FLORIDA PUBLIC SERVICE COMMISSION
GUNTER BUILDING
CAPITAL CIRCLE OFFICE CENTER
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TALLAHASSEE, FLOKIDA 32399-0850

M E M O R A N D U M

July 2, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER AND WASTEWATER (DEWBERRY, RIEGER)
DIVISION OF LEGAL SERVICES (BRUBAKER)

RE: DOCKET NO.: 961447-WU - APPLICATION FOR STAFF ASSISTED RATE CASE BY SPRING CREEK VILLAGE UTILITIES, LTD.
COUNTY: LEE

AGENDA: JULY 15, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION EXCEPT ISSUES 12 AND 13 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 15-MONTH STATUTORY TIME FRAME EXPIRES MAY 12, 1998

SPECIAL INSTRUCTIONS: THIS IS AN INITIAL DECISION WHICH SHOULD BE HEARD BY THE FULL COMMISSION

LOCATION OF FILE: I:\PSC\WAW\WP\961447WU.RCM

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CASE BACKGROUND

Spring Creek Village Utilities, Ltd. (utility or Spring Creek) is a Class C utility located in Lee County. The utility was organized in October 1970. By Order No. 7436, issued September 20, 1976, in Docket No. 760388-WS, the Commission granted the utility operating Certificate Nos. 271-W and 213-S.

In July 1993, Spring Creek discontinued operation of its wastewater treatment facilities and interconnected with Bonita Springs Utilities (BSU). BSU is a non-profit corporation and is exempt from the Commission's regulation. On February 23, 1994, under Docket No. 940192-SU, Spring Creek filed an application pursuant to Section 367.022(8), Florida Statutes, requesting that its wastewater operation be acknowledged as exempt from the Commission's regulation and requesting cancellation of its Certificate No. 213-S. In the above-referenced docket, it was established that Spring Creek is a member of the BSU cooperative, and is paying the same rates to BSU as it is charging its wastewater customers. The utility will continue to own and maintain the wastewater collection lines and lift stations, at no expense to its customers and will not pass on administrative costs for providing service to its customers. By Order No. PSC-94-1003-FOF-SU, issued August 18, 1994, the Commission acknowledged the interconnection of Spring Creek with BSU, granted exempt status to Spring Creek and cancelled its Certificate No. 213-S.

The utility's existing rates were approved in Docket No. 760388-WS when its operating certificates were granted by the Commission. The utility has not had a prior rate case, nor have its rates been adjusted through the price index and pass through applications.

On December 4, 1996, Spring Creek applied for this staff assisted rate case (SARC) pursuant to section 367.0814, Florida Statutes. In its application, the utility requested an increase in water rates. An audit of the utility's books and an engineering investigation have been done to provide information required for setting rates. Staff has selected a historical test year ended December 31, 1996, for this case. Staff's adjusted test year revenues are $17,092 and adjusted expenses are $41,342. This results in an adjusted net operating loss of $24,250.

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, statewide water conservation policy. Water use in the area is under the jurisdiction of the South Florida Water

Management District. The utility is not required to have a consumptive use permit since the sizes of its wells fall below the minimum permitting requirements. Based on the billing analysis for the test year, customer consumption is not excessive. However, as addressed in Issue 9, staff is recommending that the utility employ the base facility and gallonage charge rate structure. The Commission considers this rate structure a conservation rate structure.

The utility's customer base is seasonal and includes a mobile home park only. Based on the test year billing analysis, the utility provided water service to approximately 302 residential customers and 5 general service customers, totaling 307 customers.

On May 7, 1997 a customer meeting was held in the utility's service area. Approximately 89 customers attended the meeting. The major concerns addressed were frequent water outages (without notice), excessive chlorine and sediment, water pressure, odor, taste and mismanagement of the system. All of these concerns are addressed in Issue 1.

In addition, several letters were received from customers at the customer meeting addressing concerns about water interruptions, deferred maintenance, sediment, foul tasting water with odor, pressure problems and excessive chlorine. These concerns are addressed in Issue 1. The Commission also received a letter dated May 2, 1997, from Mr. Gidman, addressing concerns about the methodology used by the Commission for calculating rates in this case. By letter dated May 14, 1997, we explained the methodology used for calculating rates. We have not received any additional correspondence from Mr. Gidman addressing this issue.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Spring Creek Village Utilities, Ltd., satisfactory?

RECOMMENDATION: No. The quality of service provided by the utility should be considered unsatisfactory. The utility should be required to file quarterly reports for a period of one year after the date of the Commission order. These reports should include a description of customer complaints and how they were resolved, the number of outages, how long service was interrupted, and the nature of the problems that caused the outages. (RIEGER)

STAFF ANALYSIS: The customer meeting was held on May 7, 1997, at the Spring Creek Recreation Hall in Bonita Springs. There were approximately 89 customers who attended the meeting. Of the five customers who spoke, two addressed quality of service concerns.

The president of the homeowners association was the first customer who spoke. She commented about service outages, overchlorination problems, and water quality concerns. She noted that water service was lost 5 times over the last year without adequate notice to the customers, and twice with notice. She desires water supply to be more consistent. In reference to the overchlorination problems, she indicated that residents have complained that on occasion, dark clothes when washed have been bleached white. In the area of water quality safety, this customer said that the water was high in solids. She noted that the installation of a reverse osmosis plant would be expensive and that the customers could not afford it. In summary, she said that the majority of the customers found no problem with the rate increase, but would like the quality of water and service to be better.

The next customer who spoke complained about the failure of management to keep the water system going. He said that without isolation valves, every minor break shuts the system down. Although a recent plant modification has improved operations, the customer stated that the system was so bad before the improvements, it had to be manually operated.

In addition to the comments made at the customer meeting, several letters from customers have been received. These customers complained about service interruptions due to line leaks and system break-downs, deferred maintenance causing unreliable service, sediment particles found in ice cubes, foul tasting water with odor, pressure problems, corrosion and staining of fixtures, and excessive chlorination. One customer who wrote wanted to know what assurances are there that they will receive a constant supply

of water at a consistent pressure, and free of excessive sodium and chlorine. Another customer wanted to know that if there were a rate increase, would the quality of water the customers are paying for be at least brought up to second class standards?

Staff believes the customer concerns about quality of service have merit. It appears that deferred maintenance over an extended period of time has caused operational problems with the water system. Problems with electrical equipment can be blamed for most of the recent water outages. Unreliable service has resulted due the lack of upkeep over the years.

The utility is rehabilitating the treatment plant. In its SARC application, an $18,300 cost proposal by an electrical contractor was included. This proposal included rewiring, repiping and reinstallation of control devices at the water treatment plant. In addition, in order to help improve service, the utility is also in the process of completing other post test year improvements. The improvements include a new air compressor, replacement of high service pumps and motors, additional electrical repairs, ground storage replacement roofing, solenoid valve replacement at the hydropneumatic tank, well rewiring, and the addition of backflow detection devices. The total cost for all of the above mentioned improvements is $31,851.

With the above improvements completed, the customers should see enhancement in service reliability in the areas of outages and chlorination fluctuations. The working status of the controls affect pumping reliability and the chlorination process. However, some of the outages are due to control valve breakage caused by the customers. The customers unintentionally cause damage when they attempt to shut off service before leaving for the summer. The system outages in these cases are necessary in order to make repairs, because certain areas within the service area could not be valved off and isolated from the rest of the system. The utility has informed the customers not to use these valves since they are utility property. The problem about not having isolations valves in some of the areas is considered difficult to correct. When asked about installing valves, the utility responded by stating that the older sections of the system do not have isolation valves, and it would be a major undertaking to dig up paved sections in order to install the valves. With plant improvements and customer education, the utility believes that further downtime will be kept to a minimum and, therefore, the expense of installation is not warranted. Staff agrees with the utility's position.

In the area of water quality, a recent letter to the utility from the Lee County Public Health Unit of the Florida Department of Health (DOH) referred to the high levels of Chlorides and Total Dissolved Solids. These elements are included as secondary standards that are related mostly to aesthetic qualities. For Chlorides, the testing results were in the range of 174 to 307 mg/l, with the guideline standard at 250 mg/l. For Total Dissolved Solids, the testing value range was between 623 and 1,076 mg/l, with the guideline standard at 500 mg/l. The letter stated that DOH has not determined that public health is affected to a degree that would call for enforceable mandated action. However, DOH did recommend that all elements should meet standards and that the utility should give some thought in planning for corrective action.

To correct the problem, the utility could do two things: It could shut down its plant and get water service from Bonita Springs Utilities, Inc., a nearby water and sewer service cooperative; or, it could improve its treatment capability at the plant. The possible interconnection is estimated to cost $115,000, plus $1,550, per connection impact fee. The alternative treatment process of reverse osmosis/membrane softening treatment would probably be necessary to improve the water quality in this situation. DOH has estimated it would cost between $100,000 to $200,000 to do this. The present treatment at the utility's treatment plant is aeration and chlorination. Although, the aesthetic quality of the water is less than desirable, it does not present a health hazard, and it would be cost prohibitive at this time for the utility to correct this situation. Moreover, the DOH is not proceeding with enforcement action against the utility. In an attempt to reduce the amount of sediment the utility does routinely flush its lines. Staff recommends that it continue with this procedure. No corrective action is recommended at this time.

In light of the customers' apparent dissatisfaction with the quality of service provided by the utility in the recent past, a satisfactory rating cannot be recommended. However, staff does believe that improved service should be noted after the above mentioned improvements are completed. Since the utility appears to be addressing the problems that have inconvenienced the customers, no corrective action is recommended. However, staff believes that a continued review of service rendered to the customers is necessary. It is recommended that the utility be required to file quarterly reports for a period of one year after the date of the Commission order in this case. These reports should include a description of customer complaints, how the complaints were resolved, the number of outages, how long service was interrupted, and the nature of the problems that caused the outages.

RATE BASE

ISSUE 2: What are the appropriate used and useful percentages for the water treatment and distribution system?

RECOMMENDATION: The water treatment and distribution systems should be considered 100% used and useful. (RIEGER)

STAFF ANALYSIS: Used and useful for this utility has not been previously determined by the Commission.

Water Treatment Plant - The water treatment plant has a design treatment capacity of 86,000 gallons per day. The maximum daily flow that occurred during the test year is 59,000 gallons per day. With fire flow considered, the water treatment plant is recommended to be 100% used and useful. Since the service area is built out, there was no margin reserve consideration. Review of the amount of water produced versus water consumed by the utility's customers during the test year, shows the unaccounted for water to be approximately 35%. Anything above 10% is considered excessive. However, the 35% level is not considered to be accurate. It is believed that the plant flow meter was giving erroneous figures. In addition, water used for the chlorination process at the plant was not being accounted for. The utility has recently corrected both of these problems. The plant meter has been rebuilt, and the water used for chlorination is now metered. With less than one month's data, the unaccounted for water has been reduced to 22%. In addition, the utility has implemented a customer meter replacement program to replace older, less accurate meters, and will account for water used for flushing purposes, and line breaks. The accounting for all of the above should help reduce the amount of unaccounted for water to an acceptable level. No adjustment is recommended at this time.(Attachment "A").

Water Distribution System - The water distribution system is at capacity with 303 residential connections. Therefore, it is recommended that the water distribution system be considered 100% used and useful (Attachment "B").

ISSUE 3: What is the appropriate average test year rate base for this utility?

RECOMMENDATION: The appropriate average test year rate base for this system is $52,942. (DEWBERRY, RIEGER)

STAFF ANALYSIS: The utility has not had a prior rate case. The utility's existing rates were approved in Docket No. 760388-WU, when the Commission granted the utility its operating certificates.

Utility Plant in Service (UPIS) - The utility recorded a plant balance of $92,087 at December 31, 1996 for its water plant. The recorded plant does not include balances for lines, services and meters. In addition, the utility could not provide original cost documentation for all of the recorded plant. In instances where original cost documentation cannot be provided, the Commission completes an original cost study to determine plant value for rate setting purposes.

For this rate case, an original cost study has been completed using some available construction estimates, comparative costs from similar plants, and actual available invoices trended to the year of installation. We are using the original cost study as a beginning point. The estimated original cost for the water treatment facility is $34,696 and $69,464 for the water distribution facility. The total estimated cost for plant at December 31, 1996 is $104,160.

The utility provided invoices for pump replacement costs for 1989 and 1994. Plant has been decreased by $348 in 1989 and 1994 to retire two pumps. It has increased by $1,052 in 1989 and by $559 in 1994 to reflect replacements. The total retirement value is $696 and the total replacement cost is $1,611.

The utility completed some plant improvements after the test year and requested that the cost be included in rate base. The staff engineer has determined that the improvements are necessary and the costs are reasonable. A schedule of the post test year additions follows:

Account No.	Description	Amount
307	Wells and Springs	$ 1,400.00
311	Pumping Equipment	22,017.00
330	Distribution Reservoirs & Stand Pipes	5,797.00
334	Master Meter	2,214.00
398	Backflow Detection Devices	423.00
	TOTAL	$ 31,851.00

Plant has been increased by $31,851 to include post test year additions. The total adjustment for UPIS is an increase of $32,766.

Land - In Docket No. 760388-WU, the Commission granted the utility operating certificates under the name Spring Creek Village, Ltd. In docket no. 940122-SU, the Commission acknowledged the interconnection of the utility's wastewater system with Bonita Springs, cancelled the utility's wastewater certificate and approved exempt status for wastewater under the name Spring Creek Village Utilities, Ltd.. The Secretary of State office lists the name of the partnership as Spring Creek Village, Ltd. The utility represents that the partnership, Spring Creek Village, Ltd. owns the recreation park and utility and that there is not a separate utility company. The utility filed this rate case under the name Spring Creek Village Utilities, Ltd. There is no record of the Commission approving a name change for this utility. Spring Creek Village, Ltd. owns the land on which the water facility is located. Since Spring Creek Village, Ltd. and the utility are one and the same, the utility owns the land on which the water facility is located.

The Spring Creek Village, Ltd. partnership owns the water and wastewater facilities and a recreation facility. The physical area of land on which the water facility is located has been measured and it is estimated that the water facility is located on approximately 2/10 of an acre. An attempt was made to establish the value of this land at the time it was first dedicated for utility use, in the late 1960's, but actual records were not available. The staff engineer has estimated an original cost of $1,000 for this value of land.

Contributions-in-Aid-of-Construction (CIAC) - The utility's existing tariff authorizes the utility to collect a system capacity charge of $200 per customer for water. The utility did not record CIAC on its books for water. Staff has imputed CIAC based on the authorized $200 charge times the number of connections from the beginning of operation through December 31, 1996. The imputed CIAC is $60,600. CIAC has been increased by $60,600 to reflect staff's imputed CIAC total. The CIAC balance remained constant before and during the test year and an averaging adjustment is not necessary.

Accumulated Depreciation - Accumulated Depreciation has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. Adjustments have been made to include the plant retirements and replacements. Accumulated depreciation on plant determined by the original cost study is $61,540 at December 31, 1996. Depreciation on post test year plant is $1,695. The

averaging adjustment is $1,897. This account has been increased by $1,695 and decreased by $1,897 to reflect average accumulated depreciation of $61,338.

Amortization of CIAC - Accumulated amortization of CIAC at December 31, 1996 is $33,449. The averaging adjustment is $1,094. This account has been increased by $32,355 to reflect average amortization of CIAC.

Working Capital Allowance - Consistent with Rule 25-30.443, Florida Administrative Code (form PSC/WAS 18), staff recommends that the one-eighth of operation and maintenance expense (O&M) formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of $4,599 (based on O&M expense of $36,789). Working capital has been increased by $4,599 to reflect one-eighth of staff's recommended O&M expense.

Rate Base Summary - Applying all of the above adjustments results in an average rate base of $52,942.

Rate base is shown of Schedule No. 1 and adjustments are shown on Schedule No. 1-A.

COST OF CAPITAL

ISSUE 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity and overall rate of return is 9.21% with a range of 8.21% - 10.21%. (DEWBERRY)

STAFF ANALYSIS: The utility's capital structure include partners' capital, which is common equity, of $246,580 only. Therefore, the utility's capital structure is 100% equity. Using the current leverage formula approved by Order No. PSC-96-0660-FOF-WS, issued June 10, 1997, in Docket No. 970006-WS, the rate of return on common equity is 9.21%. Since the utility's capital structure is 100% equity, the overall rate of return is also 9.21% and the range is 8.21% - 10.21%.

Following Commission practice, the utility's capital structure has been reconciled with the recommended rate base.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

ISSUE 5: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues are $17,092. (DEWBERRY)

STAFF ANALYSIS: During the test year the utility provided water service to approximately 302 residential customers and 5 general service customers totaling 307 customers. The utility's recorded revenue was for residential customers only.

During the test year the utility did not bill its 5 general service customers. Staff has calculated the revenue that should have been billed and collected from these customers based on usage and existing rates. The calculated revenue for the general service customers is $436. Revenues have been increased by $436 to reflect the appropriate amount for the test year.

Test year revenues are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

ISSUE 6: What is the appropriate test year operating loss for this utility?

RECOMMENDATION: The appropriate test year operating loss for this utility is $25,946. (DEWBERRY)

STAFF ANALYSIS: The utility's test year revenue is $17,092. The corresponding test year operating expenses are $43,038 (these figures do not include staff's recommended revenue increase and taxes). This results in a test year operating loss of $25,946.

The test year operating loss is shown on Schedule No. 3.

ISSUE 7: What is the appropriate amount for test year operating expenses?

RECOMMENDATION: The appropriate amount for test year operating expenses is $44,490. (DEWBERRY, RIEGER)

STAFF ANALYSIS: The utility's recorded operating expense include operation and maintenance expense, depreciation and taxes other than income. Adjustments have been made to reflect annual operating costs on a going forward basis.

Spring Creek Villages, Ltd. owns recreation facilities located in the Spring Creek subdivision in addition to a water and wastewater utility. The wastewater system is exempt from the Commission's jurisdiction. During the test year the utility allocated one-third of costs to the water utility. These allocations have been tested for reasonableness and adjustments have been made to some expenses to reflect the appropriate cost specific to the water operation. A summary of adjustments follows:

Operation and Maintenance Expenses (O&M)

1) Salaries and Wages (601) - The utility shares three maintenance employees that are employed by the related recreation park. They include the park manager, who spends 2 hours per day conducting utility business, a full time maintenance person that spends 2 hours per day conducting utility business and part-time maintenance person, who performs weekend maintenance, that spends 2 hours per week conducting utility business. During the test year the park manager earned $11.35 per hour, the full-time maintenance person earned $6.85 per hour and the part-time maintenance person earned $6.26. The utility has requested a 3% increase in salaries for the maintenance employees, which results in an hourly rate of $11.69 for the park manager, $7.06 for the full-time maintenance person and $6.45 for he part-time maintenance person. These hourly rates appears reasonable for the duties performed by these employees and staff recommends an annual salary of $6,079 (520 hrs. x $11.69) for the park manager, $3,671 (520 hrs. x $7.06) for the full-time maintenance person and $671 (104 hrs. x $6.45) for the part-time maintenance person.

The utility also employs a secretary who spends 8 hours per week conducting utility business. The secretary earned $4.80 per hour during the test year. The utility requested a 3% increase in this salary also, which results in an hourly rate of $4.94 per hour. Staff recommends an annual salary of $2,055 (416 hrs. x $4.94) for the secretary. The recommended total for employee salaries is $12,476.

The utility recorded employee salaries of $16,714. This expense has been decreased by $4,238 to reflect the recommended salaries.

2) Purchased Power (615) - During the test year, the utility recorded a purchased power expense of $4,035. Lights for the Spring Creek Village residential area, which include approximately nine lights, is connected with the power supply source for the water treatment facility. We have estimated that the nine lights, which burn up to 10 hours per night, use approximately $18 of power per month. Therefore, this expense has been decreased by $216 (12 mos. x $18) to remove a non-utility expense.

3) Materials and Supplies (620) - The utility recorded $1,002 in this expense. This total include $479 for miscellaneous materials and supplies and $523 for meters. The utility has a meter replacement program, which provides the replacement of 24 meters annually at a cost of $1,000. Staff believes that this meter replacement program should continue and recommends an annual allowance of $1,000. This expense has been increased by $477 to reflect the recommended allowance for meters.

4) Contractual Services (630) - The utility recorded $9,010 in this expense. This total includes $4,869 for a contractual management fee, $1,441 for DEP required testing expense and $2,700 for contractual operator service.

Management services are provided by Flordeco, an affiliated company. This company handles all administrative duties to include regulatory matters, prepares financial statements, reconcile bank statements, handle payroll, taxes, deposits, accounts payable and prepares the annual report.

The management duties are performed by Flordeco's controller and accountant. The cost is based on the controller spending 16 hours per month conducting utility business and the accountant spending 26 hours per month conducting utility business. In addition, employee benefit costs for the controller, and accountant are also included based on the number of hours conducting utility business. The utility also requested a 3% increase in this expense. Staff has calculated an annual management allowance of $6,750 based on the number of hours spent conducting utility business, with a 3% increase. The utility recorded a management fee of $4,869. This expense has been increased by $1,881 to reflect the recommended annual management fee.

The utility recorded DEP required water testing expense of $1,441. This expense has been decreased by $74 to reflect annual DEP required testing expense of $1,367 as determined by the staff engineer. A schedule of the required test, frequency and costs follows:

Description	Frequency	Annual Cost
Bacteriological	Annually	$ 600
Nitrate/Nitrite	Annually	80
Lead/Copper	3 Years	117
Primary Inorganics	3 Years	52
Pesticides	3 Years	183
Radionuclides	3 Years	260
Secondary	3 Years	45
VOCs	3 Years	30
	TOTAL EXPENSE	$1,367

The total adjustment for contractual service expense is an increase of $1,807.

5) Insurance Expense (655) - The utility recorded insurance expense of $582. This total includes insurance cost of $275 for commercial property, $272 for worker's compensation and $637 for auto insurance. This expense has been increased by $172

to adjust worker's compensation insurance and auto insurance expense based on recommended employee salaries and the number of hours spent conducting utility business.

6) Regulatory Commission Expense (665) - The utility recorded $2,794 in this expense for accounting and legal services provided for this rate case filing. The utility also paid a $1,000 rate case filing fee to the Commission. The total rate case expense is $3,794. This expense has been amortized over four years allowing an annual expense of $949. This expense has been decreased by $1,845 to reflect the rate case expense amortized over four years.

The recommended total O&M expense is $36,789. The utility recorded $40,632 O&M expense for the test year. This expense has been decreased by $3,843 to reflect staff's recommended total.

Depreciation Expense - Test year depreciation expense has been calculated using the rates prescribed by Rule 25-30-140, Florida Administrative Code. Test year depreciation is $3,794. Depreciation on post test year plant is $1,695. The utility recorded a depreciation expense of $3,577. This expense has been increased by $1,912 to reflect staff's calculated depreciation expense of $5,489.

Amortization of CIAC - Amortization of CIAC reduces expense. The utility did not record an amortization expense. This expense has been adjusted by $2,188 to reflect staff's calculated test year amortization expense.

Taxes Other Than Income - The utility recorded $2,258 in this expense. This total include $1,512 for payroll taxes, and $746 for regulatory assessment fees. This expense has been increased by $526 to reflect the appropriate payroll taxes on staff's recommended salaries. It has been increased by $23 to reflect the appropriate regulatory assessment fee on test year revenue. This expense has also been increased by $141 to reflect property taxes for the land on which the water treatment plant is located. The total adjustment for this account is an increase of $690.

Increase in Operating Revenues and Expenses:

Operating Revenue - Revenue has been increased by $32,274 to reflect the increase required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income - This expense has been increased by $1,452 to reflect regulatory assessment fees at 4.5% on the required increase in revenue.

The application of staff's recommended adjustments to the utility's recorded operating expenses results in staff's recommended operating expenses of $44,490.

Operating expenses are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

REVENUE REQUIREMENT

ISSUE 8: What is the appropriate revenue requirement for this utility?

RECOMMENDATION: The appropriate revenue requirement is $49,366. (DEWBERRY)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of $32,274 (188.83%) for water. This will allow the utility the opportunity to recover its expenses and earn a 9.21% return on its investment.

Adjusted rate base	$52,942
Rate of return	x .0921
Return on investment	$ 4,876
Adjusted O&M expense	36,789
Depreciation expense (Net)	3,301
Taxes other than income	4,400
Revenue requirement	$49,366
Test year revenue	(17,092)
Increase in revenue	$32,274
Percentage increase	188.83% ($32,274/$17,092)

The revenue requirement is shown on Schedule No. 3.

RATES AND TARIFF CHARGES

ISSUE 9: What are the appropriate rates and rate structure?

RECOMMENDATION: The recommended rates should be designed to produce revenue of $49,366. The utility should employ the base facility and gallonage charge rate structure. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30-475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (DEWBERRY)

STAFF ANALYSIS: The utility currently employs a declining block gallonage charge rate structure. Staff recommends that the utility employ the base facility and gallonage charge rate structure without a declining rate for increased usage levels. A declining block rate structure is the inappropriate structure for promoting conservation. Staff's recommended rate structure promotes conservation and is designed to provide equitable sharing by the rate payers of both the fixed and variable costs for providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs to providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

During the test year the utility provided water to approximately 302 residential customers and 5 general service customers for a total of 307 customers.

Rates have been calculated using the number of customers and consumption for the test year ended December 31, 1996. A schedule of the utility's existing rates and staff's recommended rates follows:

WATER
Monthly Rates
Existing Rates

0-3,000 gallons	$4.00
3,001-7,000 gallons	.85 per 1,000 gals.
All over 7,000 gallons	.60 per 1,000 gals.

Staff's Recommended Rates

Meter Size	Base Facility Charge
5/8" x 3/4"	$ 7.62
3/4"	11.43
1"	19.05
1 1/2"	38.09
2"	60.95
3"	121.90
4"	190.46
6"	380.92
Gallonage Charge	
Per 1,000 gals.	$ 2.13

The average water usage for a residential customer with a 5/8" x 3/4" meter is approximately 2,549 gallons per month. A schedule of an average bill using existing and recommended rates follows:

Average bill using recommended rates	$13.05
Average bill using existing rates	(4.00)
Increase in bill	$ 9.05
Percentage increase in bill	226.25% ($9.05/$4.00)

The percentage increase in the average bill is greater than the percentage increase in revenue, because of the recommended change in rate structure. The utility's existing rate structure allows customers to pay a minimum charge that includes gallons and pay a two-step declining gallonage charge for usage over the number of gallons included in the minimum charge. The recommended base facility and gallonage charge rate structure will require customers to pay one rate for all consumption in addition to a base facility charge.

The recommended rates are designed to produce revenue of $49,366. The utility should employ the base facility and gallonage charge rate structure. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

ISSUE 10: Should the utility be authorized to collect miscellaneous service charges, and if so, what are the appropriate charges?

RECOMMENDATION: Yes, the utility should be authorized to collect miscellaneous service charges and the appropriate charges should be the recommended charges specified in the staff analysis. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. These charges may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (DEWBERRY)

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

Staff's Recommended Charges

	Water
Initial Connection	$15.00
Normal Reconnection	$15.00
Violation Reconnection	$15.00
Premises Visit (in lieu of disconnection)	$10.00

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

A definition of each charge is provided for clarification:

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

Normal Reconnection - this charge would be levied for transfer of service to a new customer account, a previously served location or reconnection of service subsequent to a customer requested disconnection.

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

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

If staff's recommended miscellaneous service charges are approved by the Commission, they should be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The charges should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

ISSUE 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: Revenues should be reduced by a total of $994 to reflect the removal of rate case expense grossed up for regulatory assessment fees, which is being amortized over a four year period. The effect of the revenue reduction results in rate decrease as shown on Schedule No. 4. The decrease in rates should become effective immediately following the expiration of the recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. (DEWBERRY)

STAFF ANALYSIS: Section 367.0816, Florida Statutes requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of the revenues associated with the amortization of rate expense and the gross-up for regulatory assessment fees, which is $994. The reduction in revenues will result in the rates recommended by staff on Schedule No. 4.

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

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

ISSUE 12: Should the recommended rates be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility?

RECOMMENDATION: Yes, the recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after staff's approval of the security for potential refund, the proposed customer notice, and the revised tariff sheets. (DEWBERRY, RIEGER, BRUBAKER)

STAFF ANALYSIS: This recommendation 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 timely protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility shall be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of the security for potential refund and the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of $22,321. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should 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, the letter should 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 the final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should 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 should be an interest bearing account.

3) If a refund to the customers is required, all interest earned by the escrow account should be distributed to the customers.

4) If a refund to the customers is not required, the interest earned by the escrow account should revert to the utility.

5) All information on the escrow account should be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund should be deposited in the escrow account within seven days of receipt.

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase should 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 should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility should 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.

OTHER

ISSUE 13: Should this docket be closed?

RECOMMENDATION: No, upon expiration of the protest period, if no timely protest is received, this docket should remain open for 90 days from the issuance date of the Order to allow staff to verify completion of all post test year plant improvements. If all post test year plant improvements have been completed within the 90 day time frame, this docket should be closed administratively. (DEWBERRY, RIEGER, BRUBAKER)

STAFF ANALYSIS: As addressed in Issue 3, post test year plant improvements have been included in rate base for setting rates. Staff recommends that this docket remain open for 90 days from the issuance date of the order to allow staff to verify the completion of all post test year plant improvements. Upon expiration of the protest period, if all post test year plant improvements have been completed within the 90 day time frame, this docket should be closed administratively.

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 1
DOCKET NO. 961447-WU

	BALANCE PER ORIGINAL COST STUDY	STAFF ADJUST. TO COST STUDY		BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$ 104,160	$ 32,766	A$	136,926
LAND/NON-DEPRECIABLE ASSETS	1,000	0		1,000
PLANT HELD FOR FUTURE USE	0	0		0
ACQUISITION ADJUSTMENT	0	0		0
CWIP	0	0		0
CIAC	0	(60,600)	B	(60,600)
ACCUMULATED DEPRECIATION	(61,540)	202	C	(61,338)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0		0
AMORTIZATION OF CIAC	0	32,355	D	32,355
WORKING CAPITAL ALLOWANCE	0	4,599	E	4,599
WATER RATE BASE	$ 43,620	$ 9,322	$	52,942

SPRING CREEK VILLAGE UTILITIES, LTD.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO 1A
DOCKET NO. 961447-WU

		WATER
A.	UTILITY PLANT IN SERVICE	
1.	To remove plant retirements	$ (696)
2.	To reflect plant replacements	1,611
3.	To reflect post test year additions	31,851
		$ 32,766
B.	CONTRIBUTIONS IN AID OF CONSTRUCTION(CIAC)	
1.	To reflect imputed CIAC	$ (60,600)
C.	ACCUMULATED DEPRECIATION	
1.	Depreciation on post test year plant	$ (1,695)
2.	Averaging adjustment	1,897
		$ 202
D.	AMORTIZATION OF CIAC	
1.	Amortization of CIAC @ 12/31/96	$ 33,449
2.	Averaging adjustment	(1,094)
		32,355
E.	WORKING CAPITAL ALLOWANCE	
1.	To reflect 1/8 of operation and maintenance expense	$ 4,599

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 2
DOCKET NO. 961447-WU

	PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	$ 246,580	$ (193,638)	$ 52,942	100.00%	9.21%	9.21%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
RETAINED EARNINGS	0	0	0	0.00%	0.00%	0.00%
CAPITAL STOCK	0	0	0	0.00%	0.00%	0.00%
PAID IN CAPITAL	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	$ 246,580	$ (193,638)	$ 52,942	100.00%		9.21%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	8.21%	10.21%
OVERALL RATE OF RETURN	8.21%	10.21%

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 3
DOCKET NO. 961447-WU

	TEST YEAR PER UTILITY	STAFF ADJ. TO UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER STAFF
OPERATING REVENUES	$ 16,656	$ 436 A	$ 17,092	$ 32,274 F	$ 49,366
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 40,632	$ (3,843) B	$ 36,789	$ 0	36,789
DEPRECIATION (NET)	3,577	1,912 C	5,489	0	5,489
AMORTIZATION (CIAC)	0	(2,188) D	(2,188)	0	(2,188)
TAXES OTHER THAN INCOME	2,258	690 E	2,948	1,452 G	4,400
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 46,467	$ (3,429)	$ 43,038	$ 1,452	$ 44,490
OPERATING INCOME/(LOSS)	$ (29,811)		$ (25,946)		$ 4,876
WATER RATE BASE	$ 43,620		$ 52,942		$ 52,942
RATE OF RETURN	-68.34%		-49.01%		9.21%

SPRING CREEK VILLAGE UTILITIES, LTD.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 3A
DOCKET NO. 961447-WU

		WATER
A.	OPERATING REVENUES	
1.	To reflect annualized revenue to include all test year customers	$ 436
B.	OPERATION AND MAINTENANCE EXPENSES	
1.	Salaries and Wages(Employees)	
a.	To reflect an annual salary for employees	$ (4,238)
2.	Purchased power	
a.	To remove a non-utility expense	$ (216)
3.	Material and Supplies	
a.	To reflect annual meter replacement program	$ 477
4.	Contractual Services	
a.	To reflect annual management fee	$ 1,881
b.	To reflect annual DEP required testing expense	(74)
		$ 1,807
5.	Insurance Expense	
a.	To reflect annual insurance allowance	$ 172
6.	Regulatory Commission Expense	
a.	To reflect rate case filing fee amortized over 4 years	$ (1,845)
	TOTAL O & M ADJUSTMENTS	$ (3,843)
C.	DEPRECIATION EXPENSE	
1.	To reflect test year depeciation expense	$ 217
2.	Depreciation on post test year additions	1,695
		$ 1,912
D.	AMORTIZATION EXPENSE (CIAC)	
1.	To reflect test year amortization of CIAC	$ (2,186)
E.	TAXES OTHER THAN INCOME	
1.	To reflect payroll taxes on recommended salaries	$ 526
2.	To reflect regulatory assessment fee @ 4.5% on test year revenue	23
3.	To reflect property taxes	141
		$ 690
F.	OPERATING REVENUES	
1.	To reflect increase in revenue required to cover expenses and allow recommended rate of return	$ 32,274
G.	TAXES OTHER THAN INCOME	
1.	To reflect regulatory assessment fee at 4.5% on increase in revenue	$ 1,452

SPRING CREEK VILLAGE UTILITIES, LTD.
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 3B
DOCKET NO. 961447-WU

	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER STAFF
#601 SALARIES AND WAGES - EMPLOYEES	$ 16,714	$ (4,238)[1]	$ 12,476
#603 SALARIES AND WAGES - OFFICERS	0	0	0
#604 PENSIONS AND BENEFITS	802	0	802
#610 PURCHASED WATER	0	0	0
#615 PURCHASED POWER	4,035	(216)[2]	3,819
#616 FUEL FOR POWER PRODUCTION	0	0	0
#618 CHEMICALS	1,957	0	1,957
#620 MATERIALS AND SUPPLIES	1,002	477 [3]	1,479
#630 CONTRACTUAL SERVICES	9,010	1,807 [4]	10,817
#640 RENTS	0	0	0
#650 TRANSPORTATION EXPENSE	657	0	657
#655 INSURANCE EXPENSE	582	172 [5]	754
#665 REGULATORY COMMISSION EXPENSE	2,794	(1,845)[6]	949
#670 BAD DEBT EXPENSE	0	0	0
#675 MISCELLANEOUS EXPENSES	3,079	0	$ 3,079
	$ 40,632	$ (3,843)	$ 36,789

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF RATE CASE EXPENSE RATE
REDUCTION AFTER FOUR YEARS
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 4
DOCKET NO. 961447-WU

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE	STAFF RECOMM. RATES	RATE DECREASE
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	$ 7.62	$ 0.15
1"	11.43	0.22
1-1/4"	19.05	0.37
1-1/2"	38.09	0.73
2"	60.95	1.17
3"	121.90	2.34
4"	190.46	3.66
6"	380.92	7.32
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	$ 2.13	$ 0.04

Attachment "A"

WATER TREATMENT PLANT — USED AND USEFUL DATA

Docket No. 961447-WU Utility Spring Creek Village Date Mar 97

1) Capacity of Plant 86,000 gallons per day

2) Maximum Daily Flow pk.5day ave 59,000 gallons per day

3) Average Daily Flow pk. mo. 2/96= 47,870 gallons per day

4) Fire Flow Requirements 120,000 gallons per day

5) Margin Reserve System built out gallons per day
*Not to exceed 20% of present customers

Res. Connections

a) Test Year Customers in ~~ERC's~~ Begin 303 End 303 Av. 303

b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 0 ERC's

c) Construction Time for Additional Capacity 1.5 Years

(b) x (c) x $\left[\frac{3}{(a)}\right]$ = NA gallons per day

6) Excessive Infiltration Meter problems, could not determine gallons per day

a) Total Amount _____ gallons per day ___% of Av. Daily Flow

b) Reasonable Amount _____ gallons per day ___% of Av. Daily Flow

c) Excessive Amount _____ gallons per day ___% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\frac{[(2)+(5)+4a]-6}{1} = 100 \text{ \% Used and Useful}$$

Attachment "B"

WATER DISTRIBUTION SYSTEM USED AND USEFUL DATA

Docket No. 961447-WU Utility Spring Creek Village Utilities Date Mar 97

Res. Connections

1) Capacity 303 ~~ERC's~~ (Number of potential customers without expansion)

Res.Connections

2) Number of TEST YEAR Connections 303 ~~ERC's~~

Res. Connection

a) Begin Test Year 303 ~~ERC's~~

Res. Connection

b) End Test Year 303 ~~ERC's~~

Res. Connection

c) Average Test Year 303 ~~ERC's~~

Res. Connection

3) Margin Reserve (Not to exceed Built out ~~ERC's~~

20% of present customers)

a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 0 ERC's

c) Construction Time for Additional Capacity 1 Years

(a) x (b) = 0 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = 100\ \%$$ Used and Useful

DOCKET NO. 961447-WU
JULY 2, 1997

ISSUE AND RECOMMENDATION SUMMARY

ISSUE 1: Is the quality of service provided by Spring Creek Village Utilities, Ltd., satisfactory?

RECOMMENDATION: No. The quality of service provided by the utility should be considered unsatisfactory. The utility should be required to file quarterly reports for a period of one year after the date of the Commission order. These reports should include a description of customer complaints and how they were resolved, the number of outages, how long service was interrupted, and the nature of the problems that caused the outages. (RIEGER)

ISSUE 2: What are the appropriate used and useful percentages for the water treatment and distribution system?

RECOMMENDATION: The water treatment and distribution systems should be considered 100% used and useful. (RIEGER)

ISSUE 3: What is the appropriate average test year rate base for this utility?

RECOMMENDATION: The appropriate average test year rate base for this system is $52,942. (DEWBERRY, RIEGER)

ISSUE 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity and overall rate of return is 9.21% with a range of 8.21% - 10.21%. (DEWBERRY)

ISSUE 5: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues are $17,092. (DEWBERRY)

ISSUE 6: What is the appropriate test year operating loss for this utility?

RECOMMENDATION: The appropriate test year operating loss for this utility is $25,946. (DEWBERRY)

ISSUE 7: What is the appropriate amount for test year operating expenses?

RECOMMENDATION: The appropriate amount for test year operating expenses is $44,490. (DEWBERRY, RIEGER)

DOCKET NO. 961447-WU
JULY 2, 1997

ISSUE AND SUMMARY RECOMMENDATION

ISSUE 8: What is the appropriate revenue requirement for this utility?

RECOMMENDATION: The appropriate revenue requirement is $49,366. (DEWBERRY)

ISSUE 9: What are the appropriate rates and rate structure?

RECOMMENDATION: The recommended rates should be designed to produce revenue of $49,366. The utility should employ the base facility and gallonage charge rate structure. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30-475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (DEWBERRY)

ISSUE 10: Should the utility be authorized to collect miscellaneous service charges, and if so, what are the appropriate charges?

RECOMMENDATION: Yes, the utility should be authorized to collect miscellaneous service charges and the appropriate charges should be the recommended charges specified in the staff analysis. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. These charges may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (DEWBERRY)

ISSUE 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: Revenues should be reduced by a total of $994 to reflect the removal of rate case expense grossed up for regulatory assessment fees, which is being amortized over a four year period. The effect of the revenue reduction results in rate decrease as shown on Schedule No. 4. The decrease in rates should become effective immediately following the expiration of the recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. (DEWBERRY)

ISSUE AND SUMMARY RECOMMENDATION

ISSUE 12: Should the recommended rates be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility?

RECOMMENDATION: Yes, the recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after staff's approval of the security for potential refund, the proposed customer notice, and the revised tariff sheets. (DEWBERRY, RIEGER, BRUBAKER)

ISSUE 13: Should this docket be closed?

RECOMMENDATION: No, upon expiration of the protest period, if no timely protest is received, this docket should remain open for 90 days from the issuance date of the Order to allow staff to verify completion of all post test year plant improvements. If all post test year plant improvements have been completed within the 90 day time frame, this docket should be closed administratively. (DEWBERRY, RIEGER, BRUBAKER)

Agenda for
Commission Conference
July 15, 1997

ITEM NO.	CASE
38**PAA	DOCKET NO. 961447-WU - Application for staff-assisted rate case in Lee County by Spring Creek Village, Ltd.

Critical Date: 15-month statutory date expires May 12, 1998

Commissioners Assigned: Full Commission
Prehrg Officer CL

Staff: WAW: Dewberry, Rieger
LEG: Brubaker

All Issues PAA Except 12 and 13

Issue 1: Is the quality of service provided by Spring Creek Village Utilities, Ltd., satisfactory?
Recommendation: No. The quality of service provided by the utility should be considered unsatisfactory. The utility should be required to file quarterly reports for a period of one year after the date of the Commission order. These reports should include a description of customer complaints and how they were resolved, the number of outages, how long service was interrupted, and the nature of the problems that caused the outages.
Issue 2: What are the appropriate used and useful percentages for the water treatment and distribution system?
Recommendation: The water treatment and distribution systems should be considered 100% used and useful.
Issue 3: What is the appropriate average test year rate base for this utility?
Recommendation: The appropriate average test year rate base for this system is $52,942.
Issue 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?
Recommendation: The appropriate rate of return on equity and overall rate of return is 9.21% with a range of 8.21% - 10.21%.
Issue 5: What are the appropriate test year revenues?
Recommendation: The appropriate test year revenues are $17,092.
Issue 6: What is the appropriate test year operating loss for this utility?
Recommendation: The appropriate test year operating loss for this utility is $25,946.

ITEM NO. | CASE

38**PAA DOCKET NO. 961447-WU - Application for staff-assisted rate case in Lee County by Spring Creek Village, Ltd.

(Continued from previous page)

Issue 7: What is the appropriate amount for test year operating expenses?
Recommendation: The appropriate amount for test year operating expenses is $44,490.
Issue 8: What is the appropriate revenue requirement for this utility?
Recommendation: The appropriate revenue requirement is $49,366.
Issue 9: What are the appropriate rates and rate structure?
Recommendation: The recommended rates should be designed to produce revenue of $49,366. The utility should employ the base facility and gallonage charge rate structure. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30-475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.
Issue 10: Should the utility be authorized to collect miscellaneous service charges, and if so, what are the appropriate charges?
Recommendation: Yes. The utility should be authorized to collect miscellaneous service charges and the appropriate charges should be the recommended charges specified in the staff analysis portion of the recommendation dated July 2, 1997. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. These charges may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

ITEM NO. | CASE

38**PAA DOCKET NO. 961447-WU - Application for staff-assisted rate case in Lee County by Spring Creek Village, Ltd.

(Continued from previous page)

Issue 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?
Recommendation: Revenues should be reduced by a total of $994 to reflect the removal of rate case expense grossed up for regulatory assessment fees, which is being amortized over a four year period. The effect of the revenue reduction results in rate decrease as shown on Schedule No. 4 of staff's memorandum dated July 2, 1997. The decrease in rates should become effective immediately following the expiration of the recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.
Issue 12: Should the recommended rates be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility?
Recommendation: Yes. The recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after staff's approval of the security for potential refund, the proposed customer notice, and the revised tariff sheets.
Issue 13: Should this docket be closed?
Recommendation: No. Upon expiration of the protest period, if no timely protest is received, this docket should remain open for 90 days from the issuance date of the order to allow staff to verify completion of all post test year plant improvements. If all post test year plant improvements have been completed within the 90 day time frame, this docket should be closed administratively.

STATE OF FLORIDA

DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(904) 413-6770

Public Service Commission

July 3, 1997

Dear Party or Interested Person:

On the reverse side of this page is an excerpt from the agenda for the upcoming Commission Conference. The conference is scheduled to begin at 9:30 a.m. on the date indicated in Room 148 of the Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee. The excerpt summarizes the issues to be decided in a docket in which you may have an interest.

As a party of record or interested person in the docket, you may wish to attend the conference. If you drive to the conference, you should be able to find a parking space in one of the visitor spaces in front of the Betty Easley Conference Center, or in front of the Gerald L. Gunter Building at 2540 Shumard Oak Boulevard.

If you require some accommodation at this conference because of a physical impairment, you should call this Division at (904) 413-6770 at least five calendar days before the conference. If you are hearing or speech impaired, you may contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD). Assistive Listening Devices are also available in Room 110 of the Betty Easley Conference Center.

If you attend the Conference for the purpose of addressing the Commission or answering questions, you should sign the appearance register, which is located on a table at the back of the hearing room. If you fail to sign the register, you may miss the opportunity to speak before the Commissioners vote on the docket. The Chairman will announce each item as it is taken up and ask for your comments at the appropriate time.

Also, as a party of record or interested person in this docket, you may wish to obtain a copy of the Commission staff's recommendation. To do so, call the Records Section of this office at (904) 413-6770.

Sincerely,

Blanca S. Bayó

Attachment

Dennis 7/14 Was aware of meeting

State of Florida

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: March 31, 1997

TO: Neil Bethea

FROM: Stanley D. Rieger SDR

RE: Doc. No. 961447-WU - Application For Staff-Assisted Rate Case in Lee County By Spring Creek Village Utilities, Ltd.

INTRODUCTION

Consistent with the standard operating procedures of the division, an engineering investigation of the above referenced docket was conducted. The investigation included a field inspection of the utility's service area and its water treatment facility. In addition, an in office study of its final rate application, operation and maintenance expenses, utility plant used and useful, service availability and other engineering issues pertaining to this utility were reviewed for reasonableness.

1.0 GENERAL INFORMATION

The utility applied for a staff-assisted rate increase on December 4, 1996. Originating in 1970, the utility started out as a water and wastewater utility, and received water and wastewater certificates in 1976. The utility discontinued operation of its wastewater treatment facility and interconnected with Bonita Springs Utilities in July of 1993. The Commission acknowledged the interconnection, and canceled the wastewater certificate in the August 18, 1994, Order No. P.C.-94-1003-FOR-SO, to Docket No. 940192-SO. Records indicate that the rates charged to the customers have not change since they were authorized by the Commission at the time of the 1976 original certificate.

Located in the Southwest corner of Lee County, approximately seven miles Northwest of the city of Bonita Springs, the utility presently provides water service to 303 residential connections and six general service connections. The utility serves Spring Creek Village, a mobile home retirement community with the park at full occupancy during the winter season.

2.0 PLANT IN SERVICE

Water Treatment Facility: The utility's water treatment facility has a designed capactiy of 86,000 gpd. Its main modes of treatment are aeration, with disinfection achieved through gas chlorination. Raw water is supplied to the treatment plant through four wells; two 4" wells rated at 50 gpm, and two 2" wells rated at 30 gpm. At the time of the engineering field investigation, renovations of the plant's electrical control system were underway. The work included the rewiring of electrical control circuits, replacement of conduit, relay cabinets, starter controls, pressure switches, and sensor units. Additional work planned at this facility include reactivating a 2" well that has been out of service for approximately four years, replacement of meter assembly, a solenoid valve on the hydropneumatic tank, and a roof over a reservoir. These improvements and more, are discussed further in the After Test Year Improvement section to this report.

Water Distribution System: The water distribution system is composed primarily of PVC pipe.

3.0 OPERATIONAL AND MAINTENANCE EXPENSES

Chemicals - For disinfection purposes, the utility uses gas chlorination at its water treatment facility. Using 3,000 pounds, the utility purchased approximately $1,957 worth during the test year. Usage at this facility is considered heavy because the chlorine is also used to help control hydrogen sulfide gas. A higher chlorine demand is necessary to accommodate this task. Also, as mentioned in purchased power section below, excessive unaccounted for water may be a problem. Like purchased power, an adjustment to chemicals will not be considered until the plant flow master meter is repaired and data from that is analyzed.

Therefore, the amount of chemicals used during the test year appear reasonable and should be allowed.

Purchased Power - During the test year, the utility purchased a total of approximately $4,035. Connected with the power supply source for the water treatment facility are entrance lights to the Spring Creek Village residential area. It has been estimated that these nine lights, which burn up to 10 hours nightly, use approximately $18 of purchase power on a monthly basis. Therefore it is recommended that $216 ($18x12mos.), be removed from Purchased Power Acct. No. 615, to reflect non-utility power usage.

In addition to the above, there may be a later adjustment to purchased power consumed that is related to excessive unaccounted for water. Current flow data represents a 35% unaccounted for water amount. Normally there would be a purchased power adjustment to reflect excessive unaccounted for water, but it is suspected that a malfunctioning master flow meter might be misrepresenting the amount of water produced at the water treatment facility. The meter problem is expected to be corrected soon. Until new flow data from the repaired flow meter is received, no adjustment is recommended at this time.

With the above adjustment considered, the amount of electricity used by the utility appears reasonable and should be allowed.

Laboratory Testing -- DEP required testing during the test year included the following:

TEST YEAR LAB ANALYSIS	
BACTERIOLOGICAL	$ 600
NITRATE/NITRITE	$ 80
LEAD/COPPER	$ 351
BERYLLIUM RETEST	$ 200
TOTAL:	$1,231
AMOUNT REMOVED:	$ 434
ADJUSTED TOTAL:	$ 797

The bacteriological and nitrate/nitrite tests totaling $680, should be considered as necessary recurring tests and should be allowed. The $200 beryllium retests are not considered as regularly recurring tests, and should be removed from consideration. The lead and copper tests are expected to occur every three years. Two-thirds of the lead and copper test cost, or $234 (351x2/3), should not be considered. Therefore, $434 ($200+$234) should be removed from test year consideration.

The utility has supplied staff with estimates for additional testing costs necessary to comply with DEP requirements. These tests, which will occur in 1997, are as follows:

ADDITIONAL TESTING COSTS	
PRIMARY INORG.	$ 155
PESTICIDES/PCB'S	$ 550
RADIONUCLIDES	$ 780
SECONDARY'S	$ 135
U.O.C.'S	$ 90
1997 EST. TOTAL:	$1,710/3yrs
ANNUALIZED TOT:	$ 570

The estimated testing costs that are necessary to obtain DEP compliance appear reasonable. Therefore, $1,367 ($797 adjusted total incurred during test year + $570 additional for 1997) for testing, should be included in Contractual Services Acct. No. 730.

Contract Operator - The audit has inadvertently reflected contract operator charges with the lab testing costs. At $225 per month for DEP required operating services, $2,700 ($225x12) should be considered in Contractual Services Acct. No. 630 for the contract operator charges and not for lab testing costs.

Employees - On a part time basis, the utility uses three park employees from the related mobile home subdivision to perform routine duties at the water treatment facility and distribution

system. They include the park manager who spends an average of 2 hours per day performing plant repairs and maintenance, and meter reading; a full time park maintenance person who performs utility related duties similar to the park manager at 2 hours per day; and a part time park maintenance person who performs weekend maintenance at 2 hours weekly. The amount allotted for utility service by these employees has been reviewed for reasonableness and should be allowed.

Meters - During the test year, the utility purchased 24-5/8"x3/4" residential meters for approximately $1,000. The utility has an active meter replacement program. Meters are replaced when they are discovered to be malfunctioning. It appears appropriate to continue this program, and that the amount spent during the test year should be considered as a recurring expense. Therefore, as a pro forma expense, it is recommended that $1,000 be allowed in Material and Supplies Acct. No. 620.

General - A review of all other general expenses incurred by the utility appear reasonable and should be allowed.

4.0 USED AND USEFUL

Used and useful for this utility has not been previously determined by the Commission.

Water Treatment Plant - The water treatment plant has a design treatment capacity of 86,000 gallons per day. The maximum daily flow that occurred during the test year is 59,000 gallons per day. With fire flow considered, the water treatment plant is recommended to be 100% used and useful. Since the service area is built out, there was no margin reserve considerations (Attachment "B").

Water Distribution System - The water distribution system is basically at capacity with 303 residential connections. Therefore, it is recommended that the water distribution system be considered 100% used and useful (Attachment "B").

5.0 QUALITY OF SERVICE

The treatment facility is in compliance with the health department. The quality of service appears to be satisfactory. However, a full determination of quality of wastewater service can not be made until after the May 21, 1997, customer meeting.

6.0 UNACCOUNTED FOR WATER

Review of the amount of water produced vs. water consumed by the utility's customers during the test year, shows the unaccounted for water to be approximately 35%. Anything above 10% is considered excessive. Analysis of this problem has found a malfunctioning plant flow meter as a possible cause of the excessive amount. The lead maintenance person has indicated that the meter has been malfunctioning for quite some time, and is giving erroneous figures. There does not appear to be a water loss problem through broken lines, and malfunctioning customers meters are replaced when discovered. Since it is a known problem, the master meter must be repaired before any additional investigation is warranted.

Repair of this meter is forthcoming. A replacement assembly has been received, and repair work will occur soon. Hopefully, the new flow numbers will represent a more acceptable unaccounted for water amount. Therefore, no adjustment is recommended at this time.

7.0 CONSERVATION

The Commission has a memorandum of understanding with the Florida Water Management Districts. This memorandum recognizes a joint cooperative effort is necessary to implement an effective, state widewater conservation policy. Water use in the area is under the jurisdiction of the South Florida Water Management District. The utility is not required to have a consumptive use permit since the size of its wells fall below the minimum permitting requirements. By all indications, customer consumption does not appear to be excessive.

8.0 UNBILLED METERED GENERAL SERVICE CONNECTIONS

The utility has five metered general service connections that were not billed during the test year. They include the following:

GENERAL SERVICE CONNECTIONS		
Connection Type	**Meter Size**	**Test Year Consumption**
Recreation building	2"	208,700
Swimming pool	1"	188,000
Fish cleaning station	5/8"x3/4"	13,620
Boat davits area	5/8"x3/4"	4,200
Lift station	5/8"x3/4"	4,120
Park entrance	5/8"x3/4"	none recorded
	Total:	418,640 gallons

These connections should be treated as general service customers, and revenues should be imputed based on consumption and meter sizes.

9.0 DEPRECIATION

The depreciation of utility assets should conform with the Commission's policy as outlined in Chapter 25-30.140 F.A.C. No adjustments are recommended at this time.

10.0 AFTER TEST YEAR IMPROVEMENTS

Since the end of the test year, the audit has reflected the purchase of a 7½ hp pump for $1,972, and an air compressor for $1,219. Actual work in progress is a $18,300 contract for a rewiring project at the water treatment plant. Performed in stages, the utility paid during the test year, $11,990 for work completed. An additional $6,310 will be paid when the project is complete. The audit also reflected a $5,250 bid to replace a roof over a ground storage tank, and $3,943 for replacement high service pump motor.

In addition to what was reflected in the audit, $526 worth of electrical work to replace a defective main breaker was done since the end of the test year. Also, a $2,214 replacement meter assembly for the treatment plant master meter has been purchased and will be installed soon. A solenoid valve replacement at the treatment plant hydropneumatic tank is necessary. The $394 valve has been purchased, and it has been estimated that it will take an additional $200 in labor costs to complete the project. The flow meter replacement assembly and solenoid valve replacement will be performed at the same time, and is expected to be completed soon. Also to be completed is an estimated $1,400 rewiring project necessary to reactivate a potable water well that has been out of service for approximately four years. Although there has not been an estimate received, the utility has ordered backflow detection devices for its general service connections. The writer estimates that these devices will cost approximately $1,000.

Totaling $24,428, all of the above projects are considered necessary. Therefore, the following should be allowed:

POST TEST YEAR IMPROVEMENTS	
7½ HP pump	$1,972
Air compressor	$1,219
Rewiring project	$6,310
Ground storage tank roof	$5,250
High service pump motors	$3,943
Main breaker electrical repair	$526
Meter assembly	$2,214
Solenoid valve replacement	$594
Well rewiring project	$1,400
Backflow detection devices	$1,000
Post Test Year Improvements Total	$24,428

11.0 ORIGINAL COST

The need for an original cost study has materialized since the auditor was unable to identify sufficient records to support utility rate base and/or total system cost. A complete

inventory of system components has been made. An original cost study has been performed using partial available construction estimates, comparative costs from similar plants, and actual invoices trended to the year of installation. As determined in the original cost evaluation (Attachment "C"), the estimated original cost value for the water treatment facility is $34,696. For the water distribution system, the value it estimated to be $69,464. Therefore, it is recommended that the combined total value determined to be $104,160 ($34,696 + $69,464), be allowed.

12.0 LAND VALUE

The auditor could not establish the value of the land area that is occupied by the water treatment facility. The physical area has been measured, and it is considered to be approximately 2/10th of an acre. Although an attempt was made to establish its late 1960's value at the time it was considered in utility use, actual records were unavailable. Since such a small area is considered occupied by the utility, a token amount of $1,000 should be considered as an reasonable original land value for this parcel.

13.0 RECOMMENDATIONS

Operational And Maintenance Expenses - Purchased Power - It is recommended that $216 ($18x12mos.), be removed from Purchased Power Acct. No. 615, to reflect non-utility power usage (paragraph 3.0).

Lab testing - $1,367 ($797 adjusted total incurred during test year + $570 additional for 1997) for testing, should be included in Contractual Services Acct. No. 730 (paragraph 3.0)

Contract Operator - At $225 per month for DEP required operating services, $2,700 ($225x12) should be considered in Contractual Services Acct. No. 630 for the contract operator charges and not for lab testing costs (paragraph 3.0).

Employees - The park manager and a maintenance man spend an average of 2 hours per day, and a part time employee spends 2 hours weekly performing utility related work.The amount allotted for utility service by these employees should be allowed (paragraph 3.0).

Meters - It is recommended that $1,000 be allowed as an annual expense for meter replacements in Material and Supplies Acct. No. 620 (paragraph 3.0).

Used and useful - Water Treatment Plant - The utility's wastewater treatment plant should be considered 100% used and useful. The Distribution System should be considered 100% (paragraph 4.0).

~~Water Distribution System - The utility's water distribution and wastewater collection systems should be considered to be 60% used and useful (paragraph 4.0).~~

Unbilled General Service Connections - These connections should be treated as general service customers, and revenues should be imputed based on consumption and meter sizes (paragraph 8.0).

Original Cost - It is recommended that $104,160, be allowed as plant original cost (paragraph 11.0).

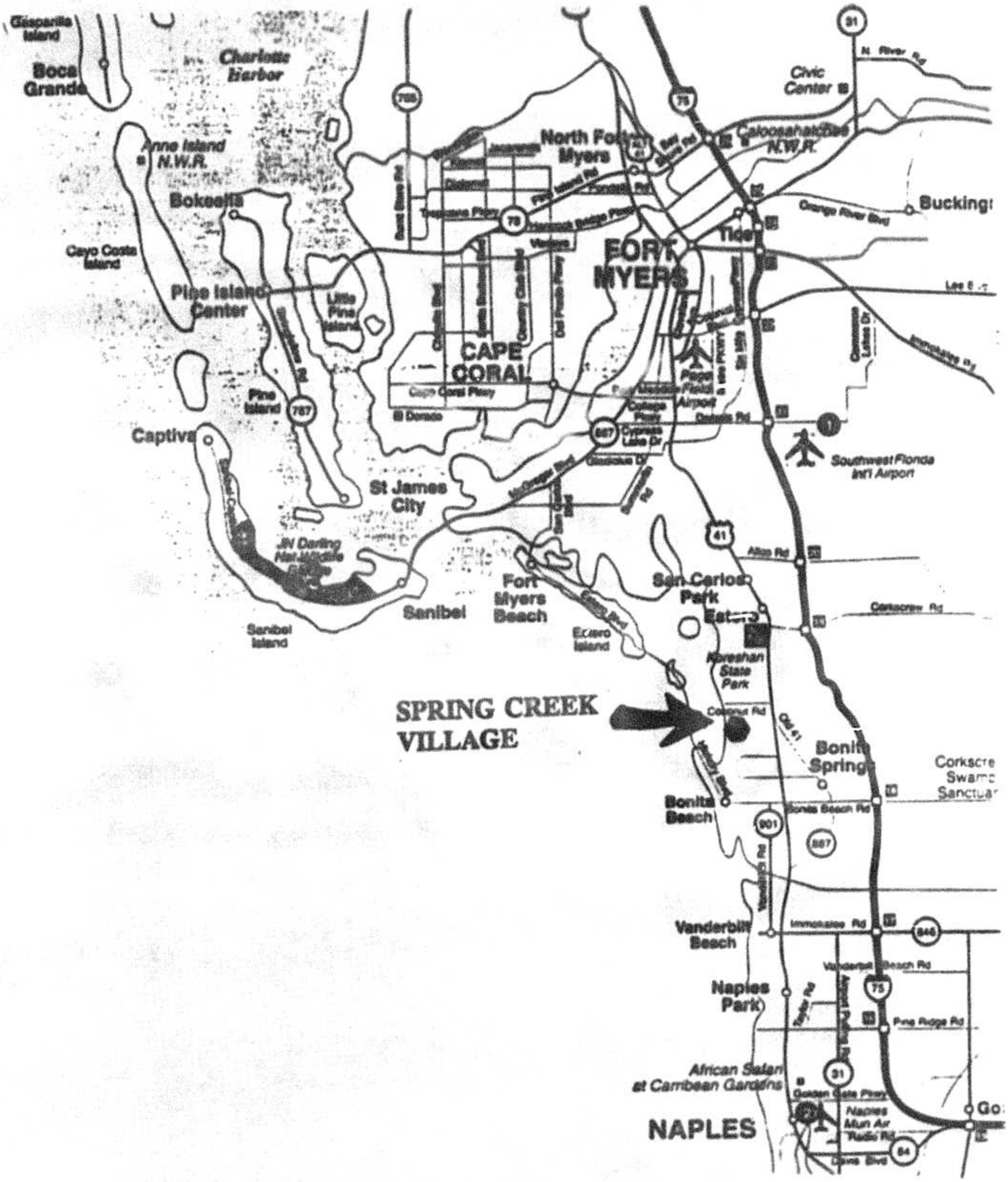
Land value - $1,000 should be allowed for the value of the land occupied by the water treatment plant (paragraph 12.0).

(spring.sdr)

cc: Division of Water and Sewer (Dewberry)
Division of Legal Services (Johnson)

Attachment "A"

SPRING CREEK VILLAGE UTILS., LTD.



TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 961447-WU Utility Spring Creek Village Date Mar 96

1) Capacity of Plant 86,000 gallons per day

2) Maximum Daily Flow pk.5day ave 59,000 gallons per day

3) Average Daily Flow pk. mo. 2/96= 47,870 gallons per day

4) Fire Flow Requirements 120,000 gallons per day

5) Margin Reserve System built out gallons per day
*Not to exceed 20% of present customers

Res. Connections

a) Test Year Customers in ~~ERC's~~ Begin 303 End 303 Av. 303

b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 0 ERC's

c) Construction Time for Additional Capacity 1.5 Years

(b) x (c) x $\left[\frac{3}{(a)}\right]$ = NA gallons per day

6) Excessive Infiltration Meter problems, could not determine gallons per day

a) Total Amount _____ gallons per day ___% of Av. Daily Flow

b) Reasonable Amount _____ gallons per day ___% of Av. Daily Flow

c) Excessive Amount _____ gallons per day ___% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$\frac{[(2)+(5)+4a]-6}{1}$ = 100 % Used and Useful

Stely D Rio Engineer

Attachment "B"

WATER COLLECTION SYSTEM — USED AND USEFUL DATA

Docket No. 961447-WU Utility Spring Creek Village Utilities Date July 96

Res. Connections

1) Capacity 303 ~~ERC's~~ (Number of potential customers without expansion)

Res.Connections

2) Number of TEST YEAR Connections 303 ~~ERC's~~

Res. Connection

a) Begin Test Year 303 ~~ERC's~~

Res. Connection

b) End Test Year 303 ~~ERC's~~

Res. Connection

c) Average Test Year 303 ~~ERC's~~

Res. Connection

3) Margin Reserve (Not to exceed Built out ~~ERC's~~
20% of present customers)

a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 0 ERC's

c) Construction Time for Additional Capacity 1 Years

(a) x (b) = 0 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = 100 \%$$ Used and Useful

Engineer

ORIGINAL COST EVALUATION

WATER X
SEWER ___

UTILITY SPRING CREEK VILLAGE UTILITIES LTD.
LOCATION LEE CO.
DOCKET NO. 961447-WS

SUBDIVISION SPRING CREEK VILLAGE
DATE 3/97

Sheet No. 1 of 2 Sheets

ACCT NOS.	DESCRIPTION OR ITEM	QUAN	UNIT	UNIT COST	TOTAL	ENG 6% -	A&G 10%	ADJ. TOTAL	DEP. RATE % YR	AGE YRS.	TOT. DEP.	NET BOOK VALUE
330	Hydro tank	1	ea.		2040	122.4	204	2366.4	3.0	26	1846	521
330	Hydro tank modifications	1	ea.		800	48	80	928	3.0	21	584.6	343
307	2" Wells w/pumps	2	ea.	650	1300	78	130	1508	3.7	21	1172	336
331	Well piping to plant	1	ea.		1600	96	160	1856	2.6	21	1013	843
311	5 HP hi service pumps	2	ea.	300	600	36	60	696	6.7	21	979.3	
330	15m concrete storage tank	1	ea.		5000	300	500	5800	2.7	21	3289	2511
345	Air compressor	1	ea.		2500	150	250	2900	10.	18	5220	
310	Generator	1	e.a		3500	210	350	4060	5.9	18	4312	
330	8m concrete storage tank	1	ea.		4000	240	400	4640	2.7	16	2004	2636
334	4" Master Meter	1	ea.		1500	90	150	1740	5.9	16	1643	97
320	Chlorinator	1	ea.		1000	60	100	1160	14.3	8	1327	
307	4" wells w/pumps	2	ea.		3570	214.2	357	4141.2	6.7	7	1942	2199
304	Plant and well fencing	1	ea.		1000	60	100	1160	3.3	5	191.4	969
304	Storage tank roofing	1	ea.		1500	90	150	1740	2.9	4	201.8	1538
						Predep.	Tot:	[illegible]		Plt.	Tot:	$11,993

DOCKET NO. 961447-WS				ORIGINAL COST EVALUATION								Page 2 of 2 Pages
ACCT NOS.	DESCRIPTION OR ITEM	QUAN	UNIT	UNIT COST	TOTAL	ENG 6%	A&G 10%	ADJ. TOTAL	DEP. RATE % YR	AGE YRS.	TOT. DEP.	NET BOOK VALUE
331	6" PVC pipe	850	ft.	.95	808	48.48	80.8	937.28	2.6	26	633.6	304
331	2" PVC pipe	1700	ft.	.77	1309	78.54	130.9	1518.44	2.6	26	1026	492
331	Valves/Tees/Reducers/Etc.	Comb.			150	9	15	174	5.0	26	226.2	
333	Services	46	ea.	25	1150	69	115	1334	2..9	5	693.7	640
334	Meters	46		43	1978	118.7	197.8	2294.48	5.9	26	3520	
331	6" PVC pipe	275	ft.	1.10	303	18.18	30.3	351.48	2.6	24	219.3	132
331	2" PVC pipe	2,365	ft.	.90	2247	134.8	224.7	2606.52	2.6	24	1626	980
333	Services	26	ea.	30	780	46.8	78	904.8	2.9	24	629.7	275
334	Meters	54		45	2430	145.8	243	2818.8	5.9	24	3991	
331	6" PVC pipe	1340	ea	3.01	4033	242	403.3	4678.28	2.6	21	2554	2124
331	2" PVC pipe	1800	ea.	1.19	2142	128.5	214.2	2484.72	2.6	21	1357	1128
331	Valves/Tees/Reducers/Etc.	Comb.			3500	210	350	4060	5.0	21	4263	
333	Services	39	ea.	40	1560	93.6	156	1809.6	2.9	21	1102	708
334	Meters	70		50	3500	210	350	4060	5.9	21	5030	
331	2" PVC pipe	800	ea.	1.25	1000	60	100	1160	2.6	20	603.2	557
331	Valves/Tee/Reducers/Etc.	Comb.			350	21	35	406	5.0	20	406	0
333	Services	34	ea.	42	1428	85.68	142.8	1656.48	2.9	20	960.8	696
334	Meters	33		50	1650	99	165	1914	5.9	20	2259	
331	6" PVC pipe	3300		4.09	13497	809.8	1350	15656.52	2.6	16	6513	9143
331	2" PVC pipe	2100		1.62	3402	204.1	340.2	3946.32	2.6	16	1642	2305
331	Valves/Tee/Reducers/Etc.	Comb.			3000	180	300	3480	5.0	16	2784	696
335	Fire Hydrants	7	ea.	840	5880	352.8	588	6820.8	2.5	16	2728	4092
333	Services	54	ea.	59	3186	191.2	318.6	3695.76	2.9	16	1715	1981
334	Meters	100		60	600	36	60	696	5.9	16	657	39
							Dist.	$69,464	DIST.	SYS.	TOT:	$26,292
							Plt.	$34,696		PLT.	TOT:	$11,896
						Predep		$104,160		TOT.	PLT.	$38,188