

26

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by BETMAR UTILITIES ) DOCKET NO. 880914-WS  
for staff-assisted rate case in Pasco ) ORDER NO. 20787  
County. ) ISSUED: 2-21-89

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The following Commissioners participated in the disposition of this matter:

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

ORDER SETTING TEMPORARY RATES  
AND CHARGES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates in the event any person other than the utility files a protest to the proposed agency action, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Florida Administrative Code Rule 25-22.029.

CASE BACKGROUND

Betmar Utilities, Inc. (Betmar or Utility) is a utility subject to this Commission's jurisdiction which provides water and wastewater service to the public in Pasco County. As of October 31, 1988, Betmar provided water service to 1,457 customers and wastewater service to 860 customers who do not have septic tanks. Its service area is comprised mainly of mobile and manufactured homes, however the utility also provides service to two small business plazas. The majority of the residential customers are seasonal. Betmar's business office is located in Port Richey.

On July 6, 1988, Betmar filed an application for a staff-assisted rate case. Its request for staff-assistance was granted. In conjunction with this proceeding, the staff of this Commission researched the utility's history, made numerous visits to the service area, inspected the plant facilities, examined the utility's books and records, conferred with the Department of Environmental Regulation (DER) as well as the utility's recently appointed Certified Public Accountant, and interviewed company personnel as well as the contract operator/billing service. In addition, a customer meeting was held on December 21, 1988, to afford the customers the opportunity to voice their concerns and testify regarding the quality of service currently being provided. These customer concerns, along with their disposition, are addressed below under Quality of Service.

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Prior to July 19, 1988, Betmar was a sole proprietorship owned by Eve Turco. Betmar incorporated on July 19, 1988, and Eve Turco now owns 100 percent of the stock of the newly-formed corporation. From a financial standpoint, the change was made as of September 1, 1988. Betmar has already provided the Commission with the information required to process this change in corporate structure and the certificate changes are being processed outside of this docket.

The base period for financial information is the twelve-month period ended October 31, 1988. The test year on which rates are established is the projected twelve-month period ending October 31, 1989.

CUSTOMER MEETING

A customer meeting was held in Betmar's service area on December 21, 1988. Approximately 180 of the utility's customers attended this meeting and seventeen of these customers provided testimony. Their concerns regarding quality of service are addressed in the discussion of that issue.

QUALITY OF SERVICE

During Staff's inspection of the plant facilities and service area, the general plant area appeared clean and the equipment well maintained. In addition, Staff reviewed the utility's service records. Those records indicated that Betmar is operating within DER's substantive requirements.

At the customer meeting, several customers complained about the quality of the water. Mr. Farley spoke of water outages without notice to customers, Mr. Behrnd and Mr. Winkworth expressed concern about milky, poor-tasting and over-chlorinated water and Mr. Hammond stated that the water was of a generally poor quality.

The water outages which occurred without notice were apparently due to line breaks. Betmar considered these situations to be emergencies and made repairs as quickly as possible to restore service. The longest outage was five hours. Although inconvenient, we believe that these outages were unavoidable.

The milky water is apparently caused by a saturation of fine air bubbles. Our Staff engineer noted that, when water is first drawn it looks milky, but almost immediately begins to settle and clear. It appears, therefore, that this is nothing more than an aesthetic problem. The Staff engineer also noted that the water had a bitter aftertaste. Our engineer believes that the less-than-desirable taste is a result of the recent installation of Aqua Mag units to reduce iron sedimentation. These units operate by injecting a polyphosphate solution into the water, which, if too concentrated, can leave a bitter aftertaste. The Staff Engineer informed Betmar of this conclusion and the utility immediately reduced the polyphosphate dosage level. We believe that the reduction of the polyphosphate level will alleviate the customers' concerns regarding the taste of the water.

The Staff engineer also reviewed records of chlorine dosages and compared these with quantities of chlorine purchased. Under DER's rules, Chapter 17-22, Florida Administrative Code, potable water is required to contain at least 0.2 parts of chlorine per million (ppm) at the most remote tap. In order to maintain this level of free residual, the chlorine level at the plant must be maintained between 0.6 ppm and 1.0 ppm. The utility's records appear to support that plant levels are consistent with this range.

In addition to complaints about water, several customers expressed concerns regarding Betmar's wastewater operations. Ms. DelBusso stated that the percolation of sewage effluent was causing her yard to sink, Mr. Haponski complained of odors emanating from the wastewater plant and Mr. Jones believed that the utility may have been illegally disposing of plant effluent.

Regarding Ms. DelBusso's claim that lateral percolation was causing her yard to sink, the Staff engineer found no supporting evidence. Ms. DelBusso herself stated that her yard had been built up with fill. There was also testimony that during heavy seasonal rains, stormwater runoff tended to back up, causing the area including Ms. DelBusso's yard to flood. We believe that Ms. DelBusso's problems may be caused by a combination of flooding and compaction of the fill dirt, even though it was spread and compacted at the time of construction. Further, it is possible that subsurface organic decomposition may be occurring.

As for Mr. Haponski's complaint regarding objectionable plant odors, we note that Mr. Daniels, another customer who lives adjacent to the plant, stated that he has never had a problem with plant odors and has never seen any plant overflow in the entire eight years he has lived there. In response to Mr. Jones' concerns regarding illegal effluent disposal, we are informed that records and tests indicate that the utility is meeting DER's wastewater parameters and discharge requirements, with the exception of the two non-relative corrective orders noted above.

In addition to the above-noted complaints, a number of customers expressed concerns regarding customer relations. Several had specific complaints about the attitude of Joe Turco, Eve Turco's father. Mr. Turco has suggested and we agree that, if he were to delegate the responsibility for handling customer complaints, public relations problems would be greatly reduced.

Several customers also complained about such matters as less than prompt posting and deposit of customer payments, delayed responses to customers' billing inquiries, not being able to reach a utility representative and having, therefore, to leave a message on the answering machine at the Port Richey business office.

We have not verified these complaints, however, during our examination of the utility's books and records, the power usage related to the office was found to be extremely low. Upon further inquiry, the Staff accountant learned that Eve Turco and Angelic Stamper Turco accomplish a substantial portion of utility work at home. Slow responses to customer complaints and inquiries, delayed deposits of customer payments and only being able to reach an answering machine would be a natural

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 4

consequence of the office being unmanned on a daily basis. This type of arrangement might be tolerable for a smaller utility, however, Betmar serves approximately 1,500 customers. Further, Mr. Turco's more restricted activities will necessitate more customer complaints being handled by either Eve or Angelic Stamper Turco. Therefore, we find that at least one of the administrative employees should spend at least one-half day per week at the office in the service area on a regularly scheduled basis, that the Port Richey business office should be personally manned during the hours of 8:00 a.m. through 5:00 p.m., Monday through Friday and that a daily log should be kept detailing the time spent in the offices by each person. Betmar shall submit a monthly copy of this log to this Commission, by the twentieth day of each month, until this docket is closed. In addition, the utility should be required to notify each and every customer of the regular day and time the utility representative will be in the service area office. Betmar shall submit a copy of this notice to the Commission for its approval within ten days of the date of this Order and deliver a copy of the notice to each customer with the first bill following our approval.

Based upon the foregoing discussion, we find the quality of service provided by Betmar to be marginally satisfactory.

#### RATE BASE

Our calculations of Betmar's rate base are reflected on Schedules Nos. 1A for water and 1B for wastewater, with our adjustments itemized on Schedules Nos. 1C and 1D for water and wastewater, respectively. Those adjustments which are essentially mechanical in nature, or which are self-explanatory, are shown on those schedules without further explanation in the text of this Order. The remaining adjustments are discussed below.

#### Used and Useful

Water Treatment Plant - The water treatment plant is a simple, closed system that consists of six wells, but relies on the three highest capacity wells to meet instantaneous fluctuations in demands. Betmar's consumptive use is currently permitted, by the Southwest Florida Water Management District, at a maximum combined yearly average withdrawal rate of 585,000 gallons per day. This equates to a 406 gallons per minute (gpm) restriction for the plant, which is rated by standard waterworks criteria at 400 gpm. Past analyses of this system have focused on daily quantity information in an attempt to transpose average daily flows into instantaneous demand data. This has proven to be misleading, therefore, we believe that it is necessary to evaluate the water system on a "gallon per minute demand per customer" basis. Using the General Waterworks minimum criteria of 1.1 gpm per customer, it would require at least 1656 gpm to serve Betmar's 1505 water customers, without consideration of fire flow. Since Betmar's system has a maximum capacity of 1857 gpm, it must be considered to be at capacity during peak seasonal flows. We, therefore, find that the water treatment plant is 100 percent used and useful.

Water Distribution System - Using the standard formula analysis, the water distribution system is 91.6 percent used and useful. However, after a review of the sizes of mains, the

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 5

network grid and the extent of customers served, it appears that periodic drops in pressure are imminent. Until Betmar completes looping the eight-inch main, we believe that applying a non-used and useful adjustment would only serve to penalize the utility for attempting to prudently design and construct the system. There is a portion of the system under construction at this time that will be used for serving future customers. However, this portion of the distribution mains is being extended from the six-inch standby well to the existing customers and is considered essential in providing the necessary volume and pressure of water to the system. We, therefore, find that the water distribution system is 100 percent used and useful.

Wastewater Treatment Plant - The utility was ordered by DER to upgrade to its present level of capacity, in order to meet DER's effluent requirements. A new development, which is currently offering lots for sale, was considered in the upgrade calculation. Accordingly, we find that the wastewater treatment plant, for the following NARUC accounts only, is 76 percent used and useful: Account 371, pumping equipment; the treatment plant portion of Account 380, treatment and disposal equipment; Account 381, plant sewers, and; Account 389, other miscellaneous plant equipment. Since the utility could not serve the present customers with any less than the remaining portions of the treatment plant, we find that the rest of the wastewater treatment plant is 100 percent used and useful.

Wastewater Collection System - One section of the gravity lines that has been installed by the developer of the new development has neither been placed into service nor accepted by the utility as contributed property. Since this portion of the system has not been included in the utility's plant costs, the used and useful calculation does not consider this addition. Accordingly, we find that the wastewater collection system is 100 percent used and useful.

#### Plant-in-Service

Water - By Order No. 10838, the Commission established water plant-in-service, excluding land, to be \$173,701, as of October 31, 1981. During the period between November 1, 1981, and October 31, 1987, Betmar has expended \$108,060 for meters and meter installation costs, chlorination equipment, office furniture and shop equipment. Between November 1, 1987, and October 31, 1988, Betmar expended \$18,625 for an eight-inch main to connect its ten-inch well with the six-inch well in the northwest section of the service area, meters, pumping equipment and a leak detector and other tools. The major addition, the eight-inch water main, was installed to provide sufficient flow for fire hydrants and to enhance normal flows to customers. We believe that these expenditures were prudent and have, therefore, increased plant-in-service by these amounts.

Under Rule 17-22.660(2), Florida Administrative Code, community water systems are required to establish a cross-connection control program. We have, therefore, increased plant-in-service by a projected \$90,334 for dual check valve assemblies, curb stops and related work.



ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 6

On June 16, 1988, DER performed a sanitary survey of the water treatment plants. DER's list of deficiencies required that Betmar provide auxiliary power or an outside emergency water source, provide floor-level cross-ventilation for chlorine rooms, clean and paint the storage tanks at three of its wells, provide separate above-grade chlorine rooms for three of its wells and provide by-pass capacity for four of its storage tanks. In addition, the primary ten-inch well was struck by lightning, which reduced its capacity by approximately one-half of its original rating. Although Betmar has not provided estimated costs for all of these repairs and improvements, we believe that \$25,000 is a reasonable estimate and have, therefore, included this amount in plant-in-service.

Based upon the above calculations and adjustments, we find that the projected balance of water plant-in-service, as of October 31, 1989, is \$415,720.

Wastewater - By Order No. 10838, the Commission established wastewater plant-in-service, excluding land, to be \$352,439, as of October 31, 1981.

On April 18, 1984, DER issued a notice of violation (NOV) which required Betmar to totally reconstruct its wastewater treatment plant in order to provide a total of 110,000 gallons of effluent per day to two percolation/evaporation ponds totalling 125,772 square feet. The NOV also required Betmar to make a number of lesser improvements to its wastewater treatment plant. The total amount expended by Betmar for these improvements, as well as for an infiltration survey and the resulting line repairs, was \$163,735. Betmar has also expended \$499 in further capital additions. We believe that these expenditures were reasonable and have, therefore, increased plant-in-service by these amounts.

In its last rate case, infiltration was far in excess of the normal range. Since that time, Betmar has corrected a large portion of this problem. At present, Betmar intends to rebuild its main lift station, which is considered a major remaining source of infiltration, and to rehabilitate the Village and Joe Street lift stations. The estimated costs for these programs are \$20,000 for the main lift station and \$13,000 for the other lift stations. We believe that these repairs are prudent, however, since we have included an asset replacement allowance in expenses, we have reduced the projected cost for the two other lift stations by \$3,000. We have, therefore, increased plant-in-service by \$20,000 for the main lift station and by \$10,000 for the Village and Joe Street lift stations.

Based upon the calculations and adjustments discussed above, we find that the projected balance of wastewater plant-in-service, excluding land and a non-used and useful portion of \$34,269, is \$512,404, as of October 31, 1989.

Land - Currently, some utility property is held in the name of Eve Turco, the former sole proprietor, several parcels are held in the names of Eve Turco and Angelic Stamper Turco and several pieces are in the name of Betmar Utilities. In July of 1988, as noted above, a corporation was formed to operate the utility. Currently, the utility is in the process of transferring its assets to the corporation. We are informed

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 7

that the land will be transferred to the corporation as well.

By Order No. 10838, the Commission established the appropriate costs for land to be \$1,135 for water and \$2,671 for wastewater. During the pendency of this proceeding, we have learned that the utility has acquired several other pieces of property as well as a right-of-way. Recently, the utility also acquired the property which houses the six-inch Village well, for which it formerly had a ninety-nine year lease. These additional properties have been acquired at no cost to the utility and are, therefore, reflected as contributions-in-aid-of-construction (CIAC). We find that the following estimates of these land costs are appropriate:

	<u>Water</u>	<u>Wastewater</u>
Total land in original cost study	\$ 1,135	\$2,671
Village lift station site		\$2,569
Eighth Avenue six-inch well site	12,500	
Right-of-way	741	741
Village six-inch well site	<u>13,326</u>	<u>          </u>
Total land cost	<u>\$27,702</u>	<u>\$5,981</u>

#### CIAC

Water - By Order No. 10838, this Commission established the appropriate balance of CIAC for water, including land, to be \$174,836. Since then, the utility has acquired additional property, worth an estimated \$26,567, at no cost. The utility is authorized to collect meter installation fees of approximately \$100 per connection. During the period of November 1, 1981, through October 31, 1988, Betmar has collected \$32,400 in meter installation fees. In addition, based upon historical growth, we have projected thirty-four more connections at an increased meter installation fee of \$125 during the period of November 1, 1988, through October 31, 1989, resulting in projected CIAC receipts of \$4,250. We have also imputed \$6,375 of CIAC on the margin reserve. Based upon the above, we have projected the utility's balance of CIAC, as of October 31, 1989, to be \$244,428.

Wastewater - By Order No. 10838, the Commission also established the appropriate balance of CIAC for wastewater, including land, to be \$355,110, representing total plant as determined by an original cost study. Since that time, Betmar has acquired additional property, worth an estimated \$3,310, at no cost. A portion of the wastewater treatment plant, which portion is fully contributed, was included in the original cost study. Therefore, we have made an adjustment to remove \$13,569 of non-used and useful CIAC which relates to non-used and useful plant. Based upon the calculations and adjustments discussed above, we find that the projected balance of CIAC for wastewater, as of October 31, 1989, is \$344,851.

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 8

Accumulated Amortization of CIAC - By Order No. 10838, the Commission also established the appropriate levels of accumulated amortization of CIAC to be \$48,391 for water and \$70,344 for wastewater. We have updated these balances through October 31, 1989, the end of the projected test period, using the CIAC balances calculated above and the composite depreciation rates. Based upon these calculations and adjustments, we have projected accumulated amortization of CIAC to be \$94,750 for water and \$157,439 for wastewater, as of October 31, 1989. Removing \$6,061 in non-used and useful accumulated amortization of CIAC for wastewater, we find the appropriate projected balances of accumulated amortization of CIAC to be \$94,750 for water and \$151,378 for wastewater, as of October 31, 1989.

#### Working Capital

The balance sheet method of calculating working capital allowance is this Commission's preferred method. This method nets the current assets and deferred debits with the current liabilities and deferred credits. Using the balance sheet method, we find that the appropriate working capital allowance for this utility is \$21,328. We have allocated this amount between water and wastewater based upon the respective ratios of water and wastewater operating expenses to total operating expenses. This results in a working capital allowance of \$11,453 for water and \$9,875 for wastewater.

#### Rate Base

Water - Based upon the calculations and adjustments made above, we find that the projected water rate base, as of October 31, 1989, is \$184,093.

Wastewater - Based upon the calculations and adjustments made above, we find that the projected wastewater rate base, as of October 31, 1989, is \$153,768.

#### COST OF CAPITAL

Our calculation of Betmar's overall cost of capital is reflected on Schedule No. 2.

Due to Betmar's recent incorporation, its capital structure has changed substantially. In addition, the utility is expected to have to finance approximately \$150,000 for the projected plant additions and improvements. We have, therefore, employed a projected capital structure to develop the appropriate return on common equity. We believe that this is appropriate, especially since the other ratemaking components are based on projected data. Based upon the projected capital structure, Betmar's projected equity ratio is .2276.

By Order No. 19718, issued July 26, 1988, this Commission established a leverage formula to be used in calculating equity returns for water and sewer utilities. When applied to Betmar's projected capital structure, the leverage formula yields a return on common equity of 17.08 percent. However, since by Order No. 19718, we also capped the return on common equity at 14.35 percent for those utilities with equity ratios



ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 9

less than .40, we find that the appropriate return on common equity for this utility is 14.35 percent.

The remaining components of Betmar's projected capital structure are made up of paid-in-capital, a note payable to Eve Turco, a note payable to Turco Supertest, a projected \$150,000 bank loan and customer deposits. The projected weighted average cost of debt is 12.22 percent and the interest rate associated with customer deposits is 9 percent.

Applying the appropriate weight and rate to each of the capital components, we find that the overall projected rate of return is 12.7 percent.

#### NET OPERATING INCOME

Betmar's operating revenues and expenses are reflected on Schedules Nos. 3A for water and 3B for wastewater, with our adjustments itemized on Schedules Nos. 3C and 3D for water and wastewater, respectively. Those adjustments which are essentially mechanical in nature, or which are self-explanatory, are shown on those schedules without further explanation in the text of this Order. The remaining adjustments are discussed below.

#### Annual Revenues

Based upon projected annual growth of thirty-four water and wastewater customers and projected consumption, we find that Betmar's projected annual revenues are \$90,144 for water and \$82,990 for wastewater, for the twelve-month period ending October 31, 1989.

#### Salaries and Wages - Employees

During the twelve months ending October 31, 1988, Betmar recorded salary expenses of \$25,625 for Angelic Stamper Turco and a plant maintenance employee. During this period, the plant maintenance employee left and a Mr. King was hired to replace him. For his first three months, Mr. King was compensated by contract payment. He is now a full-time employee with all employee benefits. Mr. King is responsible for performing all the duties of an operator-in-training. His duties include general repair and maintenance, as well as reading meters. Mr. King is compensated at \$6.75 per hour, which we believe to be reasonable for an operator-in-training, for a total yearly allowance of \$14,040. We estimate that Mr. King devotes approximately four hours per day to water duties and four hours per day to wastewater duties. We have, therefore, allocated his salary one-half to water and one-half to wastewater.

Eve Turco and Angelic Stamper Turco take care of the general office operations. Eve Turco is also owner of the utility, and therefore participates in financial and management decisions. Until recently, Eve Turco was reimbursed for her services by way of draws, at the rate of \$495 per week. Since the utility changed to a corporation, Eve Turco became a salaried employee of the utility. Angelic Stamper Turco is paid a salary of \$385 per week.

We believe that the quantity of work required at the office can be handled by either one full-time or two part-time employees. Customer billing and monthly accounting are both

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 10

contracted out. In addition, the office is forty-five miles from the service area and, therefore, Betmar has very few walk-in customers. Based upon the above, we find that the appropriate amount of office-related salary expense is one-half of Eve and Angelic Stamper Turco's combined salaries, or \$22,880. We find further that these salaries should be allocated between water and wastewater based upon the respective number of water or wastewater customers to total customers as of October 31, 1988. We have, therefore, allocated this expense 63 percent, or \$14,415, to water and 37 percent, or \$8,465, to wastewater.

#### Salaries and Wages - Proprietor

For the base period for the projected test year, Betmar recorded \$25,346 in this account. Of that amount, we have already allowed \$12,870 in salaries and wages - employees and disallowed the balance, \$12,476. We have, therefore, reduced this account to zero.

#### Pensions and Benefits

Betmar pays the premiums for medical and dental insurance for its employees. The utility recently changed insurers and the new premiums total \$452 per month. We find this amount to be reasonable and have allocated this expense between water and wastewater based upon the same methods used to allocate salary expense. Accordingly, we have allocated this expense \$3,288 per year to water and \$2,136 per year to wastewater.

#### Purchased Power - Water

Betmar recorded \$3,959 in purchased power for water during the period between November 1, 1987, and October 31, 1988. We find that this is a reasonable level and have, therefore, allowed the full amount.

#### Purchased Power - Wastewater

Betmar recorded \$6,601 in purchased power for wastewater during the period from November 1, 1987, through October 31, 1988. The average monthly flows for this period were 1.54 million gallons. Since there are two separate plants on the plant site and, due to off-season retention times and equipment design flaws, we do not believe that it is reasonable to expect production economics to be optimal. We find this level of power consumption to be reasonable and have, therefore, allowed the entire amount.

#### Chemical Expense - Water

During the period between November 1, 1987, and October 31, 1988, Betmar expended \$227 for chlorine for water operations. We estimate the appropriate gas chlorine usage to be one 150 pound cylinder per quarter at the ten-inch well and one 150 pound cylinder per year at each of the two six-inch wells. The three backup wells are not equipped with chlorination equipment. Each cylinder costs Betmar \$65. Therefore, we find the appropriate annual expense for gas chlorine to be \$390.

Shortly after our audit of this utility, Betmar purchased polyphosphate treatment systems for both its ten-inch and

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 11

primary six-inch wells. Polyphosphate is the standard chemical used to eliminate corrosion and iron sedimentation. We estimate that the chemical expense to run these units will be \$.07 per thousand gallons. According to the utility, the yearly flows from these two wells total approximately 57 million gallons. We have, therefore, allowed \$3,990 in additional chemical expense for water.

#### Chemical Expense - Wastewater

During the period from November 1, 1987, to October 31, 1988, Betmar expended \$613 for chlorine for its wastewater operations. Betmar uses gas chlorine in 150 pound cylinders to treat the wastewater effluent. These cylinders are replaced at a rate of one per month. We believe that \$780 per year is a reasonable allowance for gas chlorine purchased to treat the wastewater effluent.

In addition, Betmar uses a powdered enzyme to treat the raw influent prior to the master lift station. A thirty-five pound barrel of enzyme costs \$350 and is almost enough to last a year. We, therefore, approve an allowance of \$400 per year for wastewater pretreatment chemicals.

#### Sludge Removal

During the twelve-month period ended October 31, 1988, Betmar expended \$6,215 for sludge removal. During the "off season" Betmar does very little hauling of excess sludge. However, during the peak season the utility has to discard between three to four loads of sludge per week at a cost of \$70 per load. We have, therefore, allowed \$6,215 for sludge hauling.

#### Materials and Supplies

During the twelve-month period ended October 31, 1988, Betmar recorded \$4,435 in materials and supplies for water and \$3,547 for wastewater. These costs include stamps and office supplies. We believe that these costs are reasonable and have, therefore, allowed them in their entirety.

In addition, Mr. Turco and Mr. King are perpetually making "capital repairs" to the plant or system. This is due, in part, to the age of the system and the construction methods employed by the utility's original owner. We, therefore, approve an allowance for such capital repairs of \$10,000 for water and \$10,000 for wastewater. This allowance will also allow for maintenance of the proforma backflow preventors.

In addition, Betmar replaces approximately thirty meters per year, at a cost of \$78.44 each, including tax. We have, therefore, included an allowance of \$2,353 for meter replacements.

#### Contractual Services

During the twelve months ended October 31, 1988, the utility recorded \$24,692 for contractual services. This amount is comprised of costs for water and wastewater testing, plant operation, computer customer billing, lawn maintenance, window cleaning and accounting fees.

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 12

Water Testing - Betmar's water is tested monthly for coliform bacteria, at a cost of \$28 per month. On average, retesting unsatisfactory bacteriologicals approximates \$102 per year. Therefore, coliform bacteria testing runs approximately \$438 per year. Betmar's water is also tested for Ethylene Dibromide annually, at a cost of \$50 per year. Every three years, the water is tested for primary and secondary organics as well as synthetic organic compounds, volatile organic compounds, and radionuclides. The cost of these tests is \$830, or \$293 per year. We, therefore, find that the appropriate allowance for water testing is \$781.

Wastewater Testing - The utility's monthly testing for biochemical oxygen demand, nitrates and suspended solids costs \$113. Betmar is also required to perform quarterly tests on its monitoring wells, at a cost of \$208 per quarter, and to submit bi-annual sludge analyses, at a cost of \$120. These costs equate to an annual cost of \$2,428, which we find to be a reasonable allowance for wastewater testing.

Plant Operations and Computer Billing - Environmental Specialist Group (ESG) operates the plant and does the customer billing. Joe Turco, the father of Eve Turco, is the owner of ESG. ESG currently charges Betmar \$2,100 per month for operator and consulting services and \$950 per month for customer billing. This equates to \$36,600 per year for both water and wastewater.

Due to the relationship between ESG and Betmar, we have researched the cost of comparable services in the outside market. We estimate that \$697.50 per month is a reasonable and comparable fee for operating the water system. Considering the operational problems of the wastewater plant, we estimate that \$742 per month is a reasonable and comparable fee for operating the wastewater system. The operational services for both systems include twenty-four hour emergency service. This normally costs a utility \$100 per month per system. Therefore, we find that an annual fee of \$19,680 is reasonable for the operation of both plants. We have allocated this operational fee \$9,576 for water and \$10,104 for wastewater.

ESG also performs Betmar's computer billing, at a cost of \$1.40 per month per combined water and wastewater bill and \$1.00 per month per single water bill. We find that \$22,106 per year is a reasonable fee for computer billing. We have allocated \$13,913 of this expense to water and \$8,193 to wastewater.

Lawn Maintenance - Considering Betmar's numerous well sites and lift station properties, as well as the four-acre wastewater treatment plant site, lawn mowing is a sizable task. Betmar mows certain areas and the homeowners' association takes care of other areas. The association currently mows five well/lift station sites and the wastewater treatment and disposal plant site. The total compensation paid to the association is \$1,000 per year. We believe that this is reasonable and have, therefore, allowed the entire expense, which we have allocated \$300 to water and \$700 to wastewater.

Office Windows - Betmar expends \$48 per year for window cleaning. We believe that this is reasonable and have allocated this expense \$30 to water and \$18 to wastewater.

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 13

Accounting Fees - Betmar recently changed accounting firms. The new firm estimates that the annual cost of its services will be \$3,960 per year. These services include the preparation of monthly financial statements, the filing of quarterly payroll taxes and the preparation of W-2s, federal income tax returns and the annual report to the Commission. We believe that this cost is reasonable and have allocated \$2,495 of this amount to water and \$1,465 to wastewater.

Based upon the above, we find that the amount of contractual services that should be allowed is \$27,095 for water and \$22,908 for wastewater.

Rent

During the twelve-month period ended October 31, 1988, Betmar expended \$10,654 for office rent, telephone and power. Of that amount, \$6,000 was for rent. Betmar is currently renegotiating its rental charge. We believe that rent will increase to \$6,996 per year, including tax. This represents a pro forma increase from \$10,654 to \$11,650. We find that this is a reasonable expense and have allocated it, on an annual basis, \$7,310 to water and \$4,340 to wastewater.

Transportation Expense

During the twelve-month period ending October 31, 1988, Betmar expended \$4,446 in monthly lease payments for its utility vehicle. We have allowed the entire amount and allocated \$2,238 to water and \$2,208 to wastewater.

Insurance Expense

Betmar is currently in the process of renewing its property insurance policy. The policy is for three years and the annual premiums will not increase for that period of time. The annual cost is \$4,290 per year. We find this to be a reasonable expense and have, therefore, allowed this amount, allocated \$2,359 to water and \$1,931 to wastewater.

Worker's compensation is based on payroll. We have taken the existing rates, applied to the allowed level of payroll, to estimate an annual cost for worker's compensation of \$655. We allocated this amount to water and wastewater operations based upon the same methods used for payroll. We have, therefore, allocated this expense \$343 to water and \$312 to wastewater.

Regulatory Commission Expense

During the twelve-month period ended October 31, 1988, Betmar recorded zero costs in this account. We find that one-quarter of the filing fee for this proceeding, or \$450, is an appropriate allowance for this utility.

Miscellaneous Expenses

During the twelve-month period ended October 31, 1988, miscellaneous expenses totalled \$949 for water and \$919 for wastewater. We believe that these expenses are reasonable and have included the entire amounts.



ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 14

Depreciation Expense

Using the projected plant balances and the rates prescribed by Rule 25-30.140, Florida Administrative Code, we have calculated composite depreciation rates of 4.61 percent for water and 3.97 percent for wastewater. The resulting depreciation expense is \$16,506 for water and \$21,107 for wastewater. The non-used and useful portion of the wastewater depreciation expense is \$1,323. Therefore, we find the appropriate projected depreciation expenses to be \$16,506 for water and \$19,784 for wastewater.

Using the proforma CIAC balances and the composite depreciation rate of 4.61 percent for water and 3.97 percent for wastewater, we have calculated a CIAC amortization expense of \$9,599 for water and \$13,992 for wastewater. The portion of wastewater CIAC which is non-used and useful is \$539. Therefore, we find the appropriate projected CIAC amortization expense to be \$9,599 for water and \$13,453 for wastewater.

Taxes Other Than Income Taxes

Taxes other than income taxes include property taxes, tangible taxes, payroll taxes and regulatory assessment fees. Property and tangible taxes total \$7,143. Property tax costs were assigned to the applicable systems based upon the use of the property. Tangible taxes were allocated on relative plant values. This results in ad valorem taxes of \$4,115 for water and \$3,028 for wastewater.

Payroll taxes of \$2,962 were calculated based upon the allowed payroll levels and current tax rates. The portion attributable to water payroll is \$1,720 and the portion attributable to wastewater payroll is \$1,242.

Regulatory assessment fees were calculated based upon projected revenues. The resulting regulatory assessment fees are \$2,254 for water and \$2,075 for wastewater.

Income Taxes

Since its recent incorporation, Betmar will be subject to corporate tax. Based upon Betmar's projected capital structure, a substantial part of the capital structure will be interest-bearing and, therefore, tax deductible. Applying the current state and federal tax rates, we have projected Betmar's income tax expense to be \$1,498 for water and \$1,225 for wastewater.

Net Operating Income

Water - Projected test year revenues are \$90,144 for Betmar's water operations. Projected water expenses total \$105,365. The result is a projected net operating loss of \$15,221.

Wastewater - Projected test year revenues are \$82,990 for Betmar's wastewater operations. Projected wastewater expenses total \$90,683. The result is a projected net operating loss of \$7,693.

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 15

REVENUE REQUIREMENT

In order to allow Betmar the opportunity to earn a return of 12.7 percent on its investment, we find that the appropriate revenue requirements are \$131,271 for water and \$112,166 for wastewater, calculated as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$184,093	\$153,768
Rate of Return	<u>.127</u>	<u>.127</u>
Return on Investment	\$ 23,380	\$ 19,529
Operating Expenses	90,369	78,007
Depreciation Expenses	16,506	19,784
Amortization of CIAC	(9,599)	(13,453)
Taxes Other Than Income	9,117	7,074
Income Taxes	<u>1,498</u>	<u>1,225</u>
Revenue Requirement	\$131,271	\$112,166
Adjusted Revenue	<u>\$(90,144)</u>	<u>(82,990)</u>
Increase	<u>\$ 41,127</u>	<u>\$ 29,176</u>
Percent Increase	45.6%	\$ 35.2%

RATES

We find that the following rates, which utilize the base facility charge rate structure, are just, reasonable and compensatory. These rates are designed to allow Betmar the opportunity to earn a 12.7 percent return on its investment. Betmar's present rates and those approved herein are set forth below, for comparison:

<u>WATER RATES</u>		
<u>Residential and General Service</u>		
<u>Base Facility Charge</u>		
<u>Meter Size</u>	<u>Present</u>	<u>Approved</u>
5/8" x 3/4"	\$ 2.59	\$ 3.86
3/4"	3.90	5.79
1"	6.49	9.65
1 1/2"	12.97	19.30
2"	20.75	30.88
3"	41.50	61.76
4"	64.82	96.50
Gallage Charge per 1000 gallons	\$ .96	\$ 1.36

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 16

WASTEWATER RATES

Residential Service

Base Facility Charge

<u>Meter Size</u>	<u>Present</u>	<u>Approved</u>
All meter sizes	\$ 4.56	\$ 4.92
Gallonage Charge per 1,000 gallons (maximum 6,000 gallons)	1.35	\$ 3.10

General Service

Base Facility Charge

<u>Meter Size</u>	<u>Present</u>	<u>Approved</u>
5/8" x 3/4"	\$ 4.56	\$ 4.92
3/4"	6.83	7.38
1"	11.39	12.30
1 1/2"	22.78	24.60
2"	36.45	39.36
3"	72.89	78.72
4"	113.89	123.00
Gallonage Charge per 1000 gallons (no maximum)	\$ 1.35	\$ 3.72

SERVICE AVAILABILITY CHARGES

Since Eve Turco's purchase of the utility, additional plant, lines and land have been donated to Betmar. In addition, certain property, not owned by Betmar, is used and maintained by it in the provision of utility service. Therefore, and due to the condition of Betmar's books and records, as discussed hereunder, the current ratio of CIAC to plant cannot be determined. In addition, the estimated cost of plant improvements and additions necessary to serve additional customers cannot, at this time, be determined.

We believe that Betmar should be able to correct its books and records, obtain title to the property not owned by it and make plans for additional plant investment before the end of this year. Betmar shall, therefore, file a service availability case no later than December 31, 1989.

METER INSTALLATION CHARGES

Betmar is currently in the process of installing backflow preventors for existing connections. In addition, it plans to install these devices for all new connections. We, therefore, find that Betmar's approved meter installation charges should be adjusted, as follows:

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 17

<u>Meter Size</u>	<u>Present Charge</u>	<u>Approved Charge</u>
5/8" x 3/4"	\$100	\$125
3/4"	\$100	\$125
1"	\$120	\$145
1 1/2"	\$230	\$230 + Actual cost of backflow device
2"	\$320	\$320 + Actual cost of backflow device
Above 2"	Actual cost	Actual Cost

#### MISCELLANEOUS SERVICE CHARGES

Currently, the utility has no provision in its tariff for miscellaneous service charges. These charges provide a means by which a utility may recover the costs of providing miscellaneous services from those customers who generate a need for such services. By allowing these charges, the costs of providing these services are not borne by the general body of ratepayers. We, therefore, approve the following miscellaneous service charges:

<u>Miscellaneous Service</u>	<u>Miscellaneous Service Charge</u>	
	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	15.00	\$15.00
Violation Reconnection	15.00	Actual Cost
Premises Visit (in lieu of disconnection)	10.00	\$10.00

Where both water and wastewater service is provided, only one charge is appropriate.

Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

Normal Reconnection: This charge is to be levied for transfer of service to a new location, or reconnection of service subsequent to a customer-requested disconnection.

Violation Reconnection: This charge is to be levied prior to reconnection following disconnection of service for cause pursuant to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment. (Actual Cost is limited to direct labor and equipment rental).

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

#### EFFECTIVE DATE FOR RATES AND CHARGES

The rates approved herein shall be effective for meter readings on or after thirty days from the stamped approval date

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 18

on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that the tariffs are consistent with the Commission's decision, that the proposed customer notice is adequate, and that the required security has been provided. The miscellaneous service charges approved herein shall be effective for services rendered on or after the effective date of this Order.

In the event that this Order becomes final, Betmar shall notify each affected customer of the increased rates and approved miscellaneous service charges and explain the reasons for such increased rates and approved charges. The form of this notice shall be submitted to this Commission for its prior approval.

BOOKS AND RECORDS

Since Mr. Turco's purchase of this utility, Betmar has acquired additional customers, as well as additional land, treatment facilities and lines. Much of the additional property has been acquired at no cost, although a substantial amount has been invested by the utility. However, no records regarding the extent of donated lines and equipment, or their costs, have been established. In addition, some of the property being used has not, as yet, been deeded to or acquired by the utility.

Further, most of Betmar's October 31, 1988 balances bear little resemblance to those established in this Order. We believe that this is a result of the utility not adjusting its records as a result of its last rate case, changes in accounting firms and commingling of business assets.

Based on the above, Betmar shall adjust its books to reflect the balances and adjustments contained in this Order, analyze the amounts and costs of donated property and adjust its books accordingly, obtain title to the property used but not owned and record these additions and the costs thereof on its books, no later than October 31, 1989.

TEMPORARY RATES

This Order proposes an increase in water and wastewater rates. A timely protest could delay what may be a justified rate increase, pending a formal hearing and final order in this case, resulting in an unrecoverable loss of revenue to the utility. Accordingly, in the event of a timely protest filed by anyone other than the utility, we hereby authorize the utility to collect the rates proposed herein, subject to refund, provided that it furnishes adequate security for such a potential refund. The security should be in the form of a bond or letter of credit in the amount of \$50,000, or an escrow agreement. If the latter alternative is chosen, all revenues collected under the rate increase will be subject to escrow. Any withdrawals of funds from this escrow account shall be subject to the prior approval of this Commission through the Director of Records and Reporting. Should any refund ultimately be required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. Betmar shall keep an accurate account of all monies collected pursuant to the rate increase and shall submit a report, no later than the twentieth day of each month the interim rates are in effect, showing the amount of revenue



ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 19

collected as a result of the interim rates and the amount that would have been collected under the old rates. The interim rates portion of this Order is not issued as proposed agency action.

In the event that there is no protest to this Order, a consummating order will be issued indicating that the proposed agency action has become final and effective. This docket will remain open, however, until the utility has complied with the requirements of this Order, completed the projected plant improvements for which we have made allowances in this Order and filed the required service availability case. Following verification of the above by this Commission, the docket will be closed.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Betmar Utilities for a staff-assisted rate case is granted, as set out in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action except for the setting of temporary rates, shall become final unless an appropriate petition, in the form prescribed by Florida Administrative Code Rule 25-22.036, is received by the Director, Division of Records and Reporting, at his office, located at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 14, 1989. It is further

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that the utility shall bring its books and records into with the requirements as set forth in this Order no later than October 31, 1989. It is further

ORDERED that the utility shall notify its customers that they should no longer contact Mr. Joe Turco regarding customer complaints but should, rather, contact the service representative in the service area or the Port Richey offices. This notice shall be submitted to the Commission for prior approval and delivered to the customers with the first billing following our approval. It is further

ORDERED that the utility shall staff its office in the service territory with at least one administrative employee for at least one-half day per week, on a regularly scheduled basis. It is further

ORDERED that the utility shall notify each customer of the regular day and time that its representative will be in the service area and submit a copy of such notice for this Commission's prior approval. The notice shall be delivered to the customers with the first bill following our approval. It is further

ORDERED that the utility's Port Richey office shall be manned during the hours of 8:00 a.m. through 5:00 p.m., Monday through Friday. It is further

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 20

ORDERED that the utility shall keep a daily log detailing the time spent at the Port Richey and service area offices by each person. It is further

ORDERED that the utility shall submit monthly reports concerning its staffing of the Port Richey and service area officers no later than the twentieth (20th) day of each month, as set forth in the body of this Order, until this docket is closed. It is further

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

ORDERED that, if this Order becomes final, the rates and charges approved herein shall not become effective until revised tariff sheets have been filed with and approved by this Commission. It is further

ORDERED that, in the event that this Order becomes final, the utility shall implement the rates and charges set forth and approved herein. The approved monthly service rates shall be effective for meter readings taken on or after thirty days following the stamped approval date on the revised tariff pages. The approved charges shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that in the event a substantially affected person other than the utility protests this proposed agency action, the utility may implement the rates herein approved on a temporary basis, subject to its providing sufficient security in the event a refund may be required, as set forth in the body of this Order. This portion of the Order is not issued as proposed agency action. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each affected customer of the increased rates and approved miscellaneous service charges and explain the reasons for such increased rates and approved charges. The form of this notice shall be submitted to this Commission for its prior approval. It is further

ORDERED that after March 14, 1989, this Commission shall issue either a notice of further proceedings or an order acknowledging that the provisions of this Order have become final if all conditions have been satisfied. It is further

ORDERED that this docket shall remain open, until the utility has complied with the requirements of this Order and completed the projected plant improvements for which we have made allowances in this Order. Following verification of the above by the Staff of this Commission and the utility's filing of a service availability case, the docket will be closed.

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 21

By ORDER of the Florida Public Service Commission,  
this 21st day of FEBRUARY, 1989.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

RJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As stated in the body of this order, the actions proposed herein, except for the granting of temporary rates in the event any person other than the utility files a protest to the proposed agency action, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 14, 1989. In the absence of such a petition, this order shall become effective March 15, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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

If the relevant portion of this order becomes final and effective on March 15, 1989, any party adversely affected may request judicial review by the First District Court of Appeal by filing a notice of appeal with the Director, Division of

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 22

Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code.

ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 23

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 WASTEWATER RATE BASE  
 SCHEDULE NO. 1A

	10/31/88 BALANCE PER UTILITY		COMMISSION ADJUSTMENTS	AVERAGE PROJECTED BALANCE PER COMMISSION
	-----		-----	-----
LAND	\$1,355.00	A	\$4,626.00	\$5,981.00
UTILITY PLANT IN SERVICE	\$313,496.00	B	\$198,908.00	\$512,404.00
ACCUMULATED DEPRECIATION AND AMORTIZATION	(\$31,848.00)	C	(\$149,171.00)	(\$181,019.00)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	\$0.00	D	(\$344,851.00)	(\$344,851.00)
ACCUMULATED AMORTIZATION OF CIAC	\$0.00	E	\$151,378.00	\$151,378.00
WORKING CAPITAL ALLOWANCE	\$0.00	F	\$9,875.00	\$9,875.00
	-----		-----	-----
RATE BASE	\$283,003.00		(\$129,235.00)	\$153,768.00
	-----		-----	-----



ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 24

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 WATER RATE BASE  
 SCHEDULE NO. 1B

	10/31/88 BALANCE PER UTILITY	COMMISSION ADJUSTMENTS	10/31/89 PROJECTED BALANCE PER COMMISSION
	-----	-----	-----
LAND	\$535.00	A \$27,167.00	\$27,702.00
UTILITY PLANT IN SERVICE	\$201,405.00	B \$214,315.00	\$415,720.00
ACCUMULATED DEPRECIATION AND AMORTIZATION	(\$75,505.00)	C (\$45,599.00)	(\$121,104.00)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(\$27,500.00)	D (\$216,928.00)	(\$244,428.00)
ACCUMULATED AMORTIZATION OF CIAC	\$2,346.00	E \$92,404.00	\$94,750.00
WORKING CAPITAL ALLOWANCE	\$0.00	F \$11,453.00	\$11,453.00
	-----	-----	-----
RATE BASE	\$101,281.00	\$82,812.00	\$184,093.00
	-----	-----	-----

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 25

BETMAR UTILITIES  
DOCKET NO. 880914-WS  
ADJUSTMENTS TO WATER RATE BASE  
PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
SCHEDULE NO. 1C

A. LAND	
1. ADJUST TO BALANCE ESTABLISHED IN ORDER NO. 10838	\$600.00
2. RECOGNIZE ACQUISITION OF ADDITIONAL UTILITY LAND SINCE PURCHASE OF SYSTEM THROUGH OCTOBER 31, 1988 (EIGHTH AVENUE, SIX-INCH WELL SITE AND ONE-HALF OF 50 FOOT RIGHT-OF-WAY)	\$13,241.00
3. RECOGNIZE ACQUISITION OF ADDITIONAL LAND SUBSEQUENT TO END OF TEST PERIOD (SIX-INCH, VILLAGE WELL SITE)	\$13,326.00
	<u>\$27,167.00</u>
B. UTILITY PLANT IN SERVICE	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1988	\$98,981.00
2. PROJECT COST OF REHABILITATION OF TEN-INCH WELL (BY-PASSES, CHLORINATOR, FENCING, GAUGES)	\$25,000.00
3. PROJECT COST OF MATERIALS AND LABOR TO INSTALL BACKFLOW PREVENTORS AND CURBSTOPS TO EXISTING CONNECTIONS	\$90,334.00
	<u>\$214,315.00</u>
C. ACCUMULATED DEPRECIATION, PLANT IN SERVICE	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1987, USING COMPOSITE DEPRECIATION RATE OF 3.13%	(\$16,955.00)
2. ACCUMULATION OF DEPRECIATION, NOVEMBER 1, 1987 THROUGH OCTOBER 31, 1988, USING COMPOSITE RATE OF 4.17%	(\$12,138.00)
3. PROJECT ACCUMULATION OF DEPRECIATION, NOVEMBER 1, 1988 THROUGH OCTOBER 31, 1989, USING COMPOSITE RATE OF 4.61%	(\$16,506.00)
	<u>(\$45,599.00)</u>
D. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1988, EXCEPTING DONATED LAND RECEIVED SINCE PURCHASE OF SYSTEM	(\$179,736.00)
2. ADJUST FOR DONATED PROPERTY ACQUIRED SINCE PURCHASE OF THE SYSTEM (SEE ADJ. A. 2, ABOVE)	(\$13,241.00)
3. ADJUST FOR DONATED PROPERTY ACQUIRED SUBSEQUENT TO END OF TEST PERIOD (SEE ADJ. A. 3, ABOVE)	(\$13,326.00)
4. PROJECT RECEIPT OF ADDITIONAL METER INSTALLATION FEES, NOVEMBER 1, 1988 THROUGH OCTOBER 31, 1989 (34 CONNECTIONS x \$125)	(\$4,250.00)

ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 26

5.	PROJECT ADDITIONAL CIAC ON MARGIN OF RESERVE CONNECTIONS ALLOWED IN USED AND USEFUL PLANT IN SERVICE (51 CONNECTIONS x \$125)	(\$6,375.00)
		-----
		(\$216,928.00)
		-----
E.	ACCUMULATED AMORTIZATION OF CIAC	
1.	ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1987, USING COMPOSITE RATE OF 3.13%	\$74,269.00
2.	ACCUMULATION OF AMORTIZATION, NOVEMBER 1, 1987 THROUGH OCTOBER 31, 1988, USING COMPOSITE RATE OF 4.17%	\$8,536.00
3.	PROJECT ACCUMULATION OF AMORTIZATION, NOVEMBER 1, 1988 THROUGH OCTOBER 31, 1989, USING COMPOSITE RATE OF 4.61% AND PROJECTED CONNECTIONS	\$9,599.00
		-----
		\$92,404.00
		-----
F.	WORKING CAPITAL ALLOWANCE	
	ALLOWANCE BASED ON HISTORICAL DATA, USING BALANCE SHEET METHOD AND ALLOCATING TOTAL WORKING CAPITAL ALLOWANCE TO WATER/WASTEWATER, ON THE BASIS OF SYSTEM OPERATING EXPENSES TO TOTAL OPERATING EXPENSES	\$11,453.00
		-----

ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 27

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 ADJUSTMENTS TO WASTEWATER RATE BASE  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE NO. 1D

A. LAND	
1. ADJUST TO BALANCE ESTABLISHED IN ORDER NO. 10838	\$1,316.00
2. RECOGNIZE ACQUISITION OF ADDITIONAL UTILITY LAND SINCE PURCHASE OF SYSTEM THROUGH OCTOBER 31, 1988 (VILLAGE LIFT STATION AND ONE-HALF OF 50 FOOT RIGHT-OF-WAY)	\$3,310.00
	-----
	\$4,626.00
-----	
B. UTILITY PLANT IN SERVICE	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1988	\$203,178.00
2. PROJECT REHABILITATION COST OF PLANT STREET LIFT STATION	\$20,000.00
3. PROJECT REHABILITATION COST OF JOE STREET AND THE VILLAGE LIFT STATIONS	\$10,000.00
4. NONUSED AND USEFUL PLANT	(\$34,270.00)
	-----
	\$198,908.00
-----	
C. ACCUMULATED DEPRECIATION, PLANT IN SERVICE	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1987, USING COMPOSITE DEPRECIATION RATE OF 3.47%	(\$119,670.00)
2. ACCUMULATION OF DEPRECIATION, NOVEMBER 1, 1987 THROUGH OCTOBER 31, 1988, USING COMPOSITE RATE OF 3.97%	(\$20,501.00)
3. PROJECT ACCUMULATION OF DEPRECIATION, NOVEMBER 1, 1988 THROUGH OCTOBER 31, 1989, USING COMPOSITE RATE OF 3.97%	(\$21,107.00)
4. NONUSED AND USEFUL PORTION ASSOCIATED WITH NONUSED AND USEFUL PLANT	\$12,107.00
	-----
	(\$149,171.00)
-----	
D. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1988, EXCEPTING DONATED LAND RECEIVED SINCE PURCHASE OF SYSTEM	(\$355,110.00)
2. ADJUST FOR DONATED PROPERTY ACQUIRED SINCE PURCHASE OF THE SYSTEM (SEE ADJ. A. 2, ABOVE)	(\$3,310.00)
3. NONUSED AND USEFUL CIAC ASSOCIATED WITH DONATED PLANT IN SERVICE AT PURCHASE	\$13,569.00
	-----
	(\$344,851.00)
-----	

ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 28

E. ACCUMULATED AMORTIZATION OF CIAC	
1. ADJUST TO AUDITED BALANCE AT OCTOBER 31, 1987, USING COMPOSITE RATE OF 3.47%	\$129,455.00
2. ACCUMULATION OF AMORTIZATION, NOVEMBER 1, 1987 THROUGH OCTOBER 31, 1988, USING COMPOSITE RATE OF 3.97%	\$13,992.00
3. PROJECT ACCUMULATION OF AMORTIZATION, NOVEMBER 1, 1988 THROUGH OCTOBER 31, 1989, USING COMPOSITE RATE OF 3.97%	\$13,992.00
4. NONUSED AND USEFUL AMORTIZATION ASSOCIATED WITH NONUSED AND USEFUL DONATED PLANT	(\$6,061.00)
	-----
	\$151,378.00
F. WORKING CAPITAL ALLOWANCE	
ALLOWANCE BASED ON HISTORICAL DATA, USING BALANCE SHEET METHOD AND ALLOCATING TOTAL WORKING CAPITAL ALLOWANCE TO WATER/WASTEWATER, ON THE BASIS OF SYSTEM OPERATING EXPENSES TO TOTAL OPERATING EXPENSES	\$9,875.00
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 29

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 COST OF CAPITAL/OVERALL RATE OF RETURN  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE NO. 2

	10/31/89 PROJECTED BALANCE	RECONCILIATION ADJUSTMENTS	PROJECTED BALANCE FOLLOWING RECONCILIATION	RATIO	COST	WEIGHTED COST
STOCKHOLDER'S EQUITY	(\$100,000.00)	\$23,105.00	(\$76,895.00)	0.2276	14.35%	3.27%
LONG-TERM DEBT	(\$338,345.00)	\$78,177.00	(\$260,168.00)	0.7700	12.22%	9.41%
CUSTOMER DEPOSITS	(\$1,038.00)	\$240.00	(\$798.00)	0.0024	9.00%	0.02%
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	(\$439,383.00)	\$101,522.00	(\$337,861.00)	1.0000		12
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 30

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE OF WATER OPERATING INCOME  
 SCHEDULE NO. 3A Page 1 of 2

	TOTAL PER UTILITY 11/01/87 TO 10/31/88	COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION	COMMISSION ADJUSTMENTS FOR INCREASE	PROJECTED TOTAL FOR INCREASE
	-----	-----	-----	-----	-----
OPERATING REVENUE	(\$87,769.00)	A (\$2,374.52)	(\$90,143.52)	F (\$41,127.48)	(\$131,271.00)
OPERATING EXPENSES	\$78,603.00	B \$11,766.00	\$90,369.00		\$90,369.00
DEPRECIATION AND AMORTIZATION	\$1,793.00	C \$14,713.00	\$16,506.00		\$16,506.00
AMORTIZATION OF CIAC	\$0.00	D (\$9,599.00)	(\$9,599.00)		(\$9,599.00)
TAXES OTHER THAN INCOME TAXES	\$6,441.00	E \$1,648.00	\$8,089.00	G \$1,028.00	\$9,117.00
INCOME TAXES	\$0.00	\$0.00	\$0.00	H \$1,498.00	\$1,498.00
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TOTAL OPERATING EXPENSES	\$86,837.00	\$18,528.00	\$105,365.00	\$2,526.00	\$107,891.00
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NET OPERATING INCOME	(\$932.00)	\$16,153.48	\$15,221.48	(\$38,601.48)	(\$23,380.00)
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RATE BASE	\$101,281.00		\$184,093.00		\$184,093.00
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RATE OF RETURN	0.92%		-8.27%		12.70%
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 31

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 DETAIL OF WATER OPERATING EXPENSES  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE NO. 3A Page 2 of 2

	TOTAL PER UTILITY 11/01/87 TO 10/31/88		COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION
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SALARIES & WAGES - EMPLOYEES	\$15,190.00	1	\$6,245.00	\$21,435.00
SALARIES & WAGES - PROPRIETOR	\$15,955.00	2	(\$15,955.00)	\$0.00
PENSIONS AND BENEFITS	\$2,407.00	3	\$881.00	\$3,288.00
PURCHASED POWER	\$3,959.00	4	\$0.00	\$3,959.00
CHEMICALS	\$227.00	5	\$4,153.00	\$4,380.00
MATERIALS AND SUPPLIES	\$4,435.00	6	\$12,353.00	\$16,788.00
CONTRACTUAL SERVICES	\$24,692.00	7	\$2,403.00	\$27,095.00
RENTS	\$6,682.00	8	\$628.00	\$7,310.00
TRANSPORTATION EXPENSE	\$2,238.00	9	\$0.00	\$2,238.00
INSURANCE EXPENSE	\$1,869.00	10	\$833.00	\$2,702.00
REGULATORY COMMISSION EXPENSE	\$0.00	11	\$225.00	\$225.00
MISCELLANEOUS EXPENSES	\$949.00	12	\$0.00	\$949.00
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	\$78,603.00		\$11,766.00	\$90,369.00
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 32

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE OF WASTEWATER OPERATING INCOME  
 SCHEDULE NO. 3B Page 1 of 2

	TOTAL PER UTILITY 11/01/87 TO 10/31/88	COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION	COMMISSION ADJUSTMENTS FOR INCREASE	PROJECTED TOTAL FOR INCREASE
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OPERATING REVENUE	(\$81,912.00)	A (\$1,078.00)	(\$82,990.00)	F (\$29,176.00)	(\$112,166.00)
OPERATING EXPENSES	\$70,496.00	B \$7,511.00	\$78,007.00		\$78,007.00
DEPRECIATION AND AMORTIZATION	\$756.00	C \$19,028.00	\$19,784.00		\$19,784.00
AMORTIZATION OF CIAC	\$0.00	D (\$13,453.00)	(\$13,453.00)		(\$13,453.00)
TAXES OTHER THAN INCOME TAXES	\$7,329.00	E (\$984.00)	\$6,345.00	G \$729.00	\$7,074.00
INCOME TAXES	\$0.00	\$0.00	\$0.00	H \$1,225.00	\$1,225.00
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TOTAL OPERATING EXPENSES	\$78,581.00	\$12,102.00	\$90,683.00	\$1,954.00	\$92,637.00
	-----	-----	-----	-----	-----
NET OPERATING INCOME	(\$3,331.00)	\$11,024.00	\$7,693.00	(\$27,222.00)	(\$19,529.00)
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RATE BASE	\$283,003.00		\$153,768.00		\$153,768.00
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RATE OF RETURN	1.18%		-5.00%		12.70%
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 33

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 DETAIL OF WASTEWATER OPERATING EXPENSES  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE NO. 3B Page 2 of 2

	TOTAL PER UTILITY 11/01/87 TO 10/31/88		COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION
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SALARIES & WAGES - EMPLOYEES	\$10,435.00	1	\$5,050.00	\$15,485.00
SALARIES & WAGES - PROPRIETOR	\$9,391.00	2	(\$9,391.00)	\$0.00
PENSIONS AND BENEFITS	\$1,626.00	3	\$510.00	\$2,136.00
SLUDGE REMOVAL	\$6,215.00	4	\$0.00	\$6,215.00
PURCHASED POWER	\$6,601.00	5	\$0.00	\$6,601.00
CHEMICALS	\$613.00	6	\$567.00	\$1,180.00
MATERIALS AND SUPPLIES	\$3,547.00	7	\$10,000.00	\$13,547.00
CONTRACTUAL SERVICES	\$23,497.00	8	(\$589.00)	\$22,908.00
RENTS	\$3,972.00	9	\$368.00	\$4,340.00
TRANSPORTATION EXPENSE	\$2,208.00	10	\$0.00	\$2,208.00
INSURANCE EXPENSE	\$1,472.00	11	\$771.00	\$2,243.00
REGULATORY COMMISSION EXPENSE	\$0.00	12	\$225.00	\$225.00
MISCELLANEOUS EXPENSES	919	13	0	919
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	\$70,496.00		\$7,511.00	\$78,007.00
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 34

BETMAR UTILITIES  
 DOCKET NO. 880914-WS  
 ADJUSTMENTS TO NET OPERATING INCOME - WATER  
 PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
 SCHEDULE NO. 3C

A. REVENUE

ANNUALIZE REVENUE BASED ON PROJECTED  
 CUSTOMERS AND CONSUMPTION AT OCTOBER  
 31, 1989 (\$2,374.52)

B. OPERATING EXPENSES

1. ADJUST TO ALLOW PORTION OF TIME OF EVE TURCO AND ANGELIC STAMPER TURCO, AS WELL AS ONE-HALF OF MARK KING'S TIME	\$6,245.00
2. PRO FORMA RECLASSIFICATION TO SALARIES AND WAGES - EMPLOYEES DISALLOWED, BASED ON ESTIMATED TIME SPENT BY MS. TURCO ON UTILITY MATTERS	(\$8,108.00)
	(\$7,847.00)
	-----
	(\$15,955.00)
	-----
3. PRO FORMA INCREASE IN MEDICAL AND DENTAL INSURANCE PREMIUMS	\$881.00
4. NO ADJUSTMENT RECOMMENDED	\$0.00
5. PRO FORMA INCREASE FOR SUFFICIENT CHLORINE AND RECENT ADDITION OF POLYPHOSPHATE TREATMENT EQUIPMENT	\$4,153.00
6. PRO FORMA ALLOWANCE FOR ONGOING REFURBISHMENT OF CAPITAL ASSETS, INCLUDING PROFORMA BACKFLOW PREVENTORS AND EXISTING METER REPLACEMENTS	\$12,353.00
7. ADJUST TO STAFF-RECOMMENDED ALLOWANCE	\$2,403.00
8. PRO FORMA INCREASE IN OFFICE RENT TO REFLECT NEW LEASE UNDER NEGOTIATION	\$628.00
9. NO ADJUSTMENT RECOMMENDED	\$0.00
10. PRO FORMA INCREASE IN INSURANCE EXPENSE, BASED ON EXAMINATION OF NEW THREE-YEAR POLICY	\$833.00
11. ALLOWANCE OF ONE-QUARTER OF FILING FEE FOR THIS PROCEEDING	\$225.00
12. NO ADJUSTMENT RECOMMENDED	\$0.00
	-----
	\$11,766.00
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C. DEPRECIATION EXPENSE

ADJUST TO STAFF-CALCULATED LEVEL, USING  
 PROJECTED PLANT BALANCES AND THE COMPOSITE  
 RATE OF 4.61%, DEVELOPED FROM RULE 25-30.140,  
 FLORIDA ADMINISTRATIVE CODE \$14,733.00



ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 35

D. CIAC AMORTIZATION	
ADJUST TO STAFF-CALCULATED LEVEL, USING PROJECTED CIAC BALANCE AND THE COMPOSITE RATE OF 4.61%	(\$9,599.00)
	-----
E. TAXES OTHER THAN INCOME TAXES	
1. ADJUST TO AUDITED LEVEL AND ALLOW FOR INCREASE, BASED ON 1988 PROPERTY AND TANGIBLE TAX BILLS	\$1,547.00
2. ALLOWANCE FOR PAYROLL TAXES, BASED ON RECOMMENDED LEVEL OF SALARIES AND WAGES	\$49.00
3. ALLOW 2.5% OF ANNUALIZED PROJECTED REVENUE	\$52.00
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	\$1,648.00
	-----
F. REVENUE	
INCREASE REQUIRED TO ALLOW THE UTILITY TO RECOVER ITS EXPENSES AND THE OPPORTUNITY TO EARN 12.7% ON ITS INVESTMENT	(\$41,127.48)
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G. TAXES OTHER THAN INCOME TAXES	
ADDITIONAL REGULATORY ASSESSMENT FEES BASED ON 2.5% OF REVENUE INCREASE	\$1,028.00
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H. INCOME TAXES	
PRO FORMA STATE AND FEDERAL INCOME TAXES	\$1,498.00
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ORDER NO. 20787  
DOCKET NO. 880914-WS  
PAGE 36

BETMAR UTILITIES  
DOCKET NO. 880914-WS  
ADJUSTMENTS TO NET OPERATING INCOME - WASTEWATER  
PROJECTED TEST YEAR ENDING OCTOBER 31, 1989  
SCHEDULE NO. 3D

A. REVENUE	
ANNUALIZE REVENUE BASED ON PROJECTED CUSTOMERS AND CONSUMPTION AT OCTOBER 31, 1989	(\$1,078.00)
-----	
B. OPERATING EXPENSES	
1. ADJUST TO ALLOW PORTION OF TIME OF EVE TURCO AND ANGELIC STAMPER TURCO, AS WELL AS ONE-HALF OF MARK KING'S TIME	\$5,050.00
2. PRO FORMA RECLASSIFICATION TO SALARIES AND WAGES - EMPLOYEES DISALLOWED, BASED ON ESTIMATED TIME SPENT BY MS. TURCO ON UTILITY MATTERS	(\$4,762.00)
	(\$4,629.00)
	-----
	(\$9,391.00)
	-----
3. PRO FORMA INCREASE IN MEDICAL AND DENTAL INSURANCE PREMIUMS	\$510.00
4. NO ADJUSTMENT RECOMMENDED	\$0.00
5. NO ADJUSTMENT RECOMMENDED	\$0.00
6. PRO FORMA ALLOWANCE BASED ON ESTIMATED QUANTITY OF GAS CHLORINE AND ENZYMES	\$567.00
7. PRO FORMA ALLOWANCE FOR ONGOING REFURBISHMENT OF CAPITAL ASSETS	\$10,000.00
8. REDUCE TO STAFF-RECOMMENDED LEVEL	(\$589.00)
9. PRO FORMA INCREASE IN OFFICE RENT TO REFLECT NEW LEASE UNDER NEGOTIATION	\$368.00
10. NO ADJUSTMENT RECOMMENDED	\$0.00
11. PRO FORMA INCREASE IN INSURANCE EXPENSE, BASED ON EXAMINATION OF NEW THREE-YEAR POLICY	\$771.00
12. ALLOWANCE OF ONE-QUARTER OF FILING FEE FOR THIS PROCEEDING	\$225.00
13. NO ADJUSTMENT RECOMMENDED	\$0.00
	-----
	\$7,511.00
	-----
C. DEPRECIATION EXPENSE	
1. ADJUST TO STAFF-CALCULATED LEVEL, USING PROJECTED PLANT BALANCES AND THE COMPOSITE RATE OF 3.97%, DEVELOPED FROM RULE 25-30.140, FLORIDA ADMINISTRATIVE CODE	\$20,351.00
2. NONUSED AND USEFUL PORTION ASSOCIATED WITH NONUSED AND USEFUL PLANT	(\$1,323.00)
	-----
	\$19,028.00
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ORDER NO. 20787  
 DOCKET NO. 880914-WS  
 PAGE 37

D. CIAC AMORTIZATION	
1. ADJUST TO STAFF-CALCULATED LEVEL, USING PROJECTED CIAC BALANCE AND THE COMPOSITE RATE OF 3.97%	(\$13,992.00)
2. NONUSED AND USEFUL PORTION	\$539.00
	-----
	(\$13,453.00)
	-----
E. TAXES OTHER THAN INCOME TAXES	
1. ADJUST TO AUDITED LEVEL AND ALLOW FOR INCREASE, BASED ON 1988 PROPERTY AND TANGIBLE TAX BILLS	(\$1,161.00)
2. ALLOWANCE FOR PAYROLL TAXES, BASED ON RECOMMENDED LEVEL OF SALARIES AND WAGES	\$128.00
3. ALLOW 2.5% OF ANNUALIZED PROJECTED REVENUE	\$49.00
	-----
	(\$984.00)
	-----
F. REVENUE	
INCREASE REQUIRED TO ALLOW THE UTILITY TO RECOVER ITS EXPENSES AND THE OPPORTUNITY TO EARN 12.7% ON ITS INVESTMENT	(\$29,176.00)
	-----
G. TAXES OTHER THAN INCOME TAXES	
ADDITIONAL REGULATORY ASSESSMENT FEES BASED ON 2.5% OF REVENUE INCREASE	\$729.00
	-----
H. INCOME TAXES	
PRO FORMA STATE AND FEDERAL INCOME TAXES	\$1,225.00
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