sizes: 5/8" x 3/4"    | \$ 6.49              | \$ 8.07                                  |
| 3/4"                        | 6.49                 | 12.10                                    |
| 1"                          | 6.49                 | 20.17                                    |
| 1-1/2"                      | 6.49                 | 40.35                                    |
| 2"                          | 6.49                 | 64.56                                    |
| 3"                          | 6.49                 | 129.11                                   |
| 4"                          | 6.49                 | 201.73                                   |
| 6"                          | 6.49                 | 403.47                                   |
| <u>Gallorage Charge</u>     |                      |  |
| Per 1,000 gallons           | \$ 2.18              | \$ 2.83                                  |

The approved rates will 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 customers have received notice. 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 the notice. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event shall the rates be effective for service rendered prior to the stamped approval date.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

The statutory recovery period for rate case expense is four years. The appropriate annual reduction at the end of that period is \$131 for both the water system and the wastewater system.

Section 367.0816, Florida Statutes, provides that:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of four years. At the conclusion of the recovery period, the rate of public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The rate case expense incurred by the utility for this case is the filing fee and the gross-up for regulatory assessment fees. Based on the above mentioned statute, the appropriate recovery period for these expenses is four years which allows the utility to recover approximately \$131 per year for both the water and wastewater systems through its rates.

At the end of four years the utility's rates shall be reduced by \$131 annually for each system. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is an approximate rate reduction of \$.02 reduction for both systems in the base facility charge for a 5/8" X 3/4" meter. There shall be no

reduction in the gallonage charge for water service, and a \$.01 reduction in the gallonage charge for wastewater service.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also 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 the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water 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 protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis subject to refund provided that the utility first furnish and have approved by Commission staff, adequate security for a potential refund through a bond, letter of credit in the amount of \$17,178 for King's Cove, or an escrow account, a proposed customer notice, and revised tariff sheets.

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 a final Commission order is rendered, either approving or denying the rate increase.

If the 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 account.

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

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.

#### BOOKS AND RECORDS

During the test year, the utility's books were not maintained in conformity with the Uniform Systems of Accounts. Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

- 1) Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

We believe the utility has the expertise necessary to convert and maintain the utility's records in conformity with this rule. Therefore, the utility shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

#### WATER CONSERVATION

The Commission and the Florida Water Management Districts are working under a joint cooperative effort to implement an effective, statewide water conservation policy. Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District (SJRWMD). The district has designated the region as a critical use area, thereby requiring water conservation methods to be implemented. The water management district has been notified that the utility has filed for a change in rates and has responded that the Kings Cove systems have an expired consumptive use permit which the utility is presently renewing.

The average per household consumption for this utility is 15,540 gallons per month. Given the characteristics of the service territory this level of consumption is very high. At this time the SJRWMD has not required conservation measures to be implemented. Therefore, we believe that the best course is to monitor this utility's consumption through annual reports and not initiate more drastic conservation measures unless the SJRWMD requires it.

A review of the amount of water treated versus water consumed by the utility's customers during the test year shows the unaccounted for water at the Kings Cove system to be approximately 20%. The wastewater treatment facility uses potable water for the chlorination system. The meter at this facility has been out of service for an extended period of time. It is believed that the unaccounted for water situation would be significantly less if the wastewater facility was metered for its consumption. Therefore, the utility shall replace or repair the meter at this site within 90 days of the issuance of this Commission's Order.

#### SHOW CAUSE

JSUI was purchased in May, 1987, and received its certificates on June 27, 1988. JSUI bought the utility from a bank, who had been acting as receiver of the utility at the time. When JSUI purchased the utility, it received a customer list from the bank, and continued to serve these customers, until October 10, 1994. On

October 10, 1994, JSUI disconnected one of its customer's water service because the customer was allegedly located outside the utility's service area, and the customer could not provide a service contract agreement. We learned of this situation on October 16, 1994, when the customer first complained of the situation. We then informed the utility that the service should not have been disconnected because this circumstance did not constitute sufficient cause for refusal of service, and that the customer's service should be immediately reconnected. The utility refused to do so, and we repeatedly requested that service be reconnected to allow time for an investigation to take place to address the situation. The utility refused until we explained that the utility may be fined for its actions. On October 26, 1994, sixteen days after service was first disconnected, JSUI reconnected the customer's water service. It has been Commission practice on this matter that when a utility is taken over, the new owner accepts the utility and the existing customers on an "as is" basis. Therefore, since this customer was provided service by the prior owner, service should not have been interrupted when the new owner took over.

Based on our review of this information, it appears that the utility violated Rule 25-30.320, Florida Administrative Code, by unjustly disconnecting a customer's water service. While none of the evidence tends to show that the utility intended to violate this rule, we believe that its action was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL titled In re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., We stated that:

In our view, "willful" implies intent to do an act, and this is distinct from intent to violate a rule. In order to measure the intent of GTEFL, it is appropriate to examine its actions regarding: (1) the safeguards established to insure compliance with Commission rules; (2) the steps taken, or not taken, to halt destruction of documents sought by the Commission; (3) the systematic destruction of documents in violation of our Rule; and (4) the failure to seek an interpretation of the Rule in question prior to destroying documents. It is uncontroverted that GTEFL adopted a policy of destroying records and willfully implemented it. GTEFL's behavior in this instance appears to rise to the level of a "willful violation" of the Commission's Rule. Accordingly, such conduct warrants the imposition of a penalty.

In making a general comparison of these two cases, we believe that JSUI's actions rose to the level of a "willful violation," warranting a show cause order. As discussed in Order No. 24306, "willful" implies an intent to do an act. In order to measure the intent of JSUI, it is important to evaluate its actions regarding: (1) the safeguards established to insure compliance with Commission rules; (2) the steps taken, or not taken, to provide service as requested by the Commission staff; and (3) the disconnection of service in violation of the rule. It is uncontroverted that JSUI willfully disconnected service and willfully repeated not to reconnect service when the Commission staff requested it to do so. Accordingly, we believe that such conduct warrants initiation of show cause proceedings.

Therefore, JSUI shall show cause, in writing, within twenty days, why it should not be fined for disconnecting a customer's service in violation of Rule 25-30.320, Florida Administrative Code.

We have also learned through an engineering investigation that JSUI is providing service outside its certificated territory, which includes approximately 60% of the Kings Cove subdivision and the one customer we addressed previously, in violation of Section 367.045(2), Florida Statutes. Section 367.045(2), Florida Statutes states in part:

A utility may not delete or extend its service outside the area described in its certificate of authorization until it has obtained an amended certificate of authorization from the commission.

Based on our review of this information, it appears that the utility violated Section 367.045(2), Florida Statutes, by providing service to customers outside of its certificated territory.

In making a general comparison of this case and Order No. 23406, we believe that JSUI's actions do not rise to a level warranting a show cause order on this matter because of the existence of mitigating circumstances. When JSUI purchased the utility, it received a customer list and a legal description. It was JSUI's understanding that the bank, while acting as receiver, was serving customers in the legal description. Only recently did it learn that some customers might lie outside of its certificated territory. Accordingly, we believe that such conduct does not warrant a show cause order.

As detailed earlier, it was discussed that the utility had disconnected service to a customer of six years for not being able to provide a service contract agreement. We believe that this disconnection was unjustified, and believe that service should

continue to be supplied to this customer. Therefore, its territory should be extended to include this customer. As a result of reviewing the description of the utility's existing territory as certificated by the Commission, it was discovered that five of the eight sections to the Kings Cove subdivision, fall outside the certificated territory of the utility. This includes 127 lots, or over 60% of the platted Kings Cove subdivision.

Apparently the legal description of the utility has not changed since the original certificates were first issued to the utility by Order No. 10774, issued on May 5, 1982. The area described in that order included Section One, 1st and 2nd Additions to the Kings Cove subdivision. Since that time, the 3rd, 4th, 5th, and 6th Additions have been completed; and the 7th and final addition are currently in progress. Those additions are not in the utility's present territory description.

The utility shall file an application to amend its certificates to include the above mentioned additions as well as the customer that the utility had previously determined to be outside the platted area of the subdivision within 30 days of the issuance date of this Order. This docket shall remain open pending final resolution of the show cause matters.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that J. Swiderski Utilities, Inc.'s application for increased water and wastewater rates is approved 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 in every respect. It is further

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

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

ORDERED that J. Swiderski 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 notice. It is further

ORDERED that J. Swiderski Utilities, Inc. shall provide proof that the customers have received notice within 10 days of the date of the notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, J. Swiderski Utilities, Inc. shall submit and have approved a proposed customer notice to its customers of the increased rates and charges and reasons therefor. The notice will be approved upon our staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, J. Swiderski Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$17,178 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, J. Swiderski Utilities, Inc. 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 University Oaks Water System, Inc. has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, J. Swiderski Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that J. Swiderski Utilities, Inc. shall submit monthly reports as set forth in the body of this Order. 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 J. Swiderski Utilities, Inc. shall show cause, in writing, within twenty days why it should not be fined for violation of Rule 25-30.320, Florida Administrative Code. It is further

ORDERED that J. Swiderski Utilities, Inc.'s written response must be received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the close of business on February 15, 1995. It is further

ORDERED that J. Swiderski Utilities, Inc.'s response must contain specific allegations of fact and law. It is further

ORDERED that J. Swiderski Utilities, Inc.'s opportunity to file a written response shall constitute its opportunity to be heard prior to final determination of noncompliance and assessment of a penalty to be determined by this Commission. It is further

ORDERED that a failure to file a timely response to this show cause order shall constitute an admission of the facts alleged in the body of this Order and a waiver of any right to a hearing. It is further

ORDERED that, in the event that J. Swiderski Utilities, Inc. files a written response which raises material questions of fact and requests a hearing pursuant to Section 120.57, Florida Statutes, further proceedings may be scheduled before a final determination on these matters is made. It is further

ORDERED that if the utility fails to timely respond to the show cause, a penalty shall be imposed without further action by this Commission. It is further

ORDERED that J. Swiderski Utilities, Inc. shall file an application for an amendment of territory as set forth in this Order within 30 days of the issuance date of this Order. It is further

ORDERED that the provision of this Order, regarding our granting of increased rates and charges is 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 of the Division of Records and Reporting at 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that J. Swiderski Utilities, Inc. shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that, if no timely protest is received from a substantially affected person, the letter of credit may be released. It is further

ORDERED by the Florida Public Service Commission that this docket shall remain open pending final resolution of the show cause matters.

ORDER NO. PSC-95-0129-FOF-WS  
DOCKET NO. 940496-WS  
PAGE 24

By ORDER of the Florida Public Service Commission, this 26th  
day of January, 1995.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

MSN

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 granting increased 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 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 16, 1995. such a petition, this order shall become effective on the date 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 the relevant portion of this order becomes final and effective on the date described above, 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 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.

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 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 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.

J. SWIDERSKI UTILITIES, INC.  
 KINGS COVE SYSTEM  
 TEST YEAR ENDING JUNE 30, 1994  
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1  
 DOCKET NO. 940496-WS

|  | <u>BALANCE PER<br/>COMMISSION<br/>ORDER #24941</u> | <u>COMM. ADJUST.<br/>TO UTIL. BAL.</u> |   | <u>BALANCE<br/>PER COMM.</u>   |
|--|--|--|---|--|
| UTILITY PLANT IN SERVICE               | \$147,653  | \$12,081                               | A | \$159,734  |
| LAND/NON-DEPRECIABLE ASSETS            | 1,901  | 0                                      | B | 1,901  |
| PLANT HELD FOR FUTURE USE              | 0  | 0                                      |   | 0  |
| NON-USED AND USEFUL PLANT              | (4,347)  | 4,347                                  | C | 0  |
| CWIP                                   | 0  | 0                                      |   | 0  |
| CIAC                                   | (52,317)   | (9,745)                                | D | (62,062)   |
| ACCUMULATED DEPRECIATION               | (21,975)   | (12,914)                               | E | (34,889)   |
| AMORTIZATION OF ACQUISITION ADJUSTMENT | 0  | 0                                      |   | 0  |
| AMORTIZATION OF CIAC                   | 13,297   | 5,309                                  | F | 18,606   |
| WORKING CAPITAL ALLOWANCE              | <u>2,916</u>                                       | <u>844</u>                             | G | <u>3,760</u>   |
| WATER RATE BASE                        | \$87,128   | (\$78)                                 |   | <span style="border: 1px solid black; padding: 2px;">\$87,050</span> |

J. SWIDERSKI UTILITIES, INC.  
KINGS COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-A  
DOCKET NO. 940496-WS

|  | BALANCE PER<br>COMMISSION<br>ORDER #24941 | COMM. ADJUST.<br>TO UTIL. BAL. |   | BALANCE<br>PER COMM.   |
|--|---|--------------------------------|---|--|
| UTILITY PLANT IN SERVICE               | \$200,081                                 | \$30,395                       | A | \$230,476  |
| LAND/NON-DEPRECIABLE ASSETS            | 13,314                                    | 0                              | B | 13,314   |
| PLANT HELD FOR FUTURE USE              | 0   | 0                              |   | 0  |
| NON-USED AND USEFUL PLANT              | (10,254)                                  | (12,979)                       | C | (23,233)   |
| CWIP                                   | 0   | 0                              |   | 0  |
| CIAC                                   | (106,036)                                 | (10,245)                       | D | (116,281)  |
| ACCUMULATED DEPRECIATION               | (48,405)                                  | (11,826)                       | E | (60,231)   |
| AMORTIZATION OF ACQUISITION ADJUSTMENT | 0   | 0                              |   | 0  |
| AMORTIZATION OF CIAC                   | 33,300                                    | 10,565                         | F | 43,865   |
| WORKING CAPITAL ALLOWANCE              | <u>2,650</u>                              | <u>1,508</u>                   | G | <u>4,158</u>   |
| WASTEWATER RATE BASE                   | \$84,650                                  | \$7,418                        |   | <span style="border: 1px solid black; padding: 2px;">\$92,068</span> |

J. SWIDERSKI UTILITIES, INC.  
KINGS COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-B  
DOCKET NO. 940496-WS

|  | WATER              | WASTEWATER         |
|--|--------------------|--------------------|
| <b>A. UTILITY PLANT IN SERVICE</b>   |                    |                    |
| 1. To add plant since 12/31/90.  | \$ 9,511           | \$ 50,688          |
| 2. To reflect averaging adjustment   | (502)              | (11,623)           |
| 3. To adj. out future use plant (7th addition)                             | (1,725)            | (12,376)           |
| 4. To reclassify from contractual services                                 | 1,127              | 941                |
| 5. To reclassify pis from unclassified disbursements                       | 195                | 0                  |
| 6. To reflect pro forma plant additions                                    | 3,475              | 2,765              |
|  | <u>\$ 12,081</u>   | <u>\$ 30,395</u>   |
| <b>B. LAND</b>   |                    |                    |
| 1. To add plant since 12/31/90.  | \$ 75              | \$ 75              |
| 2. To adj. out future use plant (7th addition)                             | (75)               | (75)               |
|  | <u>\$ 0</u>        | <u>\$ 0</u>        |
| <b>C. NON-USED AND USEFUL PLANT</b>  |                    |                    |
| 1. To adj. for non-used and useful plant                                   | <u>\$ 4,347</u>    | <u>\$ (12,979)</u> |
| <b>D. CIAC</b>   |                    |                    |
| 1. To remove margin reserve allowed in Order # 24941                       | \$ 2,832           | \$ 7,493           |
| 2. To adj. for CIAC collected since last rate case                         | (5,330)            | (7,670)            |
| 3. To impute CIAC authorized but not collected since last rate case        | (7,298)            | (10,502)           |
| 4. To reflect averaging adjustment   | 51                 | 434                |
|  | <u>\$ (9,745)</u>  | <u>\$ (10,245)</u> |
| <b>E. ACCUMULATED DEPRECIATION</b>   |                    |                    |
| 1. To add depreciation expense from 12/31/90 to 6/30/94                    | \$ (16,026)        | \$ (25,649)        |
| 2. To reflect averaging adjustment   | 3,153              | 5,925              |
| 3. To reflect 1 year depreciation for pro forma                            | (124)              | (102)              |
| 4. To adj. out accumulated depreciation on nuu pis                         | 0                  | 6,610              |
| 5. To adj. out accumulated depreciation on future use plant (7th addition) | 153                | 1,406              |
| 6. To adj. acc. depr. for pis reclassified from contractual services       | (59)               | (16)               |
| 7. To adj. acc. depr. for pis reclassified from unclassified disbursements | (11)               | 0                  |
|  | <u>\$ (12,914)</u> | <u>\$ (11,826)</u> |
| <b>F. AMORTIZATION OF CIAC</b>   |                    |                    |
| 1. To add amortization since 12/31/90                                      | \$ 5,933           | \$ 12,022          |
| 2. To reflect averaging adjustment   | (624)              | (1,457)            |
|  | <u>\$ 5,309</u>    | <u>\$ 10,565</u>   |
| <b>G. WORKING CAPITAL ALLOWANCE</b>  |                    |                    |
| 1. To reflect 1/8 of test year O & M expenses                              | <u>\$ 844</u>      | <u>\$ 1,508</u>    |

J. SWIDERSKI UTILITIES, INC.  
 KINGS COVE SYSTEM  
 TEST YEAR ENDING JUNE 30, 1994  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 940496-WS

|                   | PER UTILITY | COMM. ADJUST.<br>TO UTIL. BAL. | BALANCE<br>PER COMM. | PERCENT<br>OF TOTAL | COST   | WEIGHTED<br>COST |
|-------------------|-------------|--------------------------------|----------------------|---------------------|--------|------------------|
| LONG-TERM DEBT    | \$ 26,650   | \$ (12,354)                    | \$ 14,296            | 7.98%               | 11.00% | 0.88%            |
| LONG-TERM DEBT    | 8,800       | (4,079)                        | 4,721                | 2.64%               | 10.00% | 0.26%            |
| LONG- TERM DEBT   | 16,700      | (7,741)                        | 8,959                | 5.00%               | 9.50%  | 0.48%            |
| LONG-TERM DEBT    | 154,815     | (71,766)                       | 83,049               | 46.37%              | 8.50%  | 3.94%            |
| LONG-TERM DEBT    | 9,803       | (4,544)                        | 5,259                | 2.94%               | 8.00%  | 0.23%            |
| LONG-TERM DEBT    | 8,500       | (3,940)                        | 4,560                | 2.55%               | 7.50%  | 0.19%            |
| LONG-TERM DEBT    | 1,050       | (487)                          | 563                  | 0.31%               | 7.00%  | 0.02%            |
| LONG-TERM DEBT    | 103,500     | (47,978)                       | 55,522               | 31.00%              | 8.75%  | 2.71%            |
| EQUITY            | 3,051       | (1,414)                        | 1,637                | 0.91%               | 11.34% | 0.10%            |
| PREFERRED STOCK   | 0           | 0                              | 0                    | 0.00%               | 0.00%  | 0.00%            |
| CUSTOMER DEPOSITS | 1,032       | (478)                          | 554                  | 0.31%               | 6.00%  | 0.02%            |
| TOTAL             | \$ 333,901  | \$ (154,782)                   | \$ 179,119           | 100.00%             |        | 8.84%            |

| <u>RANGE OF REASONABLENESS</u> | <u>LOW</u> | <u>HIGH</u> |
|--------------------------------|------------|-------------|
| RETURN ON EQUITY               | 10.34%     | 12.34%      |
| OVERALL RATE OF RETURN         | 8.83%      | 8.85%       |

J. SWIDERSKI UTILITIES, INC.  
KING'S COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3  
DOCKET NO. 940496-WS

|                           | TEST YEAR<br>PER UTILITY | COMM. ADJ.<br>TO UTILITY | COMM.<br>ADJUSTED<br>TEST YEAR | ADJUST.<br>FOR<br>INCREASE | TOTAL<br>PER COMM. |
|---------------------------|--------------------------|--------------------------|--------------------------------|----------------------------|--------------------|
| OPERATING REVENUES        | \$ 33,072                | \$ 1,215                 | \$ 34,287                      | \$ 12,120 E                | \$ 46,407          |
| OPERATING EXPENSES        |                          |                          |                                |                            |                    |
| OPERATION AND MAINTENANCE | 41,736                   | (11,653) A               | 30,083                         | 0                          | 30,083             |
| DEPRECIATION              | 0                        | 6,331 B                  | 6,331                          | 0                          | 6,331              |
| AMORTIZATION              | 0                        | (2,488) C                | (2,488)                        | 0                          | (2,488)            |
| TAXES OTHER THAN INCOME   | 0                        | 4,240 D                  | 4,240                          | 545 F                      | 4,785              |
| INCOME TAXES              | 0                        | 0                        | 0                              | 0                          | 0                  |
| TOTAL OPERATING EXPENSES  | \$ 41,736                | \$ (3,570)               | \$ 38,166                      | \$ 545                     | \$ 38,711          |
| OPERATING INCOME / (LOSS) | \$ (8,664)               |                          | \$ (3,879)                     |                            | \$ 7,695           |
| WATER RATE BASE           | \$ 87,128                |                          | \$ 87,050                      |                            | \$ 87,050          |
| RATE OF RETURN            | N/A                      |                          | -4.46%                         |                            | 8.84%              |

J. SWIDERSKI UTILITIES, INC.  
KINGS COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-A  
DOCKET NO. 940496-WS

|                           | TEST YEAR<br>PER UTILITY | COMM. ADJ.<br>TO UTILITY | COMM.<br>ADJUSTED<br>TEST YEAR | ADJUST.<br>FOR<br>INCREASE | TOTAL<br>PER COMM. |
|---------------------------|--------------------------|--------------------------|--------------------------------|----------------------------|--------------------|
| OPERATING REVENUES        | \$ 38,016                | \$ 836                   | \$ 38,852                      | \$ 12,763 E                | \$ 51,615          |
| OPERATING EXPENSES        |                          |                          |                                |                            |                    |
| OPERATION AND MAINTENANCE | 43,241                   | (9,974) A                | 33,267                         | 0                          | 33,267             |
| DEPRECIATION              | 0                        | 10,099 B                 | 10,099                         | 0                          | 10,099             |
| AMORTIZATION              | 0                        | (5,379) C                | (5,379)                        | 0                          | (5,379)            |
| TAXES OTHER THAN INCOME   | 0                        | 4,915 D                  | 4,915                          | 574 F                      | 5,489              |
| INCOME TAXES              | 0                        | 0                        | 0                              | 0                          | 0                  |
| TOTAL OPERATING EXPENSES  | \$ 43,241                | \$ (339)                 | \$ 42,902                      | \$ 574                     | \$ 43,476          |
| OPERATING INCOME / (LOSS) | \$ (5,225)               |                          | \$ (4,050)                     |                            | \$ 8,139           |
| WASTEWATER RATE BASE      | \$ 84,650                |                          | \$ 92,068                      |                            | \$ 92,068          |
| RATE OF RETURN            | N/A                      |                          | -4.40%                         |                            | 8.84%              |

J. SWIDERSKI UTILITIES, INC.  
KINGS COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B (Sheet 1 of 2)  
DOCKET NO. 940496-WS

| <u>REVENUE</u>  | <u>WATER</u>    | <u>WASTEWATER</u> |
|---|-----------------|-------------------|
| a. To increase revenue per reported production totals                 | 482             | 836               |
| b. To impute revenue for water used in common areas                   | 733             | 0                 |
|   | <u>\$ 1,215</u> | <u>\$ 836</u>     |
| <br>  |                 |                   |
| <b>A. OPERATION AND MAINTENANCE EXPENSES</b>                          |                 |                   |
| <u>1. Salaries and Wages (Employees)</u>                              |                 |                   |
| a. To increase employee salaries to pro forma amount                  | <u>\$ 540</u>   | <u>\$ 540</u>     |
| <br>  |                 |                   |
| <u>2. Salaries and Wages (Officers)</u>                               |                 |                   |
| a. To increase officer salary to pro forma amount                     | <u>\$ 197</u>   | <u>\$ 197</u>     |
| <br>  |                 |                   |
| <u>3. Sludge Removal Expense</u>                                      |                 |                   |
| a. To allow pro forma sludge removal expense                          | 0               | 1,485             |
| b. To reclassify sludge hauling expense from contractual services     | 0               | 1,863             |
|   | <u>\$ 0</u>     | <u>\$ 3,348</u>   |
| <br>  |                 |                   |
| <u>4. Purchased Power</u>   |                 |                   |
| a. To remove out of period expense & add pro forma expense            | <u>\$ (129)</u> | <u>\$ 3</u>       |
| <br>  |                 |                   |
| <u>5. Chemicals</u>   |                 |                   |
| a. To reclassify chemical expense from contractual services           | 110             | 206               |
| b. To adj. for end of period chemical expense included in payables    | 330             | 0                 |
|   | <u>\$ 440</u>   | <u>\$ 206</u>     |
| <br>  |                 |                   |
| <u>6. Materials and Supplies</u>                                      |                 |                   |
| a. To reclassify material expense from contractual services           | 202             | 0                 |
|   | <u>\$ 202</u>   | <u>\$ 0</u>       |
| <br>  |                 |                   |
| <u>7. Contractual Services</u>  |                 |                   |
| a. To remove out of test year expense                                 | (2,050)         | 0                 |
| b. To reclassify office expense to miscellaneous expense account      | (18)            | 0                 |
| c. To reclassify to plant in service                                  | (2,254)         | (941)             |
| d. To remove non-utility expense                                      | (60)            | 0                 |
| e. To reclassify to chemical expense                                  | (110)           | (206)             |
| f. To reclassify expense to materials and supplies                    | (202)           | 0                 |
| g. To reclassify ad valorem tax expense to taxes other                | (512)           | (801)             |
| h. To remove future use plant (7th addition)                          | 0               | (325)             |
| i. To transfer expense to Summit Chase system                         | 0               | (256)             |
| j. To reclassify contractual services to sludge hauling expense       | 0               | (1,863)           |
| k. To reclassify sewer expense from unclassified disbursements        | 0               | 20                |
| l. To reclassify contractual services from unclassified disbursements | 1,427           | 1,427             |
| m. To include end of period expenses included in accounts payable     | 1,069           | 1,391             |
| n. To reclassify meter reading from unclassified disbursements        | 486             | 0                 |
| o. To adjust for pro forma DEP required testing                       | 1,430           | 0                 |
| p. To adjust for meter replacement costs                              | 1,050           | 0                 |
|   | <u>\$ 256</u>   | <u>\$ (1,554)</u> |
| <br>  |                 |                   |
| <u>8. Rents</u>   |                 |                   |
| a. To reclassify taxes on rent from unclassified disbursements        | 92              | 92                |
| b. To annualize increase in rent                                      | 92              | 92                |
| c. To annualize tax applied on rent                                   | 9               | 9                 |
|   | <u>\$ 193</u>   | <u>\$ 193</u>     |
| <br>  |                 |                   |
| <u>9. Transportation Expenses</u>                                     |                 |                   |
| a. To transfer expense from Summit Chase for vehicle registration     | 11              | 11                |
| b. To reclassify mileage expense from unclassified disbursements      | 22              | 22                |
| c. To include pro forma gasoline expense                              | 102             | 102               |
|   | <u>\$ 135</u>   | <u>\$ 135</u>     |
| <br>  |                 |                   |
| <u>10. Insurance Expense</u>  |                 |                   |
| a. To reclassify insurance expense from unclassified disbursements    | 744             | 744               |
| b. To remove out of period insurance                                  | (243)           | (243)             |
| c. To include pro forma insurance increase on Dakota pickup           | 13              | 13                |
| d. To include pro forma liability insurance increase                  | 314             | 314               |
| e. To include proforma adj. for workmen's comp. insurance             | 109             | 109               |
|   | <u>\$ 937</u>   | <u>\$ 937</u>     |

J. SWIDERSKI UTILITIES, INC.  
KINGS COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B (Sheet 2 of 2)  
DOCKET NO. 940496-WS

|  |                    |                    |
|--|--------------------|--------------------|
| 11. Regulatory Commission Expense  |                    |                    |
| a. To include rate case expense amortized over 4 years   | \$ 125             | \$ 125             |
| 12. Miscellaneous Expenses   |                    |                    |
| a. To reclassify miscellaneous expenses from Summit Chase for op. permit                           | 166                | 166                |
| b. To annualize telephone expense increase   | 13                 | 13                 |
| c. To delete non recurring mobile phone bills  | (105)              | (105)              |
| d. To reclassify postage expense from unclassified disbursements                                   | 88                 | 88                 |
| e. To adjust for engineering costs related to obtaining operating permit                           | 271                | 271                |
|  | <u>\$ 433</u>      | <u>\$ 433</u>      |
| 13. Unclassified disbursements   |                    |                    |
| a. To remove out of period meter reading   | (40)               | 0                  |
| b. To reclassify meter reading to contractual services   | (486)              | 0                  |
| c. Reclassify loan payments to balance sheet   | (7,926)            | (7,926)            |
| d. Reclassify insurance expense to insurance account   | (744)              | (744)              |
| e. To reclassify tax on rent to rent expense   | (92)               | (92)               |
| f. Reclassify payroll taxes to taxes other than income   | (1,640)            | (1,640)            |
| g. Reclassify property taxes to taxes other than income  | (26)               | (172)              |
| h. Reclassify county taxes to taxes other than income  | (453)              | (453)              |
| i. To remove non-used and useful plant in service (7th addition)                                   | (125)              | (124)              |
| j. To reclassify to contractual services   | 0                  | (20)               |
| k. Reclassify regulatory assessment fees to taxes other than income                                | (1,481)            | (1,738)            |
| l. Reclassify mileage expense to transportation expense  | (22)               | (22)               |
| m. Reclassify postage expense to miscellaneous expense   | (88)               | (88)               |
| n. To reclassify to contractual services   | (1,427)            | (1,427)            |
| o. To reclassify meters to pis   | (390)              | 0                  |
| p. To remove amounts paid as a donation  | 0                  | (48)               |
| q. To remove non-utility expense   | (42)               | (43)               |
|  | <u>\$ (14,982)</u> | <u>\$ (14,537)</u> |
| TOTAL O & M ADJUSTMENTS  | <u>\$ (11,653)</u> | <u>\$ (9,974)</u>  |
| <b>B. DEPRECIATION EXPENSE</b>   |                    |                    |
| 1. To adj. depr. expense per NARUC rates   | 6,306              | 11,849             |
| 2. To adj. out depr. expense on future use plant (7th addition)                                    | (45)               | (732)              |
| 3. To adj. out depr. expense on nuu pis  | 0                  | (1,034)            |
| 4. To adj. depr. expense for pis reclassified from contractual services                            | 59                 | 16                 |
| 5. To adj. depr. expense for pis reclassified from unclassified disbursements                      | 11                 | 0                  |
|  | <u>\$ 6,331</u>    | <u>\$ 10,099</u>   |
| <b>C. AMORTIZATION EXPENSE</b>   |                    |                    |
| 1. To reflect 1 year amortization expense  | <u>\$ (2,488)</u>  | <u>\$ (5,379)</u>  |
| <b>D. TAXES OTHER THAN INCOME</b>  |                    |                    |
| 1. To reclassify regulatory assessment fees from unclassified disbursements                        | 1,481              | 1,738              |
| 2. To reflect regulatory assessment fees on test year revenue                                      | 55                 | 38                 |
| 3. To reclassify payroll tax from unclassified disbursements                                       | 1,640              | 1,640              |
| 4. To adjust payroll taxes to recommended salaries   | 73                 | 73                 |
| 5. To reclassify ad valorem taxes from contractual services  | 512                | 801                |
| 6. To reclassify property taxes from unclassified disbursements                                    | 26                 | 172                |
| 7. To reclassify county taxes from unclassified disbursements                                      | 453                | 453                |
|  | <u>\$ 4,240</u>    | <u>\$ 4,915</u>    |
| <b>E. OPERATING REVENUES</b>   |                    |                    |
| 1. To reflect COMM.'s recommended increase in revenue  | <u>\$ 12,120</u>   | <u>\$ 12,763</u>   |
| <b>F. TAXES OTHER THAN INCOME</b>  |                    |                    |
| 1. To reflect additional regulatory assessment fee associated with recommended revenue requirement | <u>\$ 545</u>      | <u>\$ 574</u>      |

J. SWIDERSKI UTILITIES, INC.  
KINGS COVE SYSTEM  
TEST YEAR ENDING JUNE 30, 1994  
ANALYSIS OF WATER OPERATION AND  
MAINTENANCE EXPENSE

SCHEDULE NO. 3-C  
DOCKET NO. 940496-WS

|                                      | <u>TOTAL<br/>PER UTIL.</u> | <u>COMM.<br/>ADJUST.</u> |      | <u>TOTAL<br/>PER COMM.</u> |
|--------------------------------------|----------------------------|--------------------------|------|----------------------------|
| (601) SALARIES AND WAGES - EMPLOYEES | \$ 4,556                   | \$ 540                   | [1]  | 5,096                      |
| (603) SALARIES AND WAGES - OFFICERS  | 5,004                      | 197                      | [2]  | 5,201                      |
| (604) EMPLOYEE PENSIONS AND BENEFITS | 0                          | 0                        |      | 0                          |
| (610) PURCHASED WATER                | 0                          | 0                        |      | 0                          |
| (615) PURCHASED POWER                | 4,455                      | (129)                    | [4]  | 4,326                      |
| (616) FUEL FOR POWER PRODUCTION      | 0                          | 0                        |      | 0                          |
| (618) CHEMICALS                      | 0                          | 440                      | [5]  | 440                        |
| (620) MATERIALS AND SUPPLIES         | 114                        | 202                      | [6]  | 316                        |
| (630) CONTRACTUAL SERVICES           | 10,206                     | (1,174)                  | [7]  | 9,032                      |
| DEP REQUIRED TESTING                 | 764                        | 1,430                    |      | 2,194                      |
| (640) RENTS                          | 1,318                      | 193                      | [8]  | 1,511                      |
| (650) TRANSPORTATION EXPENSE         | 0                          | 135                      | [9]  | 135                        |
| (655) INSURANCE EXPENSE              | 0                          | 937                      | [10] | 937                        |
| (655) REGULATORY COMMISSION EXPENSE  | 0                          | 125                      | [11] | 125                        |
| (670) BAD DEBT EXPENSE               | 0                          | 0                        |      | 0                          |
| (675) MISCELLANEOUS EXPENSES         | 337                        | 433                      | [12] | 770                        |
| UNCLASSIFIED DISBURSEMENTS           | 14,982                     | (14,982)                 | [13] | 0                          |
|                                      | <u>\$ 41,736</u>           | <u>\$ (11,653)</u>       |      | <u>\$ 30,083</u>           |

J. SWIDERSKI UTILITIES, INC.  
 KINGS COVE SYSTEM  
 TEST YEAR ENDING JUNE 30, 1994  
 ANALYSIS OF WASTEWATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-D  
 DOCKET NO. 940496-WS

|  | TOTAL<br>PER UTIL. | COMM.<br>ADJUST. |      | TOTAL<br>PER COMM. |
|--|--------------------|------------------|------|--------------------|
| (701) SALARIES AND WAGES - EMPLOYEES               | \$ 4,556           | \$ 540           | [1]  | 5,096              |
| (703) SALARIES AND WAGES - OFFICERS                | 5,004              | 197              | [2]  | 5,201              |
| (704) EMPLOYEE PENSIONS AND BENEFITS               | 0                  | 0                |      | 0                  |
| (710) PURCHASED SEWAGE TREATMENT<br>SLUDGE REMOVAL | 0                  | 0                |      | 0                  |
| (715) PURCHASED POWER                              | 4,648              | 3,348            | [3]  | 3,348              |
| (716) FUEL FOR POWER PRODUCTION                    | 0                  | 3                | [4]  | 4,651              |
| (718) CHEMICALS                                    | 0                  | 0                |      | 0                  |
| (720) MATERIALS AND SUPPLIES                       | 30                 | 206              | [5]  | 206                |
| (730) CONTRACTUAL SERVICES                         | 12,811             | 0                | [6]  | 30                 |
| (740) RENTS  | 1,318              | (1,554)          | [7]  | 11,257             |
| (750) TRANSPORTATION EXPENSE                       | 0                  | 193              | [8]  | 1,511              |
| (755) INSURANCE EXPENSE                            | 0                  | 135              | [9]  | 135                |
| (765) REGULATORY COMMISSION EXPENSES               | 0                  | 937              | [10] | 937                |
| (770) BAD DEBT EXPENSE                             | 0                  | 125              | [11] | 125                |
| (775) MISCELLANEOUS EXPENSES                       | 337                | 0                |      | 0                  |
| UNCLASSIFIED DISBURSEMENTS                         | 14,537             | 433              | [12] | 770                |
|  | \$ 43,241          | \$ (14,537)      | [13] | 0                  |
|  |                    |                  |      | \$ 33,267          |