

ORIGINAL

REQUEST TO ESTABLISH DOCKET
(Please Type)

Date April 15, 2002 Docket No. 020331-SU

1. Division Name/Staff Name: ECR/Merta

2. OPR: R Jaeger

3. OCR: T Rendell, S Merta, M Willis

4. Suggested Docket Title: Investigation into ^{alleged} improper billing in violation of Section 367.091(4), Florida Statutes, by Sanibel Bayous Utility Corporation

5. Suggested Docket Mailing List (attach separate sheet if necessary)

- A. Provide NAMES OR ACRONYMS ONLY if a regulated company.
- B. Provide COMPLETE NAME AND ADDRESS for all others. (Match representatives to companies.)

1. Parties and their representatives (if any):

Gary Winrow
Sanibel Bayous Utility Corporation
15560 McGregor Blvd. #8
Fort Myers, FL 33908

2. Interested persons and their representatives (if any):

6. Check one:

- Documentation is attached.
- Documentation will be provided with recommendation.

DOCUMENT NUMBER-DATE

04153 APR 15 02

FPSC-COMMISSION CLERK

STATE OF FLORIDA

COMMISSIONERS:
E. LEON JACOBS, JR., CHAIRMAN
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI



TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

September 5, 2001

Mr. Gary Winrow
Sanibel Bayous Utility Corporation
15560 McGregor Blvd., Suite 8
Fort Myers, FL 33908-2547

Dear Mr. Winrow:

In reviewing Sanibel Bayous Utility Corporation's (SBUC or utility) 2000 Annual Report, it came to the attention of staff that SBUC may not be in compliance with Florida Statutes. Staff's concern is that the utility may not be charging its approved tariffed rates.

Section 367.091(4), Florida Statutes, specifies that a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved. SBUC's Original Tariff Sheet No. 17.0 authorizes a rate of \$12.00 per month for residential service; Original Tariff Sheet No. 17.1 authorizes a rate of \$10.00 per month per unit for multiple dwelling units. The tariff, which was approved June 4, 1976, does not provide for general service or service availability charges. In conversations with Mr. Virgil Judah, the utility's Certified Public Accountant, it appeared that the utility may be charging \$12.96 per month for residential service, \$58.00 per month for general service and a \$2,667 service availability charge.

I am requesting that the utility provide the Commission, within 30 days of the date of this letter, answers to the following questions.

1. How many residential customers were billed in the year 2000 and at what rate?
2. How many multiple dwelling units were billed in the year 2000 and at what rate?
3. How many general service customers were billed in the year 2000 and at what rate?
4. What date did SBUC begin billing more than \$12.00 per month for residential service?
5. By what authority did SBUC change the residential rate?
6. What date did SBUC begin billing more than \$10.00 per month per unit for multiple dwelling units?
7. By what authority did SBUC change the multiple dwelling units rate?

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Mr. Gary Winrow
Page 2
August 31, 2001

8. What date did SBUC begin billing general service customers?
9. By what authority did SBUC begin charging general service customers?
10. What date did SBUC begin collecting service availability charges?
11. By what authority did SBUC begin collecting service availability charges?
12. Provide the amount of service availability fees charged since inception.
13. Provide a breakdown of the \$65,269 in revenue reported in the 2000 Annual Report. Include a breakdown by customer class which should include the number of customers and the rate charged, and an explanation of revenues generated from all other sources.

We are requesting that the utility provide the Commission, within 30 days of the date of this letter, proof that the utility is in compliance with its approved tariff. If the utility does not provide such proof within 30 days of the date of this letter, staff will bring these matters before the Commission and recommend that the utility be required to show cause, in writing within 21 days, why it should not be fined up to \$5,000 per day for its apparent violation of Florida Statutes and Commission orders.

If you have any questions regarding this letter, please call Sam Merta at (850) 413-6427.

Sincerely,



Timothy Devlin
Director

TD:sm

3949 EVANS AVENUE, SUITE 105
FORT MYERS, FLORIDA 33901
TELEPHONE: (941) 275-3405
FAX: (941) 275-3405

Ms. Sam Merta
Division of Economic Regulation
Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0865

Re: Sanibel Bayous Utility Corporation

Dear Ms. Merta:

Mr. Gary Winrow asked me to respond to your letter dated September 5, 2001.
Following is the information you requested.

01 OCT -2 11:10:59
ECONOMIC REGULATION
PUBLIC SERVICE

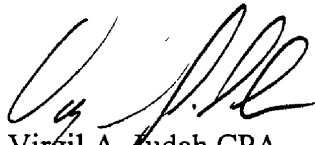
- | | |
|---|---------|
| 1. Total residential customers billed in 2000. | 144 |
| The rate charged from Jan – Mar 2000 per month | \$14 |
| The rate charged from April – December 2000 per month | \$16.67 |
| 2. Total Multiple family customers in 2000 | 108 |
| The rate charged in 2000 per month | \$12 |
| 3. Total General Service Customers | 3 |
| The rate charged in 2000 per month | 29 |
4. Prior to the increase charged residential customers in April, 2000 SBUC has been charging the above rates for many years.
 5. SBUC did not have Commission authority to make the increase. Simple Economics made it mandatory.
 8. SBUC has 3 non-residential customers that are located within other residential subdivisions which are a pool and other amenity centers. These customers have been served for several years.
 9. SBUC charged \$2,667 for hookup fees and has charged such fees since inception. The fees are in line with charges by the City of Sanibel.

12. Following is a breakdown of revenues reported in the 2000 Annual Report.

Residential Customers	\$27,337
Multiply Family Units	15,552
Non-Residential Units	1,044
Hook-up Fees	<u>21,336</u>
Total	<u>\$65,269</u>

If I can be of further assistance, do not hesitate to contact me.

Sincerely,



Virgil A. Budah CPA

STATE OF FLORIDA

COMMISSIONERS:
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J. TERRY DEASON
LILA A. JABER
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TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

October 8, 2001

Mr. Gary Winrow
Sanibel Bayous Utility Corporation
15560 McGregor Blvd., Suite 8
Fort Myers, FL 33908-2547

Dear Mr. Winrow:

Section 367.091(4), Florida Statutes, specifies that a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved. Sanibel Bayous Utility Corporation's (SBUC) Original Tariff Sheet No. 17.0 authorizes a rate of \$12.00 per month for residential service; Original Tariff Sheet No. 17.1 authorizes a rate of \$10.00 per month per unit for multiple dwelling units. The tariff, which was approved June 4, 1976, does not provide for general service or service availability (hookup) charges. Based on data supplied by the utility, SBUC is charging \$16.67 per month for residential service, \$12.00 per month for multiple dwelling service, \$29 per month for general service and a \$2,667 service availability charge. Therefore, the utility is in violation of Florida Statutes and Commission orders. SBUC must immediately reduce customer charges to the authorized tariff rates and the increase in rates must be refunded.

In order to calculate the amount of the customer refund, I am requesting that the utility provide the Commission, within 30 days of this letter, answers to the following questions:

1. What month, date, and year did the utility increase its residential rate above the \$12 per month authorized in its tariff and what was the number of customers effected? Please provide each/all date(s) the utility increased its rates, the corresponding rate charged, and the number of customers by year since the first rate change.
2. What month, date, and year did the utility increase its multiple dwelling rate above the \$10 per month authorized in its tariff and what was the number of customers effected? Please provide each/all date(s) the utility increased its rates, the corresponding rate charged and the number of customers by year since the first rate change.
3. What month, date, and year did the utility begin charging general service customers and what was the number of customers effected? Please provide each/all date(s) the utility increased this rate, the corresponding rate charged, and the number of customers by year since the first rate change.

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Mr. Gary Winrow
Page 2
October 3, 2001

4. For each year since inception, how many customers were connected each year and what was the amount of the rate charged per hookup.

Attached is a chart showing the format in which I would like the above questions answered. Please fill in the requested information.

In our October 3, 2001 telephone conversation, you mentioned that the utility needed a rate increase. I am enclosing a staff assisted rate case (SARC) application along with a copy of rule 25-30.455, Florida Administrative Code, which details the SARC process. Once the application is complete, it should be mailed to:

Director of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

When the application is received by the Commission Clerk and Administrative Services Division, it is docketed, an analyst is assigned, and the SARC statutory time frame begins. The utility will then be contacted by our auditors to arrange a time to do a preliminary review of the utility records to determine eligibility. An acceptance or denial letter will be issued within 30 days of the filing date. If the utility is granted a staff assisted rate case, a filing fee based on the capacity of the utility's systems will be due 30 days from the date of the acceptance letter. I am enclosing a copy of Rule 25-30.020, Florida Administrative Code, which outlines the filing fees.

You also requested a list of individuals who could assist the utility with the refund calculation. Following is a list consultants:

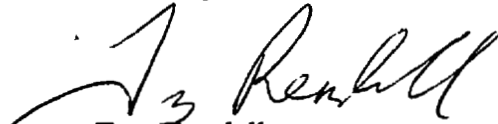
Frank Seidman - Management & Regulatory Consultants (850) 877-0673
Bob Nixon - Cronin, Jackson, Nixon & Wilson, CPAs (727) 791-4020
John Guastella & Gary White - Guastella & Associates (617) 423-303

If SBUC decides not to file a rate case but wants to initiate a new class of service charge for general service customers and a service availability charge, it may file a request for approval with the Commission.

Mr. Gary Winrow
Page 3
October 3, 2001

If you have any questions regarding this letter, please call Sam Merta at (850) 413-6427.

Sincerely,

A handwritten signature in black ink, appearing to read "Troy Rendell". The signature is fluid and cursive, with a large initial "T" and "R".

Troy Rendell
Public Utilities Supervisor

TR/sm
Enclosures (4)

cc: Division of Legal Services (Gervasi)
Reading File

1. RESIDENTIAL CUSTOMERS

DATE	RATE CHARGED	NUMBER OF CUSTOMERS SINCE CHANGE
06/04/1976		

3. GENERAL SERVICE CUSTOMERS

DATE	RATE CHARGED	NUMBER OF CUSTOMERS SINCE CHANGE
06/04/1976		

4. SERVICE AVAILABILITY (HOOKUP FEES)

DATE	NUMBER OF HOOKUPS	RATE CHARGED PER HOOKUP
12/31/1976		
12/31/1977		
12/31/1978		
12/31/1979		
12/31/1980		
12/31/1981		
12/31/1982		
12/31/1983		
12/31/1984		
12/31/1985		
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12/31/1987		
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12/31/1989		
12/31/1990		
12/31/1991		
12/31/1992		
12/31/1993		
12/31/1994		
12/31/1995		
12/31/1996		
12/31/1997		
12/31/1998		
12/31/1999		
12/31/2000		
??/??/2001		

2. MULTIPLE DWELLING CUSTOMERS

DATE	RATE CHARGED	NUMBER OF CUSTOMERS SINCE CHANGE
06/04/1976		

STATE OF FLORIDA

COMMISSIONERS:
E. LEON JACOBS, JR., CHAIRMAN
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
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TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

January 3, 2002

Mr. Gary Winrow
Sanibel Bayous Utility Corporation
15560 McGregor Blvd., Suite 8
Fort Myers, FL 33908-2547

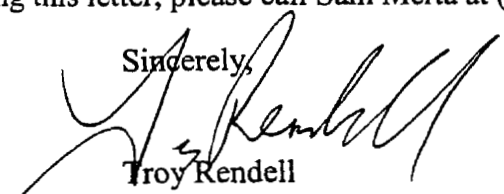
Dear Mr. Winrow:

Attached is a letter dated October 8, 2001, from Troy Rendell to Sanibel Bayous Utility Corporation (SBUC or utility) requesting additional information on the rates and charges collected by the utility. The utility was asked to respond to this letter within 30 days, however staff has received no response. In a subsequent telephone call, you indicated that you had been out of the country and that you would provide the information by November 30, 2001. In another telephone conversation, you indicated that the data was with your accountant and that he would forward it to staff by December 21, 2001.

If the utility does not respond to the attached letter, staff will recommend that the Commission initiate a show cause proceeding pursuant to Section 367.161, Florida Statutes. This Section authorizes the Commission to assess a penalty of not more than \$5,000 per day for each offense, if a utility is found to have knowingly refused to comply with or to have willfully violated a Commission rule, order or provision of Chapter 367, Florida Statutes. The utility must respond to the attached letter by January 14, 2002.

If you have any questions regarding this letter, please call Sam Merta at (850) 413-6427.

Sincerely,


Troy Rendell
Public Utilities Supervisor

TR/sm
Enclosure

cc: Division of Economic Regulation (Willis, Merta)
Division of Legal Services (Gervasi)
Reading File

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PUBLIC SERVICE
02 JAN 22 AM 10:58
ECONOMIC REGULATION

SANIBEL BAYOUS UTILITY
15560 MCGREGOR BLVD. # 8
FORT MYERS, FL 33908

Via Facsimile and US Mail

Monday, January 14, 2002

Troy Rendell
State of Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0865

Re: Sanibel Bayous Utility

Dear Troy:

Pursuant to your request we are providing information on the rates and charges collected by the utility in as much detail as is readily available. You will note the information provided is from 1997 to present as we do not have previous accounting data or Annual Reports in our possession that would accurately reflect prior conditions.

It is our understanding that from the inception of Sanibel Bayous Utility in 1974, there have been two separate rate fees. A residential rate of fourteen dollars (\$14) per month and a multiple dwelling rate of twelve dollars (\$12) per month. The multiple dwelling rate which services Blind Pass Condominium (108 units) has not changed since inception.

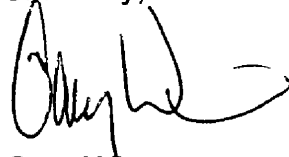
The residential rate was increased in April of 2000 to a fee of sixteen dollars and sixty-seven cents (\$16.67) per month. **This is the only rate increase in 24 years** and is easily justified with the maintenance problems associated with servicing original clay sewer lines in an old subdivision on a remote island without as-built drawings. In an effort of good faith we did not collect residential fees for the last quarter of 2001 and will continue to reduce billings until resolution. Therefore, since April of 2000 their has been only eighteen months of increased billing.

Troy, to the best of my knowledge the aid in construction of \$2,625 has been in effect prior to our involvement in 1997. This fee is consistent with the City of Sanibel hookup fee for sewer service. Other detail per your request is enclosed for your review.

We have employed Mr. John Guastella of Guastella Associates to assist Sanibel Bayous Utility in resolving this account and to address the Rate increase as you requested. At Mr. Guastella's request, we are obtaining whatever old records exist in order to compile more accurate billing and cost data. We hope we will then be able to establish a reasonable basis for refunds and prospective rates. Upon completion, we will call you to schedule a meeting to review the updated information with you. We fully intend to cooperate with you not only to resolve these issues but to enable Sanibel Bayous Utility to continue providing service to all their customers.

We thank you for your patience in processing our request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Winrow', with a long horizontal flourish extending to the right.

Gary Winrow
VP

cc: Bill Broeder
John Guastella

1. RESIDENTIAL CUSTOMERS

DATE	RATE CHARGED	NUMBER OF CUSTOMERS SINCE CHANGE
06/04/1976	14	?
12/31/97	14	121
12/31/98	14	124
12/31/99	14	137
12/31/00	16.67	142
12/31/01	16.67	150

3. GENERAL SERVICE CUSTOMERS

DATE	RATE CHARGED	NUMBER OF CUSTOMERS SINCE CHANGE
06/04/1976	25	1
8/3/94	25	3
4/21/00	29	3
12/31/01	29	3

2. MULTIPLE DWELLING CUSTOMERS

(BLIND PASS CONDO)

DATE	RATE CHARGED	NUMBER OF CUSTOMERS SINCE CHANGE
06/04/1976	12	108
	NO CHANGE	

4. SERVICE AVAILABILITY (HOOKUP FEES)

DATE	NUMBER OF HOOKUPS	RATE CHARGED PER HOOKUP
12/31/1976		
12/31/1977		
12/31/1978		
12/31/1979		
12/31/1980		
12/31/1981		
12/31/1982		
12/31/1983		
12/31/1984		
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12/31/1989		
12/31/1990		
12/31/1991		
12/31/1992		
12/31/1993		
12/31/1994		
12/31/1995		
12/31/1996		
12/31/1997	3	2625
12/31/1998	13	2625
12/31/1999	5	2625
12/31/2000	8	2625
??/??/2001	6	2625

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: February 1, 2002
TO: John Guastella
Sanibel Bayous Utility (Gary Winrow)
Office of Public Counsel
FROM: Ralph R. Jaeger, Senior Attorney, Office of the General Counsel
RE: Undocketed matter - Sanibel Bayous Utility Corporation

Please note that an informal meeting between Commission Staff and Sanibel Utility Corporation has been scheduled at the following time and place:

1:30 p.m., Tuesday, February 12, 2002
Room 154, Gerald L. Gunter Building
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida

The purpose of the meeting is to discuss improper increases in rates, possible refunds, and the possibility of the utility filing for a staff assisted rate case. Attendance is not required. However, all interested persons are encouraged to attend. Interested persons may participate in this meeting by dialing (850) 488-8295 or Suncom 278- 8295

If you have any questions about the meeting, please call Ralph Jaeger, Senior Attorney, at (850) 413-6234.

RRJ/lw

cc: Division of Economic Regulation (Rendell, Merta, Willis)

i:\sanibel-not.rj

02 FEB -1 PM 3:37
ECONOMIC REGULATION
PUBLIC SERVICE

GUASTELLA ASSOCIATES, INC.

UTILITY MANAGEMENT • VALUATION • RATE CONSULTANTS

02 APR 11 AM 9:57

REGULATORY REGULATION

100 BOYLSTON STREET, SUITE 800
BOSTON, MA 02116
TEL: (617) 423-3030
FAX: (617) 423-2929

April 5, 2002

To: Florida Public Service Commission
From: John F. Guastella *JFG*
Subject: Sanibel Bayous Utility Corporation

This memorandum is being submitted on behalf of Sanibel Bayous Utility Company ("Company" or "SBUC") in connection with the discrepancies between the rates and charges billed to customers and the Company's tariff schedule originally filed with the FPSC.

On October 8, 2001, Mr. Troy Rendell, Public Utilities Supervisor, wrote to Mr. Gary Winrow of the Company advising that the Company had not been charging rates in accordance with those authorized in the original tariff schedule that became effective on June 4, 1976. This letter followed a conversation between Mr. Rendell and Mr. Winrow on October 3, 2001 regarding this matter. In his letter, Mr. Rendell explained the relevant Florida Statutes; he requested various billing information; he provided a form of application for a Staff Assisted Rate Case; and he provided a list of consultants who could assist Mr. Winrow.

When made aware that the April 2000 increase in rates (\$14.00 to \$16.67 per month for residential customers) had required prior FPSC authorization, Mr. Winrow, on his own initiative, provided free service to the residential customers for the last quarter of 2001. That adjustment immediately offset nearly all of the additional amounts collected under the \$2.67 monthly increase from April 2000 through September 2001. Mr. Winrow also made an initial attempt to compile the requested billing data. Realizing that the

scope of the FPSC's requirements was beyond his own level of expertise, in terms of rules, regulations and economic impact on SBUC's ability to continue operations, Mr. Winrow contacted this firm for assistance.

SBUC is a very small utility, only serving 150 residential, 108 multi-family and 3 commercial customers. Mr. Winrow did not become actively involved in its management and day-to-day operations until 1994 as part of an arrangement to obtain wastewater collection and treatment service for his development of some real estate units. Although he was able to compile accurate billing information from 1988 to date, detailed records for earlier years were not available. On the basis of that information, this firm prepared a schedule of billings, by customer class, that contains estimates of year-by-year customer growth from July 1976 through December 1987, as well as precise customer growth each year from 1988 to date, see Appendix A. With the assistance of Mr. Winrow and his accountant, we also developed a schedule of utility plant in service, by primary plant account, and accumulated depreciation using FPSC guideline average service lives, see Appendix B. In addition, we analyzed the Company's cost of operations in order to estimate the current revenue requirement. Mr. Winrow and I met with FPSC Staff on March 8, 2002 in order to submit requested information and be advised of the appropriate steps necessary to bring SBUC into compliance with FPSC requirements.

On the basis of our meeting with Staff and our analyses of available information, we have made the following findings:

1. Aside from the April 2000 increase that has effectively been reversed, since its inception SBUC has always charged monthly rates of \$14 for residential customers and \$12 for multi-family customers. It is unknown as to why the filed tariff reflects \$12 and \$10, respectively. From 1993 through 2000, the Company's annual reports to the FPSC show total net income of only \$17,326. That amount of income, however, includes \$107,625 of connection fees that were booked as revenues that were apparently used to pay for operating expenses, not utility plant. In actuality, therefore, there was an actual cumulative loss of about \$90,000 for that period. In 2001, the

Company generated a net loss of \$45,473. Thus, it is clear that the original rates charged by the Company have never been sufficient to cover the cost of serving the customers. Not only have the rates been too low to produce enough revenue to cover the cost of operations or generate any return on investment, they are obviously low by any comparison with rates of other sewer utilities.

Accordingly, having essentially reversed the April 2000 increase, the Company proposes to maintain the rates it has always charged and to submit an application for a Staff Assisted Rate Case. On a preliminary basis, we have prepared a proforma income statement under present and proposed rates, incorporating some of the suggestions Staff made at the March 8, 2002 meeting, see Appendix C. It shows that the Company requires a rate increase in the magnitude of about 150%.

2. Although there is no specific rate for commercial customers contained in the filed tariff, the three "Bath" customers -- the only commercial customers -- have always been charged \$25 per month. It is reasonable to assume that as a billing practice, each of the Bath customers was treated as being 2 ERCs. Those charges were not increased in April 2000 and the Company now proposes no adjustment.
3. There are no records showing the historical charges for connection fees or service availability charges. Since 1994, a connection fee of \$2,625 has been billed to new customers -- the same connection fee charged by the City of Sanibel. The Company's accountant, however, was able to compile a schedule of the amount of all connection fees collected, beginning with a balance of \$118,951 in 1993 and the amounts charged since then. Thus, the total connection fees amount to \$226,576. The related amortization equates to \$69,490, for a net amount of \$157,086, see Appendix D.

The Company is proposing to treat the connection fees as contributions in aid of construction. Because the original cost less accumulated depreciation is only \$147,410, the treatment of connection fees as CIAC would completely eliminate the Company's rate base at this time.

Conclusion

The Company acknowledges its error in charging rates that were not authorized by the FPSC. Although the Company's management was unaware of the regulatory requirements with respect to rate increases -- a statement of fact, not an excuse -- on its own initiative it took immediate and reasonable steps to eliminate the impact on customers and to come into compliance with FPSC requirements. The April 2000 increase in the monthly residential rate, from \$14.00 to \$16.67, generated some \$6,921 of additional revenues through September 2001. By providing free service to residential customers for the last quarter of 2001, the Company essentially refunded \$6,258, nearly the entire over-collection, see Appendix E. All of the amounts collected from connection fees have now been booked as CIAC. Despite the technical error, considering the Company's cumulative losses, the customers have clearly not paid more than the cost to serve them. In fact, the customers have paid considerably less than fully compensatory rates.

Another important consideration is the need for the Company to make some \$47,000 of improvements to the system. In order to comply with FDEP requests and anticipated conditions with respect to the pending renewal of its Operating Permit, the Company must replace structural, electrical and mechanical components at its treatment plant, add an equalization tank and undertake maintenance of a percolation pond, see Appendix F. These expenditures exceed a year's worth of revenues under existing rates.

The FPSC Staff has strongly impressed upon the Company the need to become familiar with and comply with regulatory requirements. The Company has responded in a serious and positive manner. It made immediate refunds to affected customers. It undertook an effort to provide Staff with all data requested. It hired outside consulting assistance, as suggested and necessary. It will seek a Staff Assisted Rate Case as soon as

possible. It intends to undertake substantial improvements to the system, despite an inability to attract capital on the strength of SBUC's own financial condition. In sum, the Company has taken major steps, particularly for a small utility, to correct an unintentional error and to continue to best serve its customers.

It is respectfully suggested that any further monetarily punitive action at this time would be counter productive to both the Staff's and the Company's cooperative efforts to protect the best interests of the customers while still enabling the Company to be financially capable of providing adequate service in the future.

Summary of Estimated and Actual Customer Growth

<u>Year</u>	<u>Number of Customers</u>		
	<u>Beginning</u>	<u>End</u>	<u>Average</u>
Jul - Dec 1976	0	8	4
1977	8	24	16
1978	24	40	32
1979	40	56	48
1980	56	72	64
1981	72	88	80
1982	88	104	96
1983	104	120	112
1984	120	136	128
1985	136	152	144
1986	152	168	160
1987	168	184	176
1988	184	193	189
1989	193	204	199
1990	204	206	205
1991	206	208	207
1992	208	213	211
1993	213	217	215
1994	217	218	218
1995	218	220	219
1996	220	227	224
1997	227	232	230
1998	232	241	237
1999	241	246	244
Jan - Mar 2000	246	248	247
Apr - Dec 2000	248	252	250
Jan - Sep 2001	252	256	254
Oct - Nov 2001	256	258	257
Jan - Mar 2002	258	258	258

Notes: A. Excludes 3 Bath House customers.

B. Actual growth from 1988 to date.

Summary Schedule - Net Book Value

Account No.	Description	Original Cost	Accumulated Depreciation	Net Book Value
353	Land	\$ 22,907	\$ -	\$ 22,907
360	Force Mains	46,364	36,191	10,173
361	Gravity mains	114,455	58,040	56,415
363	Service Laterals	19,336	11,373	7,963
370	Receiving Wells	9,000	3,750	5,250
354	Pumping Structures	29,843	15,318	14,525
671	Pumping Equipment	28,077	21,515	6,562
354	Treatment & Disposal Structures	57,163	37,684	19,479
380	Treatment & Disposal Equipment	37,517	33,381	4,136
	Total	<u>\$ 364,662</u>	<u>\$ 217,252</u>	<u>\$ 147,410</u>

Proforma Income Statement

Revenues:	# of Cust.	Existing	Proposed	Percent Increase	2001	Ajustments	Proforma
		Monthly Rates	Monthly Rates				
Residential	150	\$14.00	\$35.31	152.2%	\$ 25,200	\$ 38,357 (1)	\$ 63,557
Multi-family	108	\$12.00	\$30.27	152.2%	15,552	23,672 (1)	39,224
Bath Houses	3	\$25.00	\$63.05	152.2%	900	1,370 (1)	2,270
Total					<u>\$ 41,652</u>	<u>\$ 63,398 (1)</u>	<u>\$ 105,050</u>
Operation & Maintenance Expenses:							
Management Fees					20,575		20,575
Sludge Removal					3,618		3,618
Purchased Power					7,381		7,381
Chemicals					4,603		4,603
Testing					7,200		7,200
Repairs & Maint.					23,100		23,100
Rents					3,000		3,000
Bad Debt					4,892	(4,192) (2)	700
Miscellaneous					10,538		10,538
Rate Case					-	1,000 (3)	1,000
Total O & M Expenses					<u>84,907</u>	<u>(3,192)</u>	<u>81,715</u>
Depreciation					3,787		3,787
Taxes - Other					8,524	2,853 (4)	11,377
Income Taxes					-		-
Total Expenses					<u>\$ 97,218</u>	<u>\$ (339)</u>	<u>\$ 96,879</u>
Operating Margin					<u>\$(55,566)</u>	<u>\$ 63,738 (5)</u>	<u>\$ 8,172</u>

Adjustments:

- (1) Revenue increases by customer class in order to cover proforma expenses and a reasonable operating margin.
- (2) Reduce bad debts to less than 1% of revenues.
- (3) Include a 4-year amortization of rate case expenses.
- (4) Reflect regulatory assessment fees on the basis of 4.5% of the additional revenues.
- (5) Absent a positive rate base, an operating margin of 10% of Operation and Maintenance expenses is used to provide a cushion above expenses, and to maintain some degree of financial viability.

Sanibel Bayous Utility Corp.

Analysis of Contributions in Aid of Construction

Year	CIAC	Amortization of CIAC											
		1993	1994	1995	1996	1997	1998	1999	2000	Total	2001	Total	
1993	\$ 118,951	\$ 5,172	\$ 5,172	\$ 5,172	\$ 5,172	\$ 5,172	\$ 5,172	\$ 5,172	\$ 5,172	\$ 5,172	\$ 41,374	\$ 5,172	\$ 46,546
1994	2,625		119	119	119	119	119	119	119	119	835	119	955
1995	5,250			250	250	250	250	250	250	250	1,500	250	1,750
1996	18,375				919	919	919	919	919	919	4,594	919	5,513
1997	13,125					691	691	691	691	691	2,763	691	3,454
1998	23,625						1,313	1,313	1,313	1,313	3,938	1,313	5,250
1999	13,125							820	820	820	1,641	820	2,461
2000	15,750								1,125	1,125	1,125	1,125	2,250
2001	15,750										-	1,313	1,313
Total	\$ 226,576	\$ 5,172	\$ 5,291	\$ 5,541	\$ 6,460	\$ 7,151	\$ 8,463	\$ 9,283	\$ 10,408	\$ 57,770	\$ 11,721	\$ 69,490	

Note: Do not have access to books prior to 1994. Therefore can not be sure what the total of Aid in Construction was. Using the unamortized balance on the books at 1993 and using an estimated remaining life at 1993 of 23 years, I have computed amortization of the amount at 1993. Additions for the years 1994 through 2001 were amortized using a remaining life of 23 years at 1993.

Calculation of Billings in Excess of Original Rates

Year	Average Number of Customers	Rate Difference Original v. Billing For Period	Excess Billings		
			Annual	Cumulative	
Jul - Dec 1976	4	\$0.00	\$0	\$0	
1977	16	0.00	-	-	
1978	32	0.00	-	-	
1979	48	0.00	-	-	
1980	64	0.00	-	-	
1981	80	0.00	-	-	
1982	96	0.00	-	-	
1983	112	0.00	-	-	
1984	128	0.00	-	-	
1985	144	0.00	-	-	
1986	160	0.00	-	-	
1987	176	0.00	-	-	
1988	189	0.00	-	-	
1989	199	0.00	-	-	
1990	205	0.00	-	-	
1991	207	0.00	-	-	
1992	211	0.00	-	-	
1993	215	0.00	-	-	
1994	218	0.00	-	-	
1995	219	0.00	-	-	
1996	224	0.00	-	-	
1997	230	0.00	-	-	
1998	237	0.00	-	-	
1999	244	0.00	-	-	
Jan - Mar 2000	247	0.00	-	-	
Apr - Dec 2000	142	24.03	3,412	3,412	Res. (\$16.67-\$14.00 * 9 months)
Apr - Dec 2000	108	0.00	-	3,412	MF (no change)
Jan - Sep 2001	146	24.03	3,508	6,921	Res. (\$16.67-\$14.00 * 9 months)
Jan - Sep 2001	108	0.00	-	6,921	MF (no change)
Oct - Dec 2001	149	(42.00)	(6,258)	663	Res. (negative \$14.00 * 9 months)
Oct - Dec 2001	108	0.00	-	663	MF (no change)
Jan - Mar 2002	150	0.00	-	663	
Jan - Mar 2002	108	0.00	-	663	

- Notes:
- The growth in customers is prorated from June 1976 through December 1987.
 - There are three "Bath" Customers, each are about 2 ERCs, and are not included in the above figures.
 - The April 2000 increase in monthly billing of \$2.67 (\$14 to \$16.67) only applied to Residential not Multi-family customers.
 - The Company did not bill residential customers from October through December of 2001.

April 4, 2002

Appendix F

Mr. Gary Winrow
c/o Sanibel Bayous Utility Co., Inc.
15560 McGregor Boulevard, Suite 8
Fort Myers, Florida 33908

Re: Sanibel Bayous (Wastewater Treatment Facility)

Dear Gary:

As requested, I wanted to provide the following information concerning improvements that have been made, or will be made, to the existing wastewater treatment plant and collection system as a result of FDEP requirements and the upcoming Operational Permit renewal process.

This information is based upon costs provided by you and estimates of the future improvements that need to be made. It is my understanding that you will utilize this information as part of the Public Service Commission (PSC) rate increase matter that you are involved in. Please be advised of the following:

1. Demolition Of Existing Building - FDEP requested that the existing building housing the plant be removed for safety, operational and maintenance reasons. - Cost of \$7,200.
2. Electrical Service Changes - As part of the building demolition, the electrical service needed to be retrofitted for the wastewater treatment plant. - Cost of \$2,500.
3. Lift Stations - The submersible lift station pumps had to be replaced in both collection system lift stations. - Cost of \$5,200.
4. Miscellaneous Improvements To WWTP - FDEP requested that baffles be added in the chlorine contact chamber and new diffusers be added in some of the aeration tanks. - Estimated cost of \$2,000.
5. Surge Tank - Due to the seasonal flows, FDEP has suggested an equalization or surge tank be added to the system. It is estimated that a 15,000 gallon tank (minimum) be added with an estimated cost of \$25,000 which includes the associated piping, blowers and other equipment.

Gary Winrow
April 4, 2002
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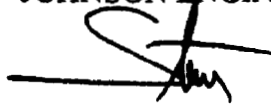
6. Pond Maintenance - FDEP has repeatedly requested that all vegetation be removed on the existing evaporation/percolation pond berms. It is our understanding that you are currently working with the City of Sanibel and other environmental agencies due to the fact that those agencies do not want the vegetation removed because of the environmental and wildlife attributes of keeping it in place. - Estimated cost to achieve this removal would be \$5,000.

Gary, as you know, we are currently involved in renewing the Operational Permit through the FDEP. As part of this renewal, it is anticipated that the above changes, and possibly some others, will be requested as a condition of permit issuance. At this time, the above is our best "guesstimate" of those items that will be involved.

If you have any questions, please let me know.

Very truly yours,

JOHNSON ENGINEERING, INC.



Steven K. Morrison, P. E.

SKM/jag
16208