Docket No. 960329-WS
Gulf Utility Company

GULF UTILITY COMPANY

REBUTTAL TESTIMONY OF CAROLYN B. ANDREWS

STAFF AUDIT REPORT

Q. Have you reviewed the Gulf Utility Company Audit Report prepared by Yen Ngo, Audit Manager and Kathy L. Welch, Regulatory Analyst Supervisor and submitted November 12, 1996?

A. Yes, I have.

Q. Has Gulf Utility Company responded to the Florida Public Service Commission Audit Report dated November 12, 1996?

A. Yes, we have. Exhibit_(CBA-1) is Gulf's response to the Audit Report dated December 6, 1996. Gulf's response explained Gulf's differences between the Staff Audit.

Q. And have you likewise reviewed the testimony and exhibits of Kimberly H. Dismukes of the Office of Public Counsel?

A. Yes, I have.

Q. And what are your general observations on these studies?

A. I have substantial differences with both Staff and OPC in that their studies do not reflect the underlying economics of Gulf.

NET OPERATING INCOME

Q. Would you outline how you have organized your rebuttal testimony as it relates to the income statement?

A. Neither Staff nor OPC found the expenses during the test year ended December 31, 1996, but generally used expenses during the period September 1995 and August 1996, then never completed their studies by finding a rate base - operating income - rate of return for the test period.

I am therefore using Schedule B-1, page 1 and B-2, page 1 of the MFR's and pointing out major differences with Staff and OPC. These revised schedules have been identified as Exhibit_(CBA-2).

Q. Turning to Exhibit_(CBA-2), Schedule 1 for water would you explain this exhibit?

A. Column 2 is the requested annual revenue requirements shown on Schedule B-1 of the MFR. Column 3 is a summary of adjustments where the Company agrees with Staff or OPC, and column 4 is the revenue requirement of the water operations for the test year 1996, as adjusted.

Schedule 2 is for the wastewater operations and is comparable to Schedule 1.

Column 5 is a reference to the details supporting the adjustments.

As the schedules show, $138,471 of additional cost is added to the water operations and $28,504 to the wastewater operations.

Q. Turning to operating and maintenance expenses detailed on Schedule 3 of Exhibit_(CBA-2), would you describe the adjustments for both the water and wastewater operations?

A. Most of the adjustments proposed by Staff and OPC relate to both operations, therefore most references also relate to both the water and wastewater operations. A discussion of the adjustments follow.

Note A: The payroll related adjustments are in these broad categories:

(1) Level of wage increase in 1996
(2) Cost of service Gulf provides to Caloosa
(3) Salary of Randall Mann
(4) Added payroll for staffing Corkscrew Water Plant

Mr. Moore, on page 25 of his rebuttal testimony supported the Company's existing level of salaries and wages and the proposed adjustment should be rejected. Mr. Cardey on page 10 of his rebuttal testimony sets forth the errors in Staff's and OPC's attempt to allocate more cost to Caloosa and these proposed adjustments should be rejected.

Mr. Moore, on page 27 of his rebuttal testimony, supported the salary of Mr. Mann as reasonable and proper and necessary in the business.

The increased cost for labor in the water operations is for increased staffing of the Corkscrew Water Treatment Plant in accordance with Chapter 17-699. See Steve Messner's rebuttal testimony, page 1. This adjustment was recognized by Staff in their audit (Exhibit_(KLW-1).

Note B: Chemical Cost - Corkscrew Water Treatment Plant.

With the additional looping of the water system and the mixing of water from the two water plants, there was some discoloring of water. The added chemicals solve this problem as set forth in Steve Messner's rebuttal testimony, page 2.

The chemical adjustments were recognized by Staff in their audit report.

Note C: Material and Supplies.

The Staff audit entry removing the non-recurring cost for lightning damage and relocating meter at Mariner's Cove is correct, but Gulf did not include it in its MFR. No adjustment is necessary to the MFR's.

Note D: Contractual Services.

Staff's proforma adjustments were for the period

September 1995 through August 1996, and do not reflect test year 1996 cost. Staff's adjustments are set forth in page 43 of the audit report, and comments on the specific adjustments are:

<u>Adjustments</u>

6,7,8,9,11	Out of the test year period, therefore not applicable to 1996 test period.
10	Agree with Staff Audit already in MFRs.
12	Agree with Staff Audit already in MFRs.

OPC made an adjustment to amortize the $16,000 pond cleaning expense over 2 years and Gulf will agree with that adjustment and a $8,000 adjustment should be made. Gulf does not agree with an adjustment for repair and maintenance of lift stations. See Mr. Messner's rebuttal testimony, pages 7-9.

<u>Note E:</u> Rental of Building.

The proposed adjustments include two items, first the rental charges and second the amount of common expenses reimbursed by Caloosa to Gulf.

Mr. Moore in his rebuttal testimony, starting on page 10, has shown the charges are reasonable.

Mr. Cardey on page 8 of his testimony disagrees with

the proposed adjustments by Staff and OPC but has recommended $1,400 a year additional cost, primarily for higher rental charge for Caloosa to reimburse Gulf for added costs incurred.

Water	**$ 924**
Wastewater	**476**
	$1,400

Note F: **Transportation Expense.**

Staff's proforma adjustment were for the period September 1995 through August 1996 and is not the cost for the test period ending December 31, 1996.

Note G: Insurance - General Liability.

At the time Gulf's MFRs were prepared Gulf used estimates from their insurance agency.

Note H: **Miscellaneous Expenses.**

Agree with Staff's adjustment to add the amortization of CRSW and CKDC Corkscrew disposal permit and Gulf's MFRs include this cost. As to customers survey cost a portion of the cost was included in the MFR. OPC's adjustments that Gulf agrees with are set forth below.

	Water	Wastewater
Remove NAWC lobby related dues	<550>	< 283>
Rotary dues	<163>	< 84>
Interest on operating account	<2640>	<1360>
	<3353>	<1727>

As for charitable contributions, none were included in test year expenses so audit exception No. 3 is not applicable to the MFR's.

As for Mr. Moore's business and office expenses, he stated on page 16 of his rebuttal testimony that Ms. Dismukes allocations are not factual. Mr. Cardey on page 10 of his rebuttal testimony also demonstrated Ms. Dismukes was in error. Her testimony should not be considered by the Commission.

OPC's "Unanticipated Expenses" is a misnomer. The Company must allow for miscellaneous expenses that occur year in and year out, not itemized specifically. These expenses occur in the normal course of business. OPC's proposal should be rejected.

As for director's fees, Mr. Moore in his rebuttal testimony starting on page 28, indicate they were normal and reasonable for a Company such as Gulf. Ms. Dismukes suggestion should be rejected.

DEPRECIATION

Q. Returning to Schedules 1 and 2 of Exhibit_(CBA-2), would you comment on the adjustments in depreciation?

A. As a general observation, all parties are using the same depreciation rates, therefore the difference has to be in the investment in property being depreciated, plus Staff, in exception No. 6, pointed out the error in the Company's computation of depreciation, namely reducing depreciation expense for retirements. Gulf agrees with Staff and for the test year ending December 31, 1996, the adjusted depreciation expense and Reserve For Depreciation are shown on Exhibit_(CBA-3). The adjustments are:

	Water	Wastewater
Depreciation Expense	$78,338	$42,770
Depreciation Reserve	$87,458	$42,770

I do want to point out an error by Staff in the computation of depreciation in the wastewater operations. In December 1995 Gulf put into service Three Oaks WWTP. Since the test year is 1996, Gulf depreciation of this plant includes 12 months of depreciation. Staff on the other hand used the twelve month period of September 1995 through August 1996. In Staff's depreciation, they included the depreciation of the plant for 10 months of December 1995 through August 1996 but excluded the 2 months of October and November of 1995.

This illustrates the problem of not all parties using the test year approved by the Commission, namely the calendar year 1996, in reviewing the operations of the Company.

AMORTIZATION OF CIAC

Q. Ms. Welch has proposed the Company change its procedure on amortization of CIAC. What are your comments?

A. The Company amortizes CIAC using a composite amortization rate that is the same as the composite rate of utility plant, excluding common plant. This is one of the alternative methods permitted under Commission Rule 25-30.140 Florida Administrative Code. Gulf has been doing this for a number of years.

Ms. Welch has proposed that CIAC be amortized by functions, which is a change from the Company's present permitted practice. In discussions with Staff, we differ on some of the underlying procedures of implementing Ms. Welch's proposal, and we think a rate case is the wrong forum for settling these differences. We will be happy to sit down with Ms. Welch after this case, and work out a program acceptable to both of us, then implement that program in the future. This case should use the Company amortization practice now in effect which is permitted by rule and has been accepted by the Commission historically.

On Staff audit, which is audit exception 2 of the audit report dated November 12, 1996, Gulf has these comments on the study as it relates to "cash" CIAC.

(1) Staff's proposal is for a period other than the test year ended December 31, 1996. Staff used a period from September 1995 through August 1996 which fails to reflect plant additions, plant retirements and additional CIAC in the last four months of 1996.

(2) The test year is a 13 month average, and Staff used "the plant at 8/96..." to determine average rates (page 5, 4th paragraph, line 2 on Audit Report). This is inconsistent with the MFR requirements for developing a test year.

(3) On the water operations, the capacity fees are $800/ERC at existing rates and $550/ERC at proposed rates. The development of these charges includes the investment in accounts set out on Exhibit_(CBA-4).

In the proposed capacity changes, these costs were $990/ERC, which was reduced to $550/ERC to keep the level of CIAC within the 75-25% rule. When Staff developed an average amortization rate for cash CIAC they omitted some of the functions used in computing the capacity charge in the first instances, which introduces an error.

(4) On the wastewater operations, the existing

capacity fees are $550/ERC which were increased to $800/ERC, and at this level keeps CIAC within the 75-25% rule.

Exhibit CBA-3, again compares the accounts the Company used in developing the capacity charges. I believe Staff used all accounts, except land, in developing the amortization rate applicable to cash CIAC.

It is my recommendation to the Commission that the Company's existing practice of amortization of CIAC be used in this case.

TAXES, OTHER THAN INCOME

Q. Staff in their audit made three adjustments to taxes, other. Please comment on these adjustments.

A. The adjustments are:

The Company's computation of Regulatory assessment tax did not equate to 4.5% of revenues.

	Water	Wastewater
Gulf agrees with Staff and the adjustment is	$< 715>	$<1,051>
The second adjustment is allocating payroll taxes on a payroll rather than a customer basis and Gulf agrees with Staff.	$<3,850>	$ 3,850
	$<4,565>	$ 2,799

The tax bill for 1996 is higher than estimated by Gulf on its Schedule B-15, by $7,500 for water and $14,800 for wastewater. The Company's MFR's have not been changed to reflect the higher taxes.

RATE BASE

Q. Staff in their audit, indicated the wastewater plant account was overstated by $2,765. Do you agree with that adjustment?

A. Yes, I do.

Q. In one of Staff's data requests, the Company furnished the latest cost on various construction projects. What is the Company proposing in this docket?

A. The Company is proposing to use the cost included in the MFR's, even though the later costs are somewhat higher.

Q. Would you comment on the $300,000 grant under the South Florida Water Management District Alternative Water Supply Grant Program?

A. The grant was not included in the MFR. Gulf requested funding under the South Florida Water Management District's Alternative Water Supply Grants Program in the amount of $375,000 for preservation of potable water through the development of alternative sources of irrigation water.

On November 14, 1996, the Governing Board of the

District approved a grant of $300,000. The $300,000 grant will be recorded in CIAC and this is reflected in the "test year rate base, as adjusted" (Exhibit_KRC-7).

The grant will fund the cost of constructing and installing a portion of the control system and instrumentation for monitoring flow and quality parameters at the three effluent reuse disposal sites.

AUDIT DISCLOSURES

Q. Do you have additional comments on specific audit disclosure that were in Staff's Audit Report dated November 12, 1996?

A. My comments on specific audit disclosures are as follows.

Audit Disclosure No. 5: Included in the test year operating expenses is the amortization of the San Carlos water line project. This project was to serve an area with individual wells, and without mandatory hook-up, the project was not economically feasible. The project was abandoned and is being amortized over 5 years. Audit Disclosure No. 5 has not proposed any adjustment.

Audit Disclosure No. 6: Audit Disclosure No. 6 summarizes the capital expenditures included in the test year. While later cost estimates show higher cost, the amounts shown in the MFR's are reasonable, and Gulf has made no adjustments to cost.

Audit Disclosure No. 7: The MFR's for 1996 use the proposed capacity fees while the general ledger reflects present capacity fees. Only 8 months of 1996 was audited and at present rates.

	Per ERC	
	Water	Wastewater
Present	$800	$550
Proposed	$550	$800

Audit Disclosure No. 14: The statement that Gulf's forecast of expenses uses a zero base budgeting approach is not the method Gulf used in estimating 1996 test year expenses.

BUDGET METHODOLOGY

Gulf started by reviewing 1995 operations, and adjusted it for known changes in 1996. The annual budget is compiled in the ordinary course of business. The process begins in July or August with a meeting of management. The previous year expenses are reviewed and adjusted for known changes--such as unit price changes of supplies, changes in treatment process, changes in number of units required, and changes in number of employees--during numerous meetings with management and their support staff before submittal to the CEO for approval at the beginning of December, with the final budget submitted to the Board of Directors for final approval at the year end board meeting. The 1996 budget was adjusted for known changes at the time of preparation of MFRs.

Comments on specific items of the financial statements follow.

REVENUES

The projected revenues in 1996 were determined by first projecting customer growth by classes of service, including meter size within each class. Monthly customers for 1996 is shown on Exhibit 3 and Exhibit 4 of the MFR.

Within each class of service, m gal usage/bill was determined based upon 1995 operations. The annual usage/bill times the number of bills in 1996, for each meter size in each class of service, established the annual volumes.

Next the bills and volumes were multiplied by the present rates to determine revenues in 1996. This information is shown in Schedule E-13 of the MFRs and further explained on page 16-18 of Cardey's direct testimony.

Operating expenses for 1996 test year were calculated by reviewing the 1996 budget. Illustrations of estimates for the 1996 test year are:

Salaries & Wages: This is based upon the actual employees at their 1996 wage rates.

Purchased Power-Water: 1995 average cost/m gal times estimated flow of 743,213 thousand gallons in 1996

Purchased Power-Sewer: The Three Oaks WWTP-Expansion went into operation in 1995. The power cost in March 1996 was representative of the level of cost of operating the new plant and was annualized for 1996. San Carlos WWTP-Actual power cost for January through March 1996 was annualized for 1996.

Lift Stations: - based upon 1995 average power cost per lift station, adjusted for additional lift stations added in 1996.

Chemicals-Water: The cost is based upon current price of chemicals, expressed as $/mgd times 1996 flows.

Chemicals-Sewer: Known usage of chlorine and hydrogen peroxide was priced at current cost per pound. Hydrated lime usage is related to amount of sludge removal (estimated sludge of 720 loads per year is based upon projected 1996 flows times pounds per load times price of chemicals per pound).

Sludge Hauling: Number of loads per year was based on estimated flows for 1996.

Depreciation: The Company uses depreciation rates provided for in Commission rule, applied monthly to plant balance.

<u>Taxes, Other Than Income:</u> Property taxes are based upon 1995 taxes and estimated changes for 1996. The estimates for 1996 are based upon discussions with local tax authorities plus additions to plant projected for the year.

Payroll taxes are based upon 1996 payroll and the effective tax rates for 1996.

<u>Construction:</u> The capital expenditures used in 1996 was made in the normal course of business and includes estimates for meters, small main extensions plus major items. These estimates are the product of field personnel, professional engineers, and management with final approval by the Board of Directors of the Company.

Attached as Exhibit_(CBA-5) is a copy of detailed capital expenditures included in the Company's MFR's. This same schedule was provided to both Staff and OPC. Exhibit_(CBA-5), which includes the actual expenditures in the first 3 months of 1996 and estimates for the remaining 9 months. A summary of this budget is:

Water	$1,423,976
Wastewater	$1,229,400

General	$ 55,827
	$2,709,203

The general plant is allocated 66% to water and 34% to wastewater.

On site facilities that are installed by developers and contributed are not included, nor are meter cost that are again off-set by fees.

Retirements are based upon the original cost of the property after reflecting the cost of removal.

Working Capital: The Company working capital forecast was based on the balance sheet method required by present Commission rules, with the details set forth on Schedule A-17, page 1 of the MFR'. Staff in their exception 5 indicated the Company did not provide the "forecast methodology" for the projection.

The foundation of a balance sheet is the following financial estimates that were all given to Staff, who in turn discussed these documents with the Company personnel, therefore they have a good working knowledge of the methodology used by the Company.

Monthly projected income statement
Monthly projected construction budget
Monthly projected cash flow
Monthly projected debt service
Monthly financing schedule

Monthly projected deferred income 1-A & C. These documents provide the basis of developing the balance sheet shown on Schedule A-18 of the MFR, and cover major assets and liabilities shown on Schedule A-18. Smaller items, such as prepayment, that are paid quarterly, are reviewed separately. Separate reviews were done on other items.

Staff in Audit Exception No. 5 of the Audit Report dated November 12, 1996, compared their determination of working capital with the Company's. Except for 2 or 3 items, the major difference is due to different time periods, not in items to include in the determination of cash working capital.

Mr. Nixon, in his rebuttal testimony will discuss the items he agrees or disagrees with Staff.

Q. Does that conclude your testimony?

A. Yes, it does.

Exhibit_(CBA-1)

Gulf Utility Company
19910 S. Tamiami Trail
P.O. Box 350
Estero, FL 33928-0350
941/498-1000
FAX 941/498-0625

December 6, 1996

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
Division of Water and Sewer
2540 Shumard Oak Blvd.
Tallahassee, Fl 32399-0850

RE: Docket No. 9600329WS; Audit Control #96-233-4-1

Dear Ms. Bayo:

The following is the Company's response to the November 25, 1996 audit report prepared by the staff analyst.

EXECUTIVE SUMMARY

RESPONSE:

The last sentence under the Executive Summary indicates that there is some discrepancy between the year to date figures and the test year as projected by Applicant. It would be unusual if there were not differences. The Applicant filed this case on a projected test year. At the time the projections were made they were accurate as they could be on the current information. Gulf is attempting in this case to recover its cost that will occur during the time that the rates will be in effect. Gulf believes the most accurate way to do this is to use the projected test year method. Some of the projections of individual accounts will be higher and some will be lower, however, the bottom line of the revenue requirement will be reasonably accurate.

AUDIT SCOPE - NET OPERATING INCOME

RESPONSE:

The Company has made Estimated tax deposits of $260,000 for 1996 Federal Income Tax and $40,000 for 1996 State Income Tax. The Company stated that no additional tax deposits were anticipated.

Florida Public Service Commission
Gulf Utility Company's Response to Audit Exceptions and Disclosures

AUDIT EXCEPTION NO. 1

SUBJECT: ADJUSTMENTS FROM PRIOR ORDERS NOT POSTED

RESPONSE:

The Company maintains only one set of books, namely the same for regulatory, tax and financial purposes. The books reflect the actual amount the Company has invested in the car, as it should. In Order No. 24735, the Commission accepted the cost of the car, then allocated a portion to non-used and useful property. The proposed adjustment does not reflect the cost of the car. The car cost $38,700, of which $10,500 was reimbursed by the President, leaving the Company's investment of $28,200 which is recorded on the books. Staff's adjustment of $20,721, would leave $7,479 which is not reflective of the cost of the car. The car will be fully depreciated in 1996. No adjustment should be made to the plant accounts.

AUDIT EXCEPTION NO. 2

SUBJECT: COMPOSITE AMORTIZATION RATES FOR CIAC

Comparison of accumulated amortization on page 6 is misleading by comparison of 8/96 balance to Company's 12/96 balance. One reason for the difference shown is simply timing. For example, amortization of Nov. 1995 additions are in Staff balance for 9 months while a full 13 months amortization is embedded in the Company's 12/96 average balance.

AUDIT EXCEPTION NO. 5

SUBJECT: WORKING CAPITAL FORECAST

RESPONSE:

The Company takes exception to including the $314,362.08 for CIAC tax payable in current liabilities. With the repeal of the taxability of CIAC, this amount will not exist in the future when the new rates become effective. Although, classified as a "payable" on the general ledger this amount is not a payable in the generally understood meaning of the term. Rather, the balance in the CIAC tax payable account is the cumulative contributed taxes (gross-up) collected for the year. It does not represent a payable to contributors or the IRS. Since receipts of gross-up are deposited in an escrow account, such funds do not represent a source of working capital to Gulf. No decision has been made by the Commission concerning a refund of any gross-up collected in the year 1996.

Also, staff's average Customer Accounts Receivable amount should be increased 5.8% to reflect the overall incrcase in revenues from the proposed rates and growth for the remainder of 1996.

Payable amounts for capital projects (FGCU & other) should not be included in the working capital calculation because they are not normal monthly operating accounts payable. Accounts payable balance for January, February and March 1996 (Schedule A-19 Page 1 of 4; page 63) were actual and included the following amounts for other capital projects, respectively; $392,656, amounts for other capital projects, respectively; $392,656, $413,442, $394,849.

Monies available to pay for capital projects are invested and are not included in the working capital calculation. Since invested monies are excluded from the calculation and if the liability for capital projects (FGCU & others) are included, there would be no off set of assets to the liability-capital project payables.

The average balance of the total deferred rate case expense allowed by the Commission in this case should be used.

Prepaid preliminary survey charges relate to developer agreements and do not relate to day to day operations.

If interest payable is included, interest receivable also should be included.

The clearing account credit balance of $2,430.00 represents a refund from Lee County which was credited to the Water Plant in 1996. This amount was for construction fees paid to Lee County by Gulf for water plant construction. It was not related to day to day operations.

AUDIT EXCEPTION NO. 6

SUBJECT: DEPRECIATION

RESPONSE:

The Company had an error in calculating the depreciation expense of water transmission mains and wastewater collection mains. Computation of depreciation for the test year and the MFRs are as follows:

WATER:

Mains per MFR-corrected	$ 181,296
MFRs page 89	92,464
Difference	$ 88,832

WASTEWATER:

Collection mains MFR-corrected	$ 219,521
MFRs page 91	176,751
Difference	$ 42,770

The "Per Company forecast B-13 should read

	WATER	WASTEWATER
B-13	$592,458.00	$503,233.00
Diff. between Gulf's calculation & audit report	$ 13,404.10	$ 3,918.74

AUDIT DISCLOSURE NO. 1

SUBJECT: PROPERTY TRANSACTION WITH AFFILIATE

RESPONSE:

This was a routine business transaction in February 1990 where common stock was issued for $160,928 of assets. The Company must raise 5-6 million dollars of outside capital by the year 2000. The ability to attract additional debt and equity based on historic interest coverage tests and earnings will be problematic. But looking to the future, the Company must have stable earnings and a sustained level of income to raise this amount of money. Investors and lenders have many options beyond this Company.

The Company started operation in 1982 and through 1987 had negative retained earnings of $329,788. In 1988, the growth of the area required expansion and enlargement of both water and wastewater facilities and to finance that construction program, the current stockholders converted $626,800 of loans to equity capital plus the Company issued $10,000,000 of industrial revenue bonds. In 1990, to further strengthen the equity base, common stock was issued for the $160,928 of assets.

As for the Company's earnings, at the end of 1990, the cumulative net increase in net worth from earnings for the 9 year period was a negative $19,756, and through the 13 years ending 12/31/95, the cumulative net income was a negative $13,427. This data is taken from Exhibit JWM-2 attached to Mr. Moore's testimony.

The Company's accounting of this transaction should be approved. The current stockholders have shown their commitment to provide quality service to the area, and the larger equity base from the Company's accounting of this transaction will benefit the consumer over the long pull.

Date Asset Transferred	Description	Amount as of 12/31/95	Account Description
7/31/90	Water System	$68,113.26	Water Plant,#1011
	Wastewater System	$92,815.00	WW Plant,#1012
12/20/90	Water System	$15,399.05	Water Plant,#1011

AUDIT DISCLOSURE NO. 3

SUBJECT: AFFILIATED TRANSACTIONS

RESPONSE:

The Company has made a detailed study of the services Gulf Utility provides for Caloosa Group, Inc. The personnel who provide these services, the time spent providing this service, and costing out this time using salaries, plus wage benefits of each employee, and found the amount Caloosa reimburses the employees for such services was reasonable. A detailed study was also made of the use of common facilities, office supplies, etc. which was allocated to the Caloosa Group on a square footage basis. The study indicates a reasonable charge was $2,000 per year in contrast to the present charge of $600. The above conclusions are supported in Mr. Cardey's testimony, page 12-15.

Mr. Moore's business expenses, AWWA conference and administrative expense relate to Gulf operations only. Any business expenses he incurred while conducting Caloosa business were reimbursed by Caloosa or out of pocket.

If Caloosa were to employ part-time employees other than Gulf employees, health insurance and IRA benefits would not be available to the employees. It is not customary for part-time employees to receive either benefit.

AUDIT DISCLOSURE NO. 4

SUBJECT: NEW OFFICE RENT

RESPONSE:

The reasonableness of a rental charge depends upon a number of factors, including the following:

1. Service to the customer improved with a drive-up payment window and a more convenient location for the customers.

2. The Company could not finance a new office building. With $ 5-6 million of outside financing required in the next 5 years to construct central utility plant, raising capital to finance this construction has the highest priority.

3. An independent broker gave his opinion that $15 per square

foot, including taxes, maintenance and insurance was a reasonable charge. The maintenance costs are estimated and a portion may be refunded based on actual costs.

4. The Lee Memorial Hospital in 1996 has leased two-thirds of the building at comparable rental charges.

It is the judgement of management that the rental charge is reasonable.

AUDIT DISCLOSURE NO. 6

SUBJECT: PROJECTED PLANT

The construction of the Corkscrew Water Treatment Plant Expansion, the effluent line construction and the Florida Gulf Coast University water and wastewater mains will be complete as of December 31, 1996. The remaining work is paperwork attendant to the acceptance of the assets by the Utility.

AUDIT DISCLOSURE NO. 7

SUBJECT: CIAC

The MFRs for 1996 uses the proposed capacity fees while the general ledger reflects present capacity fees a comparison of the fees are:

	PER ERC	
	WATER	WASTEWATER
Present	$800	$550
Proposed	$550	$800

AUDIT DISCLOSURE NO. 8

SUBJECT: PREPAID CIAC

RESPONSE:

A "test year" synchronizes four basic determinants in setting rates namely (1) the revenues produced under the rate structure, (2) the expenses, including depreciation and taxes incurred to produce these revenues, (3) the property (rate base) that produces the service, and (4) return on said rate base. Audit disclosure No. 8 destroys the orthodox method of ratemaking outlined above as well as the fundamentals in the MFRs and should be rejected.

AUDIT DISCLOSURE NO. 9

SUBJECT: REVENUE PROJECTIONS

RESPONSE:

The revenue forecast in the MFRs is reasonable. A large shopping center starts taking service in December 1996, and a full years' revenue from Florida Gulf Coast University was included in the MFRs.

	Company MFRs	
	Water	Wastewater
Shopping Center	$ 30,782	$ 44,372
University	35,018	64,030
Subtotal	65,800	108,402
All others	2,229,556	1,196,328
Total	$2,295,356	$1,304,730

AUDIT DISCLOSURE NO. 14

SUBJECT: EXPENSE FORECAST

RESPONSE:

On page 40, under "Corkscrew Additions", $44,175.04 should be an addition to Salaries & Wages-Adm & General, not Salaries-Officers. This additional expense is for two (2) licensed water operators, required by DEP minimum staffing requirements based on increase in plant flows at Corkscrew WTP. A copy of the rule is attached.

Should you have any questions, please contact me at (941) 498-1000.

Sincerely,

Carolyn B. Andrews
Chief Financial Officer

(b) Category II

Treatment Process	Class A	Class B	Class C	Class D
Demineralization including reverse osmosis, desaliniza-tion, electrodialysis and ultra filtration.	6.5 MGD and above Staffing by Class C or higher operator: 24 hours/day for 7 days/week. The lead/chief operator must be Class A.	1.0 MGD up to 6.5 MGD Staffing by Class C or higher operator: 16 hours/day for 7 days/week. The lead/chief operator must be Class B, or higher.	0.5 MGD up to 1.0 MGD Staffing by Class C or higher operator: 6 hours/day for 5 days/week and one visit on each weekend day.	None
			0.1 MGD up to 0.5 MGD Staffing by Class C or higher operator: 3 hours/day for 5 days/week and one visit each weekend day.	
			Less than 0.1 MGD Staffing by Class C or higher operator: 1 hour/day for 5 days/week and one visit on each weekend day.	
			For all of the above plants the lead/chief operator must be Class C, or higher.	

ALLIED APPRAISERS & CONSULTANTS, INC.

Appraisers • Brokers • Consultants • Market Analysts

1642 MEDICAL LANE · FORT MYERS, FL 33907-1102 · (941) 939-1557 · FAX (941) 275-1196

H. NEAL SCOTT, MAI
STATE-CERTIFIED GENERAL APPRAISER
CERTIFICATE NO. RZ 0000743

July 24, 1996

Mr. Walter L. Ballard
Northern Trust Bank
26790 S. Tamiami Trail
Bonita Springs, Florida 33923

Re: Self-Contained Appraisal #960701 - Gulf Utility Office Building, 19910 South Tamiami Trail, Estero, Florida

Dear Mr. Ballard:

As requested, I have made a personal inspection and self-contained appraisal report of the Gulf Utility office building that is located at 19910 South Tamiami Trail in Estero, Florida. The purpose of this appraisal is to estimate the market value of the leased fee interest in the subject property as though the building was completed as of July 1, 1996.

The legal description is lengthy and can be found in the body of this report. The attached appraisal report contains the data, analyses, limiting conditions, and conclusions of value. The property was assumed to be free of all liens and encumbrances except for typical conventional financing. It was also assumed the rental space was completed as per the lease agreement.

It is our opinion the market value of the leased fee interest in the subject property as of July 1, 1996, was:

ONE MILLION THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS

($1,325,000.00)

I certify that, during the completion of the assignment, I have personally inspected the property that is the subject of this report. I would like to recognize the assistance of Amanda Davis in the data collection for this report.

Mr. Walter L. Ballard
Page 2
July 24, 1996

We certify we have no past, present or future interest in the real estate and to the best of our knowledge the facts contained herein are true and correct.

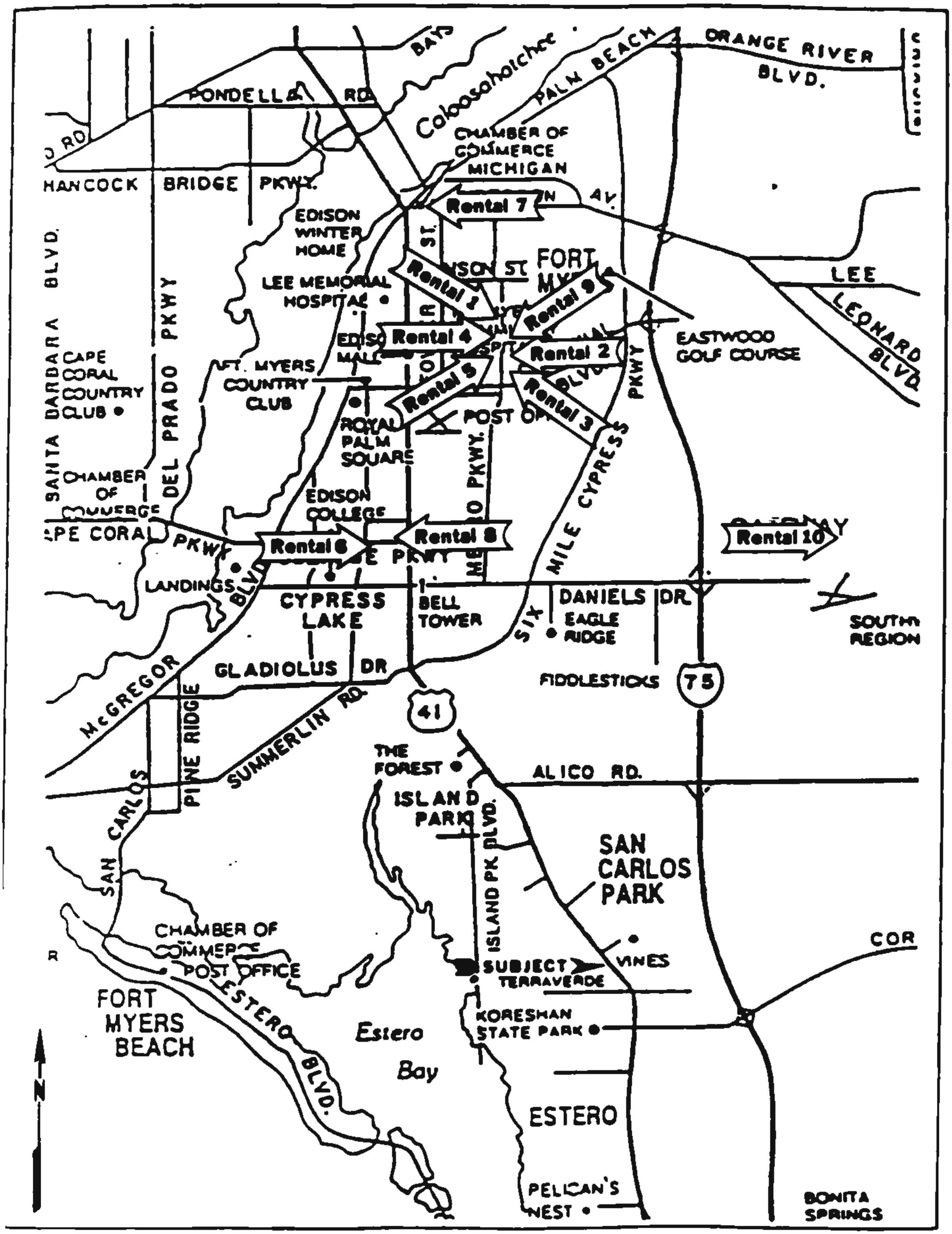
We appreciate this opportunity to be of service.

Respectfully submitted,

ALLIED APPRAISERS & CONSULTANTS, INC.

H. NEAL SCOTT, MAI, SRA
State-Certified General Appraiser
Certificate No. RZ 0000743

:bp



COMPARABLE RENTAL MAP

Rental	Building Address	Year Built	Leasable Area (Sq.Ft.)	Rental Rate Per Sq.Ft.	Occupancy	Expenses
1	Metro Center I 2891 Centerpointe Drive Fort Myers, Florida	1990	37,350±	$9.00 Triple Net	90%	$4.66 CAM
2	General Electric Building 4315 Metro Parkway Fort Myers, Florida	1986	72,458±	$10.00 Triple Net	100%	$8.00 CAM
3	Metro Park Executive Center 4415 Metro Parkway Fort Myers, Florida	1985	60,596±	$11.00 to $16.00 Triple Net	86%	$6.50 CAM
4	Fairfax Center 4210 Metro Parkway Fort Myers, Florida	1988	57,496±	$16.00 Gross	100%	$6.80 Expense Stop
5	Fairfax Center II 4310 Metro Parkway Fort Myers, Florida	1989	61,289±	$17.50 Gross	97%	$6.30 Expense Stop
6	One University Park 12800 University Drive Fort Myers, Florid	1990	132,500±	$13.50 to $15.00 Triple Net	97%	$7.13 Expense Allowance
7	Barnett Centre 2000 Main Street Fort Myers, Florida	1988	121,190±	$12.50 Triple Net	95%	$5.90 CAM
8	SunTrust Financial Center 12730 New Brittany Boulevard Fort Myers, Florida	1988	61,424±	$12.00 Triple Net	67%	$6.00 CAM
9	General Electric Building 4211 Metro Parkway Fort Myers, Florida	1994	66,265±	$10.20 Triple Net	100%	Pass-Thru
10	Sony Office Building Gateway Boulevard Fort Myers, Florida	1996	67,226±	$10.11 Triple Net	100%	Pass-Thru

Analysis of Comparable Rentals

Rental No. 1 is the Metro Center I office building that is located at 2891 Centerpointe Drive in the Metro Park Subdivision northwest of the subject property. This is a 3-story, concrete block and glass office building that was built in 1990 and contains 37,350± square feet of net leasable area. The rental agent indicates the current base rent is $9.00 per square foot plus a CAM of $4.66 per square foot. Typical lease term is 5 years with a 4% per year escalator and current occupancy at 90%. This is one of the newer buildings in the Metro Park Subdivision. The overall quality is inferior to the subject.

Rental No. 2 is the General Electric Building located at 4315 Metro Parkway in the Metro Park Subdivision. This 5-story, concrete block and glass office building was built in 1986 and is 100% occupied by General Electric. The lease was renegotiated in 1991 and is currently $10.00 per square foot on a triple net basis plus an $8.00 CAM charge. Because one tenant leases the entire 72,458± square feet, the lease rate would be less than could be anticipated for the subject.

Rental No. 3 is the Metro Park Executive Center located at 4415 Metro Parkway, which is just south of the General Electric Building, all in the Metro Park Subdivision. This building was built in 1985 and contains 60,596± square feet of net leasable area. Currently rental rate is $11.00 per square foot plus a CAM charge of $6.50 per square foot. Current occupancy is 86%. This building is considered similar to the subject property.

Rental No. 4 is Fairfax Center located at 4210 Metro Parkway which has 57,496± square feet of net leasable area and was built in 1988. This center is three stories with current a rental rate at $16.00 per square foot on a gross basis. There is an operating expense stop of $6.80 per square foot. Current occupancy is 100%.

Rental No. 5 is the Fairfax Center II, which is located at 4310 Metro Parkway directly south of the Fairfax Center in the Metro Park Subdivision. Fairfax Center II was built in 1989, contains 61,289± square feet of net leasable area, and currently leases at $17.50 per square foot on a gross basis. There is an expense stop of $6.30 per square foot.

Rental No. 6 is the One University Park office building that is located at 12800 University Drive in south Fort Myers, more specifically at the southeast corner of College Parkway and Summerlin Road. This 6-story, concrete block and glass building was built in 1990 and contains 132,500± square feet. It currently leases for $13.00 to $15.00 per square foot on a triple net basis plus CAM of $7.13 per square foot. Currently, occupancy is at 97%. This rental is considered superior to the subject property in both location and building design.

Rental No. 7 is the Barnett Centre that is located at 2000 Main Street in downtown Fort Myers. This is a 9-story, concrete block and glass building, built in 1988, and contains 121,190± square feet of net leasable area. Current rental rate is $12.50 per square foot plus a $5.90 per square foot CAM charge. Occupancy is at 95%. This building is considered superior to the subject property.

Rental No. 8 is the SunTrust Financial Center located at 12730 New Brittany Boulevard in South Fort Myers. This location is off College Parkway. This is a 6-story, concrete block and glass building that was built in 1988 and contains 61,424± square feet of net leasable area. Current rental rate is $12.00 per square foot plus a $6.00 per square foot CAM charge. Current occupancy of 67% is misleading as the top floor was never finished.

Rental No. 9 is the General Electric Building located at 4211 Metro Parkway in the Metro Park Subdivision. This 3-story, concrete block and glass office building was built in 1994 and is 100% occupied by General Electric. The lease was negotiated in 1993 and is currently $10.20 per square foot on a triple net basis. The tenant pays all expenses. This is a single tenant (66,265± square foot) building. Therefore, the rent per square foot would be less than anticipated for the subject.

Rental No. 10 is the Sony Building that is located on the east side of Gateway Boulevard in the Gateway subdivision in east Lee County. This 2-story, concrete block and glass office building was completed in 1996 and is 100% occupied by Sony Corporation. The rent for the first 5 years is $10.11 per square foot on a triple net basis. The tenant pays all expenses.

In analyzing the rental rates on a per square foot basis, the specifics of the lease terms must be identified. Of the ten rental comparisons considered, eight are on a triple net basis and two are on a gross lease basis. The rentals range from $9.00 to $16.00 per square foot on a triple net basis. The Fairfax Center and the Fairfax Center II are both on a gross lease basis. When the expense stops are deducted, they indicate net rental rates of $9.20 and $11.20 respectively. Fairfax Center is at $16.00 per square foot gross, whereas Fairfax Center II is at $17.50 per square foot on a gross basis. Fairfax Center experienced a much higher rental rate when it was built and suffered from loss of tenants when Fairfax Center II was built. In order to entice new tenants they have substantially lowered the rents. One University Park and

Barnett Centre, along with the SunTrust Financial Center, are considered to have slightly superior locations to the subject property, and the highest rental paid is One University Park. The four buildings on a triple net basis in Metro Park that are considered similar to the subject property are Metro Center I, the two General Electric buildings, and Metro Park Executive Center. These indicate rental rates of $9.00 to $16.00 per square foot on a triple net basis.

After considering the comparable rentals, it is our opinion the market rent for the subject property is between $10.00 and $12.00 per square foot on a triple net basis.

The appraisers have also considered the rental rate of the smaller office buildings that are located in the Gateway Subdivision as follows:

Fairway Office Center 11922 Fairway Lakes Drive Gateway	3,762± square feet	$12.00 per square foot triple net	3-5 years	100%
Fairway Office Center 11928 Fairway Lakes Drive Gateway	3,762± square feet	$12.00 per square foot triple net	3-5 years	100%
Fairway Office Center 11920 Fairway Lakes Drive Gateway	3,762± square feet	$12.00 per square foot triple net	3-5 years	80%
Fairway Office Center 11900 Fairway Lakes Drive Gateway	2,980± square feet	$15.50 per square foot triple net	3-5 years	100%
Fairway Office Center 11930 Fairway Lakes Drive Gateway	3,762± square feet	$12.00 per square foot triple net	3-5 years	100%

These rentals indicate the projected market rent of $12.00 to $15.50 per square foot on a triple net basis for the subject is reasonable.

Contract Rent

The subject property contains 11,278± square feet of net leasable area of which 3,982± square feet is leased to Gulf Utility Company and 6,396± square feet is leased to Lee Memorial Health Systems. The remaining 900± square feet is vacant, but Lee Memorial Health Systems has a first right of refusal and may lease this space. The leases are at $12.00 per square foot on a triple net basis, and it is anticipated the vacant space will be leased at the same rate. A synopsis of the leases is as follows:

Unit 1

Landlord	Caloosa Group, Inc.
Tenant	Gulf Utility Company
Term	5 years
Size	3,982± square feet
Rents	$47,172.00 annual $3,931.00 monthly in advance
Rent/Sq.Ft.	$12.00
Expenses	Tenant pays prorated share of all expenses
Increases	CPI

Unit 2

Landlord	Caloosa Group, Inc.
Tenant	Hospital Board of Directors of Lee County d/b/a Lee Memorial Health Systems
Term	5 years
Size	6.396± square feet
Rents	$77,520.00 annual $6,460.00 monthly in advance
Rent/Sq.Ft.	$12.00
Expenses	Tenant pays prorated share of all expenses
Increases	CPI

A full copy of the leases can be found in the addendum of this report. The first year's income indicates a rental rate of $12.00 per square foot of net leasable area on a triple net basis and is in line with the market. Therefore, the contract rents are considered to be at market.

In the valuation of the subject property, the appraisers will value the subject by a discounted cash flow analysis.

Exhibit __ CBA-2
Docket No. 960329-WS
Witness: Andrews

GULF UTILITY COMPANY

TEST YEAR NET OPERATING INCOME AS ADJUSTED

Gulf Utility Company
Water Operations
Test Year Net Operating Income As Adjusted

Exhibit _ (CBA-2)
Schedule 1
Docket No 960329-WS
Witness Andrews

Line No	(1) Description		(2) Requested Annual Revenues (per MFR) (a)		(3) Adjustments		(4) As Adjusted	(5) Reference
1	OPERATING REVENUES	$	2,139,422			$	2,139,422	
2	Operation & Maintenance		1,307,395		94,081		1,401,476	Sch 3
3	Depreciation, net of CIAC Amort.		165,417		78,338		243,755	Tr 7
4	Amortization		6,977				6,977	
5	Taxes Other Than Income		220,655		(4,565)		216,090	Tr 11
6	Provision for Income Taxes		29,383		(29,383)		0	
7	OPERATING EXPENSES		1,729,827		138,471		1,868,298	
8	NET OPERATING INCOME	$	409,595		(138,471)	$	271,124	
9	RATE BASE	$	4,427,672	$	(464,477)	$	3,963,195	
10	RATE OF RETURN		9.25%				6.84%	

(a) Source Schedule B-1, Page 1, Column 6 of MFR

Gulf Utility Company
Wastewater Operations
Test Year Net Operating Income As Adjusted

Exhibit __ (CBA-2)
Schedule: 2
Docket No. 960329-WS
Witness: Andrews

Line No.	(1) Description		(2) Requested Annual Revenues (per MFR) (a)		(3) Adjustments		(4) As Adjusted	(5) Reference
1	OPERATING REVENUES	$	1,671,070			$	1,671,070	
2	Operation & Maintenance		859,570		(4,022)		855,548	Sch. 3
3	Depreciation, net of CIAC Amort.		170,257		42,770		213,027	tr 7
4	Amortization		3,594				3,594	
5	Taxes Other Than Income		149,095		2,799		151,894	tr 11
6	Provision for Income Taxes		32,706		(13,043)		19,663	
7	OPERATING EXPENSES		1,215,222		28,504		1,243,726	
8	NET OPERATING INCOME	$	455,848		(28,504)	$	427,344	
9	RATE BASE	$	4,928,296	$	(84,712)	$	4,843,584	
10	RATE OF RETURN		9.25%				8.82%	

(a) Source: Schedule B-2, Page 1 of MFR

Gulf Utility Company
Water Operations
Operating Expenses - Test Period

Exhibit _ (CBA-2)
Schedule 3, Page 1 of 2
Docket No. 960329-WS
Witness: Andrews

Line No.	(1) Description	(2) 12/31/96 (a)	(3) Adjustment	(4) As Adjusted	(5) Note Ref.
1	Salaries & Wage	$ 296,470	$ 56,764	$ 353,234	(a)
2	Salaries Officers	178,525		178,525	(a)
3	Employee Pensions & Benefits	113,635		113,635	(a)
4	Purchased Power	138,543		138,543	
5	Fuel for Power Production	250		250	
6	Chemicals	141,136	49,594	190,730	(b)
7	Materials & Supplies	66,762		66,762	(c)
8	Contractual Services	21,367		21,367	(d)
9	Contractual Services	27,618		27,618	(d)
10	Contractual Services	32,323		32,323	(d)
11	Contractual Services	104,078	(8,000)	96,078	(d)
12	Rental of Building	39,489	(924)	38,565	(e)
13	Rental of Equipment	1,403		1,403	
14	Transportation Expense	15,545		15,545	(f)
15	Insurance-Vehicle	8,521		8,521	
16	Insurance-General	23,788		23,788	(g)
17	Insurance-Workers' Comp.	19,388		19,388	
18	Insurance-Other	1,944		1,944	
19	Regulatory Commission Expense	20,209		20,209	
20	Auto Write-off	1,800		1,800	
21	Miscellaneous Expense	54,600	(3,353)	51,247	(h)
22	Total	$ 1,307,394	$ 94,081	$ 1,401,475	

(a) Source: Schedule B-3, Page 1 of MFR

Gulf Utility Company
Wastewater Operations
Operating Expenses - Test Period

Exhibit _ (CBA-2)
Schedule 3, Page 2 of 2
Docket No. 980329-WS
Witness: Andrews

Line No.	(1) Description	(2) 12/31/98 (a)	(3) Adjustment	(4) As Adjusted	(5) Note Ref.
1	Salaries & Wage	$ 222,361	$	$ 222,361	(a)
2	Salaries Officers	91,968		91,968	(a)
3	Employee Pensions & Benefits	58,539		58,539	(a)
4	Sludge Removal	90,530			
5	Purchased Power	99,530		99,530	
6	Fuel for Power Production	600		600	
7	Chemicals	44,195		44,195	
8	Materials & Supplies	29,464		29,464	(c)
9	Contractual Services-Engineering	8,761		8,761	(d)
10	Contractual Services-Accounting	13,856		13,856	(d)
11	Contractual Services-Legal	13,453		13,453	(d)
12	Contractual Services-Other	93,319	(1,819)	91,500	(d)
13	Rental of Building	20,343	(478)	19,867	(e)
14	Rental of Equipment	1,503		1,503	
15	Transportation Expense	8,008		8,008	(f)
16	Insurance-Vehicle	4,390		4,390	
17	Insurance-General	12,255		12,255	(g)
18	Insurance-Workers' Comp.	9,968		9,968	
19	Insurance-Other	1,001		1,001	
20	Regulatory Commission Expense	9,598		9,598	
21	Bad Debt	0		0	
22	Miscellaneous Expense	26,010	(1,727)	24,283	(h)
23	Total	$ 859,572	$ (4,022)	$ 855,550	

(a) Source: Schedule B-3, Page 2 of MFR

Gulf Utility Company
Depreciation Expense & Reserve for Depreciation
As Adjusted

Exhibit _ (CBA -3)
Docket No. 960329-WS
Witness: Andrews

Line No.	(1) Description		(2) Water		(3) Wastewater
1	Depreciation (B-13 & B-14)	$	503,626	$	460,463
2	Correction				
3	A/C 331 Main		88,832		
4	A/C 360 Mains				42,770
5	Adjust for Corkscrew WTP		(1,374)		
6					
7	Sub-Total		591,084		503,233
8					
9	Amortization of CIAC (B-13 & B-14)		338,209		290,206
10	$300,000 Grant from SFWMD @ 3.04%		9,120		
11					
12	Sub-Total		347,329		290,206
13					
14	Depreciation	$	243,755	$	213,027
15					
16	Reserve for Depreciation				
17	Reserve (Avg) A-1	$	4,266,892	$	2,978,837
18	Adjustment in Depreciation Expense		87,458		42,770
19					
20		$	4,354,350	$	3,021,607

Gulf Utility Company
Capacity Charges

Exhibit _ (CBA-4)
Docket No. 960329-WS
Witness: Andrews

	Accounts Gulf Used in Developing Capacity Charges	Accounts Staff Used in Developing Amortization Rate of Cash CIAC
Water:		
303 Land	yes	no
304 Structures	yes	yes
307 Wells	yes	yes
309 Supply Mains	yes	yes
310 Power Gen.Equipment	yes	yes
311 Pumping Equipment	yes	yes
320 Treatment Equipment	yes	yes
330 Reservoirs	yes	no
331 Looping Mains	yes	no
Wastewater:		
353 Land	yes	no
354 Structures	yes	yes
380 Treatment	yes	yes
381 Plant Sewers	yes	yes
382 Outfall Lines	yes	yes
389 Other Plant	yes	yes

GULF UTILITY COMPANY
1998 CAPITAL BUDGET

Exhibit (CBA - 5)
Docket No 980329 - WS
Witness Andrews

ACCOUNT 1011 WATER PLANT	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	PROJECTED APR	PROJECTED MAY	PROJECTED JUN	PROJECTED JUL	PROJECTED AUG	PROJECTED SEP	PROJECTED OCT	PROJECTED NOV	PROJECTED DEC	PROJECTED TOTAL
303 - EASEMENTS	58												58
304 - CONCRETE/STEEL DOOR FOR CHEMICAL FEED RM - SC	1 231			4 142									5 373
REMODELING OPERATIONS CENTER - SC													
MAINTENANCE BUILDING ROOF					5 000								5 000
307 - NEW WELL AND TELEMETRY				42 000	4 200								46 200
311 - PUMPING - CORKSCREW PUMP UPGRADE												31 000	31 000
CORKSCREW LOOP ALTERNATE D													
320 - FABRICATE TABLE AND BRACKETS - SC	180				5 000								5 180
CORKSCREW CHLORINE FEED EQUIPMENT													
CHLORINATOR AUTOFEED FRED GRIDLEY				3 500									3 500
41 BOOSTER CHLORINE FEED EQUIPMENT													
GRATING FOR SILO		55											55
331 - ALTERNATE D CS LOOP	8 385												8 385
331 - CIAC/ISLANDS@ CS/TEMPLE CITRUS	9 881	124 927											134 508
FLORIDA GULF COAST UNIVERSITY WATER LINES	526 938												526 938
CORKSCREW ROAD/TREELINE RELOCATION OF WTR LINE												131 827	131 827
CHESSELL CHART RECORDER			1 637										1 637
RELOCATE 12" WATER MAIN		2 900											2 900
333 - COST OF INSTALLING SERVICES	1 038	709	646										2 391
CIAC - VCC AND CONTRIBUTIONS		28 750		29 459	29 459								87 668
334 - METERS & METER INSTALLATIONS	5 175	459			52								
METER RETIREMENTS	(4,421)			- 6399									
335 - CIAC - HYDRANTS TEMPLE CITRUS/VCC	1 042	16 500		16 500	16 500								50,542
339 - CORKSCREW ROAD EFFLUENT DISPOSAL LINE										66 667			66,667
339 - CORKSCREW ROAD/TREELINE RELOCATION OF WTR REUSE LINE												120,022	120,022
341 - WELLFIELD TRUCK			5 542										5,542
SOLD F350				- 35811									
342 - STORES EQUIPMENT				4280									
343 - TOOLS - PIPE SAW	638												638
WELDER				1377									
344 - LAB EQUIPMENT		1 022	208	1 022									2,250
346 - HARDWARE & SOFTWARE FOR TELEMETRY - SC	588			84 000									84,588
CORKSCREW TELEMETRY UPGRADE - WELLFIELD					84,000						6,250	6,250	96,500
340 - PRINTER				580									580
340 - COMPUTER MONITORING FROM CORKSCREW & SCWTP													
TRANSMISSION AND DISTRIBUTION													
TRASH PUMP						1 500	1,500						3,000
CONCRETE SAW						750							750
WATER PLANT ADDITIONS TOTAL	550 708	175,322	8,031	144,660	144,211	2 250	1,500			66,667	6 250	289,099	1 423,976
GENERAL PLANT	13 434	1,890	7,624		864	330	330	330	330	330	330	1,650	36,846
TOTAL WATER & GENERAL PLANT	564 142	177,212	15,655	144,660	145,075	2 580	1,830	330	330	66 997	6 580	290 749	1,460 821

GULF UTILITY COMPANY
1996 CAPITAL BUDGET

Exhibit (CBA-5)
Docket No. 960329 - WS
Witness: Andrews

1012 WASTEWATER WATER PLANT

THREE OAKS WWTP													
380 - LIFTSTATION - VCC		58 000											58 000
FGCU - FORCE	321 284												321 284
381 - CIAC/VCC		128 521											128 521
FGCU - GRAVITY	294 417												294 417
383 - SERVICES - VCC		27 925											27 925
393 - WEEDEATER						400							400
382 - CORKSCREW ROAD EFFLUENT DISPOSAL LINE										133 333			133 333
MAG METER AND INSTALLATION		4 111	1 168		17 310								22 589
385 - FLOW METER INSTALL		13 405											13 405
SAN CARLOS WWTP													
354 - STORAGE/LAB/INVENTORY BLDG							5 000						5 000
380 - RELOCATE FORCEMAIN AT ALICO & 41					40 000								40 000
RELOCATE FORCEMAIN AT CORKSCREW ROAD & TREELINE												119 578	119 578
CIAC - FM - PICK KWIK	24 298												24 298
380 - ISCO AUTO SAMPLER							2 000						2 000
REPLACEMENT BLOWER					1 500								1 500
394 - LAB EQUIPMENT				3 000									3 000
340 - REFRIGERATOR						150							150
393 - TRASH PUMP				1 500									1 500
MAINTENANCE DEPT - SEWER													
REPAIRS TO WINN DIXIE LIFT STATION						15 000							15 000
REPAIRS TO SCWWTP LIFTSTATION				20 000									20 000
VALVE BOX FOR BARRAGAN LIFTSTATION				1 500									1 500
REPAIRS TO EASTGATE 1 & 2				15 000			15 000						30 000
LIFTSTATION FLYGT PUMPS					4 700	3 200	3 200	3 200	1 700	3 200	3 200	1 600	24 000
TOTAL SEWER PLANT	639 999	231 982	1 168	41 000	63 510	18 750	25 200	3 200	1 700	136 533	3 200	121 178	1 229 400
PLUS GENERAL PLANT AT 34%	6 921	974	3 928		445	170	170	170	170	170	170	850	18 981
TOTAL SEWER & GENERAL PLANT	646 920	232 936	5 096	41 000	63 955	18 920	25 370	3 370	1 870	136 703	3 370	122 028	1 248 381

2

GULF UTILITY COMPANY
1996 CAPITAL BUDGET

Exhibit (CBA-5)
Docket No 960329-WS
Witness Andrews

1013 GENERAL PLANT

MAINTENANCE													
304 MAINT BLDG ROOF ETC	206				3 788								3 994
342 STORES EQUIPMENT													
343 - WELDER													
342 - "A" FRAME TO MOVE MOTORS					(6 500)								(6 500)
343 - WEEDEATER					200								200
BENCH LOCKER RM	111				2 273								2 384
344 LABORATORY EQUIPMENT					1548								
346 - RADIO INSTALL	767												767
ADMINISTRATION													
CUSTOMER FILING CABINETS												2 000	2 000
CARD MEMORY PRINTER MODEM &		1 464	10 477										11 941
OPERATING SYSTEM UPGRADE		375											375
FURNITURE FURNISHINGS FP CABINET	2 629	800				500	500	500	500	500	500	500	6 829
ANNUAL COMPUTER UPDATES		225	1 075										1 300
COMMUNICATION SET UP BETWEEN ADMIN & OFFICE INTERNET													
TRANSPORTATION													
341 - REPLACE WASTEWATER RANGER													
REPLACE F350 REMOVING BOX INSTALLATION OF BOX	32 437												32 437
INSTALL BODY & REPAINT F350													
RETIREMENT OF F350													
RETIREMENT - SOLD F350	(15 785)												
TOTAL GENERAL PLANT	20 355	2 864	11 552		1 309	500	500	500	500	500	500	2 500	55 827
WATER PORTION AT 66%	13 434	1 890	7 624		864	330	330	330	330	330	330	1 650	36 846
SEWER PORTION AT 34%	6 921	974	3 928		445	170	170	170	170	170	170	850	18 981
TOTAL CAPITAL BUDGET	1 211 082	410 148	20 751	185,880	209 030	21 500	27 200	3 700	2 200	203 700	8,850	412,777	2 709 203