

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of WEST ORANGE	)	DOCKET NO. 890786-SU
UTILITY (M & M UTILITIES) for staff-	)	ORDER NO. 22399
assisted rate case in Orange County.	)	ISSUED: 1-10-90
	)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN  
 BETTY EASLEY  
 GERALD L. GUNTER

ORDER AUTHORIZING TEMPORARY RATES IN EVENT OF PROTEST  
 OF PROPOSED AGENCY ACTION AND REQUIRING A REFUND

AND

NOTICE OF PROPOSED AGENCY ACTION  
 ORDER SETTING FINAL RATES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the actions discussed herein, except for the authorizing of temporary rates in the event of protest and the requiring of a refund, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

West Orange Utility (West Orange or utility), also known as M & M Utilities, is a Class C wastewater utility in Orange County which serves 227 residential customers and 22 general service customers. West Orange was issued a certificate in 1979 when it was owned by Mr. Clifford Freeman. In June of 1984, Mr. Freeman sold the utility to Mr. Michael Minton without obtaining authorization from the Commission. Mr. Minton owned and operated the system as M & M Utilities until early 1989, when he abandoned it. The abandonment proceeding is being processed under Docket No. 881429-SU. Following abandonment, Southern States Utilities, Inc. (Southern States) was appointed temporary receiver and has been operating the system since March 1989. Southern States was appointed permanent receiver of West Orange on August 29, 1989.

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On June 12, 1989, Southern States filed an application for a staff-assisted rate case on behalf of West Orange, and an official filing date of August 14, 1989, was established. West Orange last had its rates set in Order No. 10388, issued November 6, 1981.

The utility was granted emergency interim rates in Order No. 21904, issued September 18, 1989. The emergency interim rates were granted, pending establishment of final rates herein, to allow Southern States, as receiver, to recover operating and maintenance expenses and regulatory assessment fees.

#### QUALITY OF SERVICE

On November 9, 1989, a customer meeting was held by our Staff at the Holiday Inn West in Ocoee, Florida, in order to learn about the utility's quality of service. Approximately fifteen (15) persons attended the meeting, three of whom testified or asked questions relating to the rate increase or their sewer service. One customer, who lives approximately two-hundred yards from the sewage treatment facility, complained of foul odors. The customer also complained that the requested rate increase was too high.

Two customers complained of conditions that existed prior to Southern States assuming receivership of the utility. On October 17, 1988, this Commission received notice, pursuant to Section 367.165, Florida Statutes, by Michael Minton of his intention to abandon the utility, effective January 1, 1989. During the 76-day period before Mr. Minton's abandonment, we received numerous complaints about the operation and maintenance of the utility. We performed an on-site investigation and found that the treatment plant was not functioning properly due to lack of maintenance and effluent disposal difficulties. It was reported that poorly treated effluent had overflowed the percolation ponds into the street, causing an outbreak of hepatitis. Southern States assumed responsibility for the operation of West Orange in March of 1989, after the abandonment. Orange County and Southern States have invested over \$34,000 and \$10,000, respectively, to bring the system to a satisfactory condition. The Department of Environmental Regulation (DER) delegated authority to the County to closely monitor operations of the utility.

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In addition to the customer meeting, we contacted DER and the Orange County Health Department to determine whether the utility was in compliance with their standards, and we performed a field inspection of the utility's facilities. According to DER and the County, the utility is operating in compliance with regulatory standards. Neither DER, the Orange County Health Department, nor this Commission have active complaints against the utility. The results of our investigation indicate that the plant is now in good condition and that the customer complaints about quality of service pertained to conditions existing before Southern States began operating the utility. Based upon the facts described above, we find West Orange's quality of service to be satisfactory.

#### RATE BASE

The calculation of West Orange's sewer rate base is attached to this Order as Schedule No. 1. Adjustments to the rate base are shown on Schedule No. 1A. Those adjustments that are mechanical in nature are shown on these schedules without further explanation in the text of this Order. The major adjustments are explained below.

#### Plant-in-Service

Plant - Plant-in-service was last established in Order No. 10388, issued November 6, 1981. Plant-in-service of \$130,273 was established as of December 31, 1980, excluding ratemaking adjustments. The utility expended \$7,200 in 1984, \$7,000 in 1985, and \$200 in 1986 for plant additions during those years. The expenditures were primarily for the installation of additional percolation ponds and were made while the system was owned by Michael C. Minton, operating as M & M Utilities. We find it appropriate to make an adjustment to increase plant by \$17,400 for the above plant additions.

In early 1989, subsequent to the abandonment, Orange County expended approximately \$34,145 to bring the treatment plant into acceptable operating condition, rebuild the percolation pond berms, and rebuild the access road to the treatment plant site. Therefore, we find it appropriate to make an adjustment to increase plant by \$34,145.

We find it appropriate to make an adjustment to reduce plant by \$7,880 on account of thirteen month averaging. Based

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on the foregoing, we find the proper balance for plant-in-service to be \$170,938.

Land - The cost of land was last established in Order No. 10388 at \$30,000, excluding ratemaking adjustments, as of December 31, 1980. During 1984, an addition of \$1,030 was recorded in this account. Therefore, we find the proper balance for land to be \$31,030.

#### Accumulated Depreciation and Amortization

Accumulated depreciation was last established in Order No. 10388 at \$49,383, excluding ratemaking adjustments, as of December 31, 1980. A composite rate of 2.5 percent was used for the period January 1, 1981 through December 31, 1988. For the test period, January 1, 1989, through December 31, 1989, a composite rate of 4.66 percent was developed by applying Rule 25-30.140, Florida Administrative Code. We applied these percentages to historical and projected plant balances and found it appropriate to make an averaging adjustment. Therefore, we find the proper amount of accumulated depreciation for the average projected test year to be \$80,751.

#### Used and Useful

Treatment and Disposal Plant - According to flow measurements collected by Southern States, the utility is pumping at or above capacity. Therefore, we find the treatment plant to be 100 percent used and useful.

The disposal system is comprised of several percolation ponds. According to the utility, DER, and County officials, the ponds do not percolate, but instead serve as holding ponds. Although evaporation and transpiration generally exceed effluent loads, rain causes the ponds' capacity to be exceeded. Consequently, we find the disposal system to be 100 percent used and useful.

Collection System - The utility currently serves approximately 249 connections in two separate mobile home parks. To properly serve every connection in these parks, the entire collection system is required. Therefore, we find the collection system to be 100 percent used and useful.

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#### Contributions-in-aid-of-Construction

Contributions-in-aid-of-construction (CIAC) was last established in Order No. 10388 at \$76,509, excluding ratemaking adjustments, as of December 31, 1980. During the period January 1, 1981, through December 31, 1988, the utility collected \$28,400 in cash CIAC. In early 1989, Orange County expended \$34,145, which, by this Order, we have found appropriate to classify as plant-in-service. We find that such amount is properly considered as CIAC, as the related improvements were acquired at no cost to the utility. We therefore find it appropriate to increase CIAC by \$34,145 to \$139,054 as of June 30, 1989. No additions are projected during the period July 1, 1989, through December 31, 1989. Further, we find it appropriate to make an averaging adjustment of \$7,880. Based on the foregoing, we find the proper amount of average projected CIAC to be \$131,174.

#### Accumulated Amortization of CIAC

Accumulated amortization of CIAC was last established in Order No. 10388 at \$28,824, excluding ratemaking adjustments, as of December 31, 1980. We updated this balance through the end of the projected test year, December 31, 1989, using CIAC along with the appropriate amortization rate. Consistent with depreciation, a composite rate of 2.5 percent was used for the period January 1, 1981 through December 31, 1988, and a composite rate of 4.66 percent was used for the test year January 1, 1989, through December 31, 1989. We find it appropriate to make an adjustment for thirteen month averaging. Therefore, we find the proper amount of projected average accumulated amortization of CIAC to be \$50,270.

#### Working Capital

The balance sheet method of calculating working capital allowance is our preferred method. However, West Orange is a small utility, the previous owner's records were unavailable, and only four months of financial data were available, consisting solely of Southern States' costs. Due to these facts, we find that the 1/8 of operating and maintenance (O & M) expenses method of calculating working capital allowance, also referred to as the formula method, would be appropriate in this instance. In this case, the formula method results in a working capital allowance of \$5,005. We find

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\$5,005 to be an appropriate working capital allowance for West Orange.

#### Rate Base

Based upon the foregoing calculations and adjustments, we find the rate base to be \$45,318.

#### COST OF CAPITAL

By Order No. 21775, issued August 23, 1989, this Commission established a leverage formula to be used in calculating equity returns for water and sewer utilities. When applied to West Orange's capital structure, which is comprised 100% by equity, the leverage formula yields a return on equity of 11.76%. Therefore, we find that the appropriate cost of equity for the utility is 11.76%.

As equity is the only capital component of West Orange's capital structure, we find that 11.76% is the appropriate rate of return for the utility. The calculation of the rate of return is presented in Schedule No. 2, which is attached to this Order and by reference incorporated herein.

#### NET OPERATING INCOME

Our calculations of the utility's net operating income are reflected on Schedule No. 3, with adjustments to net operating income on Schedule No. 3A, and a detailed summary of operating and maintenance expenses on Schedule No. 3B. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on these schedules without further explanation. The major adjustments are explained below.

#### Operating Revenue

Based on the customer base during the test year and the original rates prior to implementation of the emergency rates, we calculated annualized revenue before adjustment for increased rates to be \$36,842.

#### Operating Expenses

As discussed earlier, reliable historical expense data was unavailable. At the time of our audit, Southern States had been operating the utility for four months, March through June

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of 1989. In order to calculate operating expenses, we examined each expense during the four-month period. Based on this analysis, each expense was classified as either recurring or extraordinary costs. In addition, we found it necessary to develop reasonable projections of expenses that will be incurred on a prospective basis for the remainder of the projected test year. These normalized actual and projected expenses for each account were then annualized to arrive at the final projected expense allowance of \$40,042. In arriving at the expense allowance, we determined that several adjustments were appropriate. The specific adjustments are as follows:

A. Salaries and Wages - Employees - During the four-month test period, Southern States incorrectly recorded \$59 in a water plant maintenance expense account. We find it appropriate to make a credit adjustment of \$59 to the account, since the utility provides only wastewater service.

Southern States incurred \$6,720 in direct salaries and wages. Based on our analysis, 61 percent of salaries and wages incurred during this period was related to extraordinary repairs. An abnormally high number of man-hours was required to clean up and repair the plant, as the West Orange system was in a serious state of disrepair. We find it appropriate to reclassify 61 percent of the \$6,720, \$4,715, as extraordinary repairs.

Upon further analysis, we find \$6,015 to be a reasonable annual allowance for direct payroll. We calculated a normalized four-month charge for direct payroll to be \$2,005. An additional \$4,010 represents the level of expense estimated for the remainder of the projected test year.

In addition to direct salaries and wages, there was an additional \$703 in Southern States' allocated payroll and \$237 in vacation, sick, and holiday leave that was charged to the West Orange system. We find these amounts to be reasonable and

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find it appropriate to allow on a prospective basis an additional \$1,405 in allocated payroll and \$474 in vacation, sick, and holiday leave. As a result of these annualizing adjustments, we find the proper amount of allocated payroll to be \$2,108, and the proper amount of vacation, holiday, and sick leave to be \$710.

Based on the above, we find the proper amount of total projected employee salaries and wages to be \$8,833.

B. Salaries and Wages - Officers - The officers' salaries and wages account is allocated to all systems owned or operated by Southern States. During the four-month test period, Southern States charged \$53 to the West Orange system. Its allocation is based on the ratio of each system's customers to the total number of customers system-wide. We find both the allocation methodology and allocated amount to be reasonable. We find it appropriate to make annualizing adjustment of \$106, representing the amount of additional expense estimated on a prospective basis. Therefore, we find the proper amount of officer salaries and wages to be \$159.

C. Pensions and Benefits - During the four-month test period, Southern States charged \$347 to the West Orange system. As discussed earlier, we found it appropriate to reclassify 61 percent of direct payroll expenses as extraordinary repairs. As expenses for pensions and benefits are directly related to payroll expenses, we find it appropriate to match 61 percent of pensions and benefits to the aforementioned payroll expenses. This results in a \$212 credit adjustment, leaving a four-month normalized total of \$135. We further estimated \$271 in additional expenses on a prospective basis. Therefore, we find the proper amount of projected pensions and benefits expense to be \$406.

D. Sludge Removal Expense - Southern States charged \$1,950 to sludge removal expense during the test period. Upon consideration, we find \$160 for the period to be reasonable, and find it appropriate to make a \$1,790 adjustment to reclassify the expense as extraordinary.

On a projected annual basis, we estimate sludge removal expense to be \$480, four loads at \$120 per load. We find it appropriate to make an annualizing adjustment of \$320.



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E. Purchased Power - Southern States recorded \$1,974 in purchased power costs associated with collection and treatment during the four-month test period. We find this to be high compared to the average annual cost of \$4,840 for 1983, 1984, 1985, and 1987. We found it appropriate to omit the 1988 figure from the calculation of this average, as the plant received minimal attention during that period, and the purchased power cost for that year was substantially less than the average for the years 1983, 1984, 1985, and 1987. Data for 1986 was not available, since the previous owner did not file an Annual Report for that year.

During the past five months, Southern States installed additional equipment at the plant, and increased the running time of the equipment over that of previous years. We expect the charges over the past five months to be representative of such charges on a prospective basis. The purchased power charges for the five-month period were \$2,719. Therefore, we find \$6,526 to be the proper amount of purchased power expense related to collection and treatment for the projected test year.

In addition to the above expenses, associated with collection and treatment, Southern States charged an additional \$22 in related administrative expenses to purchased power expense. We find this amount to be reasonable, and find it appropriate to make a debit adjustment of \$43 to reflect prospective charges. Therefore, we find the proper amount of purchased power expense for the projected test year to be \$6,591.

F. Fuel for Power Production - During the test period, Southern States allocated \$6 to the West Orange system for power production fuel. We find that no allocation should have been made, and find it appropriate to make a \$6 credit adjustment to the account.

G. Chemicals - Southern States charged \$1,272 to chemical expenses during the test period. After analyzing this account, we find \$414 to be a reasonable amount for the four-month period based on ten pounds of chemicals per day at \$.34 per pound. Therefore, we find it appropriate to remove \$858 from this account and reclassify it as extraordinary costs. We find it appropriate to make an annualizing adjustment to the \$414, resulting in an allowance of \$1,241, which we hereby approve.

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H. Materials and Supplies - Southern States charged \$846 in direct maintenance charges related to materials and supplies during the four-month test period. We find a monthly allowance of \$450 for all necessary maintenance related to plant and equipment to be reasonable. We find it appropriate to make a \$954 normalizing adjustment for the four-month test period and a \$3,600 annualizing adjustment. Therefore, we find the proper allowance for materials and supplies related to direct maintenance to be \$3,600 for the period.

In addition, Southern States charged \$123 to indirect maintenance and \$508 to operations supplies during the four-month test period. We find these amounts to be reasonable, and find it appropriate to make annualizing adjustments of \$245 and \$1,017, respectively.

Based on the above, we find the proper amount of materials and supplies expense to be \$7,293 for the projected test year.

I. Contractual Services - Southern States charged \$9,533 to contractual services during the four-month test period. \$8,535 of these costs are related to examining the legal implications of accepting receivership and to reacquiring title to certain utility land. Therefore, we find it appropriate to reclassify \$8,535 of contractual services as extraordinary costs, discussed below in this Order.

We also find it appropriate to reclassify \$730 of engineering costs as extraordinary expenses, with regard to the procurement of a temporary operating permit. Further, we find it appropriate to make an adjustment to the remaining \$268 to reflect additional prospective charges of \$535, resulting in an annualized figure of \$803.

Due to poor percolation of the ponds, Southern States was forced to partially drain the ponds, treat the drained material with aluminum sulfate, then discharge the treated liquid into a local body of water. DER issued a special permit for this process. The \$3,396 expense associated with this treatment was booked to the West Orange system in July, after the end of the test period. Southern States anticipates repeating this procedure before the end of the year. Therefore, we find an additional allowance of \$6,792 to be appropriate.

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Further, we find a testing allowance of \$600 to be appropriate. Based on the foregoing, we find the proper amount of contractual services expense to be \$8,195 for the projected test year.

J. Rents - Southern States charged \$1,774 to rent expense during the four-month test period. Of this amount, \$1,478 was associated with equipment rental that was used for plant clean-up. Therefore, we find it appropriate to make a \$1,478 adjustment to this account and classify it as an extraordinary cost, leaving a balance of \$295.66 for the test period.

We find that an additional allowance of \$591.32 per year for rental of grounds maintenance equipment is appropriate. Therefore, we find the proper amount of rent expense to be \$887 for the projected test year.

K. Transportation - Southern States recorded \$850 for transportation expense during the test period. We find this amount to be reasonable, and find it appropriate to make an annualizing adjustment of \$1,701. Therefore, we find the proper amount of transportation expense to be \$2,551 for the projected test year.

L. Insurance - Southern States recorded \$419 for insurance expense during the test period. Consistent with our treatment of employees salaries and wages and pensions and benefits, we find it appropriate to reclassify 61 percent of the \$105 related to workman's compensation, \$64, as extraordinary costs. We find it appropriate to make an annualizing adjustment to the remaining \$355. Therefore, we find the proper amount of insurance expense to be \$1,066 for the projected test year.

M. Advertising - Southern States charged \$10 to advertising expense during the four-month test period. We find that this expense was of no benefit to the West Orange ratepayers. Therefore, we find it appropriate to make a \$10 credit adjustment to the advertising expense account.

N. Regulatory Commission Expense - Southern States charged \$8 to regulatory commission expense during the test period, representing amortization of Southern States' rate case expenses from prior cases. We find it inappropriate to charge this amount to West Orange customers and hereby disallow such

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expense. However, we find an annual allowance of \$180, the \$900 filing fee in the instant rate proceeding amortized over five years, to be appropriate. Although rate case expenses are usually amortized over a four-year period, we find a five-year amortization period in this instance to be more consistent with the treatment of extraordinary repairs and costs herein.

O. Bad Debt Expense - Southern States charged \$68 to bad debt expense during the test period. Recently, we authorized this utility to collect customer deposits from new customers and authorized a change in billing periods, from quarterly to monthly. Therefore, we believe that prospective bad debt expense will be minimal to nonexistent. Based on the foregoing, we find it appropriate to make a \$68 credit adjustment to the bad debt expense account.

P. Miscellaneous - Southern States charged \$774 to miscellaneous expenses during the test period. Upon analysis, we find it appropriate to disallow the following expenses: \$4 for charitable contributions; \$97 for travel related to possible acquisitions; \$16 for food and travel; and \$22 for employee entertainment. The total disallowance of \$139 reduces the account balance to \$634. We find this amount to be reasonable, and find it appropriate to make an annualizing adjustment of \$1,268. In addition, we find an allowance of \$258 to be appropriate for the additional cost of postage which will be expended as a result of the approved change from quarterly to monthly billing. Therefore, we find the proper amount of miscellaneous expense to be \$2,160 for the projected test year.

In summary, the adjustments and reclassifications detailed above increase the recorded four months of operating expenses of \$28,255 by \$11,787, resulting in an annual allowance of \$40,042. \$18,381 of the recorded four months of operating expenses have been reclassified as extraordinary expenses and are addressed below.

#### Depreciation Expense

Using the thirteen month average historical and projected plant balances and the rates prescribed in Rule 25-30.140, Florida Administrative Code, we calculated a composite depreciation rate of 4.66% for the test year. This yielded a depreciation expense of \$7,996. We find the composite

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depreciation rate and resulting depreciation expense allowance to be reasonable, and thus are hereby approved.

#### CIAC Amortization

Use of the historical and projected thirteen month average test year CIAC and the composite depreciation-amortization rate of 4.66 percent results in CIAC amortization of \$6,148. We find the composite rate and resulting CIAC amortization to be reasonable, and thus are hereby approved.

#### Extraordinary Costs

Repair and Maintenance - During the period March 1989 through June 1989, Southern States expended \$9,846 in extraordinary costs to bring the treatment and disposal plant into adequate operating condition. Southern States estimates that in three to five years, the West Orange system will be acquired by the City of Ocoee. We find that a five-year period for amortizing the extraordinary costs is reasonable. Amortization of the \$9,846 over a five year period results in recognition of \$1,969 as an extraordinary cost during the projected test year. Therefore, we find the proper amount of extraordinary costs to be \$1,969 for the projected test year.

Legal Fees - During the months of February through July of 1989, Southern States expended \$15,997 in legal fees for evaluating the legal implications of accepting receivership and of reacquiring title to certain utility land. Only \$8,535 of such expenses were recorded at the time of our audit, and we found it appropriate to reclassify such amount as extraordinary costs herein. We find it appropriate to treat the entire \$15,997 as extraordinary costs, to be amortized over a five-year period. Amortization of the \$15,997 results in recognition of \$3,199 as an extraordinary cost during the projected test year.

We also find it appropriate to require Southern States to place in escrow or post a bond in the amount of \$5,500 until this Commission passes on the prudence of \$10,787 of the \$15,997, which relate to reacquiring title to certain utility land.

#### Taxes Other Than Income Taxes

Taxes other than income taxes include payroll taxes, regulatory assessment fees, property taxes, and tangible

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personal property tax. Payroll taxes of \$720 were calculated based on the projected payroll level and current tax rates. Regulatory assessment fees of \$1,398 were calculated on the basis of projected revenues. The one 1988 property tax bill we reviewed was for \$225.83 and the 1988 tangible personal property taxes were \$1,195.30, based on a November 1988 due date. We find it appropriate to use the 1988 costs of \$1,421 as the allowance for the test year.

Based on the above, we find the following projected assessments to be reasonable: \$720 for payroll taxes; \$1,398 for regulatory assessment fees; and \$1,421 for property taxes. Accordingly, these tax expenses are hereby approved, totaling \$3,539.

#### Income Taxes

West Orange was organized as a sole proprietorship at the time Southern States accepted receivership. Southern States has not acquired nor incorporated the utility. As this Commission does not grant income tax expense to sole proprietorships, we find the proper amount of income tax expense to be zero.

#### Operating Loss

Our review of the utility's books and records indicate projected test year revenues of \$36,842, and expenses of \$50,120, resulting in a projected operating loss of \$13,278, before implementation of emergency rates and before any revenue increase.

#### REVENUE REQUIREMENT

In order to allow the utility the opportunity to earn a return of 11.76% on its investment, we find that the appropriate revenue requirement is \$55,926. This represents a \$19,084, or a 51.80%, increase in revenue on an annual basis. The revenue requirement is presented on Schedule No. 3.

#### RATES AND CHARGES

##### Rates and Rate Structure

The following rates utilize the base facility charge rate structure. We find the following rates to be just, reasonable, and compensatory. Rates have been calculated based on test year ERCs and estimated sewage flows, as determined by the City

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of Ocoee's water billing analysis. These rates are designed to allow West Orange the opportunity to earn an 11.76% return on its investment. West Orange's original and emergency rates, and the rates approved herein, are presented below:

MONTHLY RATES  
RESIDENTIAL SERVICE

<u>Base Facility Charge</u>	<u>Original*</u>	<u>Emergency</u>	<u>Commission Approved</u>
All meter sizes	\$ 5.63	\$ 10.00	
5/8" x 3/4"			\$ 9.15
3/4"			13.72
1"			22.87
1-1/2"			45.74
2"			73.18
3"			146.35
4"			228.68
6"			457.35
8"			731.77
10"			1,051.92
Gallonage Charge per 1,000 gallons (capped at 10,000 gallons per month)	1.14	\$ 2.02	\$ 1.57

GENERAL SERVICE

<u>Base Facility Charge</u>	<u>Original*</u>	<u>Emergency</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$ 5.63	\$10.00	\$ 9.15
3/4"			13.72
1"	14.08	25.00	22.87
1 1/2"	28.15	49.99	45.74
2"			73.18
3"			146.35
4"			228.68
6"			457.35
8"			731.77
10"			1,051.92
Gallonage Charge per 1,000 gallons (no maximum)	\$ 1.14	\$ 2.02	\$ 1.89

\*Restated on a monthly basis for comparison purposes. The utility had previously billed on a quarterly basis.

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MONTHLY RATES  
MULTI-RESIDENTIAL SERVICE

<u>Base Facility Charge</u>	<u>Original</u>	<u>Emergency</u>	<u>Commission Approved</u>
5/8" x 3/4"	N/A	N/A	\$ 9.15
3/4"			13.72
1"			22.87
1 1/2"			45.74
2"			73.18
3"			146.35
4"			228.68
6"			457.35
8"			731.77
10"			1,051.92
Gallonage Charge per 1,000 gallons (no maximum)			\$ 1.89

Refund

In Order No. 21904, we authorized emergency interim rates, which were implemented in October of 1989. The rates approved herein are lower than the emergency rates. Therefore, we find it appropriate to require Southern States to make a refund with interest, calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. The refund shall be made as a credit to each customer's bill concurrent with the initiation of final rates if this Order is not protested, or concurrent with the initiation of temporary rates if this Order is protested.

Service Availability Charges

The utility's current service availability policy only provides for a \$150 tap-in fee. The service area is completely built-out. The utility has indicated it has no plans for expansion and that a service availability charge to cover the cost of additional treatment plant and mains is not necessary. Therefore, we find it appropriate to approve continuation of the utility's current service availability policy.



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### Miscellaneous Service Charges

Rule 25-30.345, Florida Administrative Code, provides that a utility may charge its customers certain miscellaneous service charges. These charges are designed to place the responsibility for the costs associated with miscellaneous services on those who utilize the services, rather than on the general body of ratepayers.

West Orange presently has no provision in its tariff for miscellaneous service charges. We find it appropriate to approve four types of miscellaneous service charges, as described below, at the rate levels set forth below:

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

For purposes of clarification, the terms are defined below:

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

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

3) Violation Reconnection: This charge is to be levied prior to 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.

4) 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.

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TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in the utility's sewer rates. A timely protest could delay the collection by the utility of 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 that a timely protest is filed by anyone other than West Orange or Southern States, we hereby authorize the utility to collect the rates approved herein on a temporary basis, subject to refund. Southern States was required to provide a \$28,000 corporate undertaking when emergency rates were authorized in Order No. 21904, issued September 18, 1989. Subsequently, Southern States provided an unlimited corporate undertaking. If a protest is received, we find it appropriate to require the corporate undertaking to remain in effect and on file.

The utility shall also keep an accurate account, in detail, of all monies received due to said increase, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month that the temporary rate is in effect, showing the amount of revenues collected as a result of the temporary rates, and the amount of revenues that would have been collected under the prior rate. Should a refund be required, the refund shall be with interest pursuant to Rule 25-30.360, Florida Administrative Code.

EFFECTIVE DATE

The rates approved herein shall be effective for meter readings on or after thirty (30) days from the stamped approval date on the revised tariff sheets. Miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that they are consistent with our decision herein; that the proposed customer notice is adequate; that the required security has been provided; and that the time for protesting this Order has expired.

In consideration of the above, it is, therefore,

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ORDERED by the Florida Public Service Commission that the application of West Orange Utility for an increase in its sewer rates for its customers in Orange County is approved as set forth in the body of this Order. It is further

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

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

ORDERED that the provisions of this Order, except for the portion authorizing temporary rates in the event of protest and the portion requiring a refund, are issued as proposed agency action, and as such, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is 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 the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the utility is hereby authorized to charge the new rates, effective for meter readings on or after thirty (30) days from the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is hereby authorized to charge the new miscellaneous service charges, effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is hereby authorized to continue charging its existing \$150 tap-in fee as the service availability charge. It is further

ORDERED that Southern States shall make a refund with interest, calculated pursuant to Rule 25-30.360(4), Florida Administrative Code, for the difference between emergency interim rates and the rates authorized herein. The refund shall be made as a credit to each customer's bill concurrent with the initiation of final rates if this Order is not protested, or concurrent with the initiation of temporary rates if this Order is protested. It is further

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ORDERED that Southern States shall place in escrow or post a bond in the amount of \$5,500 until this Commission passes on the prudence of \$10,787 of the \$15,997, which relate to reacquiring title to certain utility land. It is further

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

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; that the required security has been provided; and that the time for protesting this Order has expired and no such protests were filed. It is further

ORDERED that in the event a substantially affected person, other than West Orange or Southern States protests this proposed agency action, the utility may implement the new rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rate portion of this Order is not issued as proposed agency action. It is further

ORDERED that in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission  
this 10th day of JANUARY, 1990.

\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

DCS

by: Kay Helton  
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions herein, except for the authorizing of temporary rates in the event of protest and the requiring of a refund, are 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 January 31, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, 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 the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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SCHEDULE NO. 1

WEST ORANGE UTILITY (M & M UTILITIES)  
 DOCKET NO. 890786-SU  
 PROJECTED TEST PERIOD ENDING DECEMBER 31, 1989  
 WASTEWATER RATE BASE  
 SCHEDULE NO. 1

	6/30/89 BALANCE PER SOUTHERN STATES -----		COMMISSION ADJUSTMENTS -----	AVERAGE PROJECTED BALANCE PER COMMISSION -----
DEPRECIABLE PLANT-IN-SERVICE	\$366	A	\$170,572	\$170,938
LAND	\$0	B	\$31,030	\$31,030
ACCUMULATED DEPRECIATION AND AMORTIZATION	\$0	C	(\$80,751)	(\$80,751)
CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION (CIAC)	\$0	D	(\$131,174)	(\$131,174)
ACCUMULATED AMORTIZATION OF CIAC	\$0	E	\$50,270	\$50,270
WORKING CAPITAL ALLOWANCE	\$0	F	\$5,005	\$5,005
	-----		-----	-----
RATE BASE	\$366		\$44,952	\$45,318
	=====		=====	=====

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SCHEDULE NO. 1A  
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WEST ORANGE UTILITY (M & M UTILITIES)  
 DOCKET NO. 890786-SU  
 ADJUSTMENTS TO RATE BASE  
 PROJECTED TEST PERIOD ENDING DECEMBER 31, 1989  
 SCHEDULE NO. 1A

A. DEPRECIABLE PLANT-IN-SERVICE

1. RECORD DEPRECIABLE PLANT AT ORIGINAL COST, ESTABLISHED IN ORDER NO. 10388 AT DECEMBER 31, 1980	\$130,273
2. RECORD ADDITIONAL UTILITY PROPERTY AND IMPROVEMENTS (JANUARY 1, 1981 THROUGH DECEMBER 31, 1988) -- PRIMARILY FOR PERCOLATION PONDS AND SERVICES	\$14,400
3. RECORD EXPENDITURES BY ORANGE COUNTY TO REHABILITATE THE PERCOLATION PONDS, CLARIFIERS AND CHLORINATORS AND STABILIZE ACCESS TO THE PLANT SITE	\$34,145
4. DISALLOW ALLOCATED PLANT COSTS OF SOUTHERN STATES	(\$366)
5. THIRTEEN MONTH AVERAGING ADJUSTMENT	(\$7,880)
	-----
	\$170,572
	=====

B. LAND

1. RECORD UTILITY LAND AT ORIGINAL COST, ESTABLISHED IN ORDER NO. 10388 AT DECEMBER 31, 1980	\$30,000
2. RECORD ADDITIONAL UTILITY PROPERTY, ACQUIRED IN 1983	\$1,030
3. RETIRE PROPERTY ON WHICH PERCOLATION PONDS SIT - SOLD TO RELATED PARTY IN 1988	(\$20,000)
4. PROJECT REACQUISITION OF PROPERTY	\$20,000
	-----
	\$31,030
	=====



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SCHEDULE NO. 1A  
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C. ACCUMULATED DEPRECIATION OF PLANT-IN-SERVICE

1. RECORD ACCUMULATED DEPRECIATION PER ORDER NO. 10388 AT DECEMBER 31, 1980	(\$49,383)
2. RECORD DEPRECIATION EXPENSE AT 2.5 PERCENT FROM JANUARY 1, 1981 THROUGH DECEMBER 31, 1988	(\$27,490)
3. RECORD DEPRECIATION EXPENSE AT 4.66 PERCENT FROM JANUARY 1, 1989 THROUGH JUNE 30, 1989	(\$3,832)
4. PROJECT DEPRECIATION EXPENSE AT 4.66 PERCENT FROM JULY 1, 1989 THROUGH DECEMBER 31, 1989	(\$4,164)
5. THIRTEEN MONTH AVERAGING ADJUSTMENT	\$4,118
	-----
	(\$80,751)
	=====

D. CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION (CIAC)

1. RECORD CIAC PER ORDER NO. 10388 AT DECEMBER 31, 1980	(\$76,509)
2. RECORD ADDITIONS FOR PERIOD JANUARY 1, 1981 THROUGH DECEMBER 31, 1988	(\$28,400)
3. RECORD PROPERTY IMPROVEMENTS AND REHABILITATION COSTS CONTRIBUTED BY ORANGE COUNTY	(\$34,145)
4. THIRTEEN MONTH AVERAGING ADJUSTMENT	\$7,880
	-----
	(\$131,174)
	=====

E. ACCUMULATED AMORTIZATION OF CIAC

1. RECORD ACCUMULATED AMORTIZATION OF CIAC PER ORDER NO. 10388 AT DECEMBER 31, 1980	\$28,824
2. ACCUMULATE AMORTIZATION AT 2.5 PERCENT, JANUARY 1, 1981 THROUGH DECEMBER 31, 1988	\$18,492
3. ACCUMULATE AMORTIZATION AT 4.66 PERCENT, JANUARY 1, 1989 THROUGH JUNE 30, 1989	\$2,908

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4. PROJECT AMORTIZATION AT 4.66 PERCENT, JULY 1, 1989 THROUGH DECEMBER 31, 1989	\$3,240
5. THIRTEEN MONTH AVERAGING ADJUSTMENT	(13,194)
	-----
	\$50,270
	-----
F. WORKING CAPITAL ALLOWANCE ONE-EIGHTH OF OPERATING AND MAINTENANCE EXPENSES (\$40,042 / 8)	\$5,005
	-----

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SCHEDULE NO. 2

WEST ORANGE UTILITY (M & M UTILITIES)  
 DOCKET NO. 890786-SU  
 COST OF CAPITAL - OVERALL RATE OF RETURN  
 TEST PERIOD ENDING DECEMBER 31, 1989  
 SCHEDULE NO. 2

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION	RATIO	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
EQUITY	\$0	\$45,318	\$45,318	1.0000	11.76%	11.76%
LONG-TERM DEBT	\$0	\$0	\$0	0.0000	0.00%	0.00%
	-----	-----	-----	-----	-----	-----
	\$0	\$45,318	\$45,318	1.0000		11.76%
	=====	=====	=====	=====		=====

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SCHEDULE NO. 3

WEST ORANGE UTILITY (M & M UTILITIES)

DOCKET NO. 890786-SU

PROJECTED TEST PERIOD ENDING DECEMBER 31, 1989

WASTEWATER OPERATING INCOME

SCHEDULE NO. 3

	1989 TOTAL PER UTILITY (4 MONTHS)		COMMISSION ADJUSTMENTS	1989 PROJECTED TOTAL PER COMMISSION (12 MONTHS)		COMMISSION ADJUSTMENTS FOR INCREASE	PROJECTED TOTAL FOR INCREASE
	-----		-----	-----		-----	-----
OPERATING REVENUE	(\$19,483)	A	(\$17,359)	(\$36,842)	H	(\$19,084)	(\$55,926)
OPERATING EXPENSES	\$28,254	B	\$11,788	\$40,042			\$40,042
DEPRECIATION AND AMORTIZATION OF PLANT-IN-SERVICE	\$0	C	\$7,996	\$7,996			\$7,996
AMORTIZATION OF CIAC	\$0	D	(\$6,148)	(\$6,148)			(\$6,148)
ALLOWANCE FOR EXTRAORDINARY REPAIRS AND COSTS	\$0	E	\$1,969	\$1,969			\$1,969
ALLOWANCE FOR LEGAL FEES ASSOCIATED WITH ASSUMING RECEIVERSHIP	\$0	F	\$3,199	\$3,199			\$3,199
TAXES OTHER THAN INCOME TAXES	\$0	G	\$3,062	\$3,062	I	\$477	\$3,539
INCOME TAXES	\$0		\$0	\$0			\$0
	-----		-----	-----		-----	-----
TOTAL OPERATING EXPENSES	\$28,254		\$21,866	\$50,120		\$477	\$50,597
	-----		-----	-----		-----	-----
NET OPERATING (INCOME)/LOSS	\$8,771		\$4,507	\$13,278		(\$18,607)	(\$5,329)
	-----		-----	-----		-----	-----
RATE BASE	\$366			\$45,318			\$45,318
	-----			-----			-----
RATE OF RETURN	-2396.45%			-29.30%			11.76%
	-----			-----			-----

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SCHEDULE NO. 3A  
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WEST ORANGE UTILITY (M & M UTILITIES)  
DOCKET NO. 890786-SU  
ADJUSTMENTS TO NET OPERATING INCOME  
PROJECTED TEST PERIOD ENDING DECEMBER 31, 1989  
SCHEDULE NO. 3A

A. OPERATING REVENUE	
ADJUSTMENT TO REFLECT ANNUAL REVENUE AS ESTIMATED BY STAFF, BASED ON AVAILABLE BILLING INFORMATION	(\$17,359) *****
B. OPERATING EXPENSES	
1. DISALLOW INCORRECT CHARGE TO A WATER PLANT MAINTENANCE EXPENSE ACCOUNT (THIS IS A WASTEWATER SYSTEM ONLY)	(\$59)
2. RECLASSIFY 61 PERCENT OF DIRECT SALARIES AND WAGES AS EXTRAORDINARY	(\$4,715)
2a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH DIRECT SALARIES AND WAGES - EMPLOYEES	\$4,010
2b. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH ALLOCATED PAYROLL AND VACATION, SICK AND HOLIDAY LEAVE	\$1,879
	----- \$1,174 -----
3. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH SALARIES AND WAGES - OFFICERS	\$106
4. RECLASSIFY 61 PERCENT OF PENSIONS AND BENEFITS ASSOCIATED WITH DIRECT PAYROLL AS EXTRAORDINARY	(\$212)
4a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH PENSIONS AND BENEFITS	\$271
	----- \$59 -----
5. RECLASSIFY A PORTION OF SLUDGE REMOVAL EXPENSE AS EXTRAORDINARY	(\$1,790)
5a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH SLUDGE REMOVAL EXPENSE	\$320
	----- (\$1,470) -----
6. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH PURCHASED POWER EXPENSE	\$4,595
7. DISALLOW IMPROPER ALLOCATION TO FUEL FOR POWER PRODUCTION EXPENSE	(\$6)
8. RECLASSIFY A PORTION OF CHEMICALS EXPENSE AS EXTRAORDINARY	(\$858)
8a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH CHEMICALS EXPENSE	\$827
	----- (\$31) -----

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9. NORMALIZATION ADJUSTMENT ASSOCIATED WITH DIRECT MATERIALS AND SUPPLIES EXPENSE	\$954
9a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH DIRECT MATERIALS AND SUPPLIES EXPENSE	\$3,600
9b. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH OPERATIONS SUPPLIES AND INDIRECT MAINTENANCE EXPENSE	\$1,262
	-----
	\$5,816
	-----
10. RECLASSIFY A PORTION OF CONTRACTUAL SERVICES AS EXTRAORDINARY	(\$730)
10a. DISALLOW ATTORNEY FEES RELATED TO ACCEPTANCE OF RECEIVERSHIP	(\$8,535)
10b. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH CONTRACTUAL SERVICES	\$535
10b. ADDITIONAL ALLOWANCE FOR ALUM TREATMENTS AND TESTING EXPENSES	\$7,392
	-----
	(\$1,338)
	-----
11. RECLASSIFY A PORTION OF RENTS AS EXTRAORDINARY	(\$1,479)
11a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH RENTS EXPENSE	\$591
	-----
	(\$887)
	-----
12. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH TRANSPORTATION EXPENSE	\$1,701
13. RECLASSIFY A PORTION OF INSURANCE (WORKMAN'S COMP) EXPENSE AS EXTRA- ORDINARY	(\$64)
13a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH INSURANCE EXPENSE	\$711
	-----
	\$647
	-----
14. DISALLOW ADVERTISING EXPENSE	(\$10)
15. DISALLOW IMPROPER ALLOCATION OF REGULATORY COMMISSION EXPENSE	(\$8)
15a. AMORTIZATION OF RATE CASE EXPENSE	\$180
	-----
	\$172
	-----
16. DISALLOW BAD DEBT EXPENSE	(\$68)
17. DISALLOW A PORTION OF MISCELLANEOUS EXPENSES	(\$139)
17a. ANNUALIZATION ADJUSTMENT ASSOCIATED WITH MISCELLANEOUS EXPENSES	\$1,526
	-----
	\$1,387
	-----
TOTAL OPERATING EXPENSE ADJUSTMENTS (A)	\$11,788

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SCHEDULE NO. 3A  
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C. DEPRECIATION EXPENSE REFLECT PROJECTED DEPRECIATION EXPENSE BASED ON STAFF-CALCULATED HISTORICAL AND PROJECTED PLANT BALANCES ALONG WITH COMPOSITE RATE DERIVED BY APPLICATION OF RATES PRESCRIBED BY RULE 25-30.140 (4.66 PERCENT)	\$7,996 *****
D. CIAC AMORTIZATION REFLECT PROJECTED AMORTIZATION BASED ON STAFF-CALCULATED AND PROJECTED CIAC USING COMPOSITE DEPRECIATION RATE (4.66 PERCENT)	(\$6,148) *****
E. ALLOWANCE FOR EXTRAORDINARY REPAIRS AND COSTS REFLECT ONE YEAR'S AMORTIZATION OF EXTRAORDINARY COSTS BASED ON A FIVE YEAR AMORTIZATION PERIOD	\$1,969 *****
F. ALLOWANCE FOR LEGAL FEES ASSOCIATED WITH ASSUMING RECEIVERSHIP	\$3,199 *****
G. TAXES OTHER THAN INCOME TAXES	
1. REFLECT PAYROLL TAXES ASSOCIATED WITH STAFF-CALCULATED PAYROLL LEVEL	\$720
2. REFLECT PROPERTY TAXES AND TANGIBLE PERSONAL PROPERTY TAXES	\$1,421
3. REFLECT REGULATORY ASSESSMENT FEES OF 2.5 PERCENT, BASED ON STAFF'S ESTIMATED ANNUAL REVENUE (.025 x \$36,842)	\$921 -----
	\$3,062 *****
H. OPERATING REVENUE PROJECT LEVEL OF ESTIMATED REVENUE REQUIRED TO ALLOW THE UTILITY THE OPPORTUNITY TO RECOVER ITS EXPENSES AND EARN ITS RECOMMENDED OVERALL RATE OF RETURN	(\$19,084) *****
I. TAXES OTHER THAN INCOME PROJECT INCREASE IN REGULATORY ASSESSMENT FEES BASED ON INCREASED REVENUE	\$477 *****

(A) DOES NOT MATCH TOTAL FROM SCHEDULES NOS. 3 AND 3B DUE TO ROUNDING

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SCHEDULE NO. 3B

WEST ORANGE UTILITY (M & M UTILITIES)  
 DOCKET NO. 890786-SU  
 DETAIL OF OPERATING EXPENSES  
 PROJECTED TEST PERIOD ENDING DECEMBER 31, 1989  
 SCHEDULE NO. 3B

	6/30/89 TOTAL PER UTILITY		COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION
	-----		-----	-----
601 SALARIES & WAGES - EMPLOYEES	\$59	1	(\$59)	\$0
701 SALARIES & WAGES - EMPLOYEES	\$7,660	2	\$1,173	\$8,833
703 SALARIES & WAGES - OFFICERS, DIR.	\$53	3	\$106	\$159
704 PENSIONS AND BENEFITS	\$347	4	\$59	\$406
711 SLUDGE REMOVAL EXPENSE	\$1,950	5	(\$1,470)	\$480
715 PURCHASED POWER	\$1,995	6	\$4,596	\$6,591
716 FUEL FOR POWER PRODUCTION	\$6	7	(\$6)	\$0
718 CHEMICALS	\$1,272	8	(\$31)	\$1,241
720 MATERIALS AND SUPPLIES	\$1,477	9	\$5,816	\$7,293
730 CONTRACTUAL SERVICES	\$9,533	10	(\$1,338)	\$8,195
740 RENTS	\$1,774	11	(\$887)	\$887
750 TRANSPORTATION EXPENSE	\$850	12	\$1,701	\$2,551
755 INSURANCE EXPENSE	\$419	13	\$647	\$1,066
760 ADVERTISING EXPENSE	\$10	14	(\$10)	\$0
765 REGULATORY COMMISSION EXPENSE	\$8	15	\$172	\$180
770 BAD DEBT EXPENSE	\$68	16	(\$68)	\$0
775 MISCELLANEOUS EXPENSE	\$774	17	\$1,386	\$2,160
	-----		-----	-----
	\$28,255		\$11,767	\$40,042
	*****		*****	*****