

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-	)	DOCKET NO. 900505-WS
assisted rate case in Bay County	)	ORDER NO. 24170
by SANDY CREEK UTILITIES, INC.	)	ISSUED: 02-27-91
_____)		

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 MICHAEL McK. WILSON  
 BETTY EASLEY  
 FRANK S. MESSERSMITH

FINAL ORDER GRANTING TEMPORARY  
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
 ORDER APPROVING INCREASED RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, and as such, will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Sandy Creek Utilities, Inc., (Sandy Creek or utility) is a class "C" water and wastewater utility located in Bay County. Currently, the utility is 100% owned by Sandy Creek Properties, Inc., which is 100% owned by Capital Bank of Miami. The utility's prior owner used the utility as collateral for a bank loan before filing for bankruptcy in 1985. Capital Bank took over the utility during the bankruptcy and appointed a receiver to oversee its operation.

It was only upon notification by the receiver in January, 1986, that this Commission was made aware of the utility's existence. We determined that the utility was jurisdictional, and instructed the receiver to file an application for original certificates. By Order No. 21022, issued April 11, 1989, the Commission granted Certificate Numbers 514-W and 446-S to Sandy Creek and grandfathered its existing rates and charges.

DOCUMENT NUMBER-DATE

01943 FEB 27 1991

FPSC-RECORDS/REPORTING

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 2

On May 21, 1990, the utility applied for the instant staff-assisted rate case, and it has paid the appropriate filing fee. For the purpose of establishing rates in this proceeding, we have selected a historical test year ended December 31, 1989. In the processing of this case, we audited the utility's records and conducted a field investigation of the utility's service area and plant. On November 5, 1990, a customer meeting was held in the utility's service area in order to allow the customers the opportunity to testify regarding the utility's quality of service and to ask questions about the proposed rate change.

#### QUALITY OF SERVICE

As a part of our quality of service investigation, we contacted the Department of Environmental Regulation (DER) to determine if the utility had any outstanding complaints or violations against it. DER stated that the utility was under a consent order whereby it agreed to make the plant expansions and improvements necessary to bring it into compliance with DER standards. According to DER's records, the utility is complying with the consent order; in addition, DER has no complaints against Sandy Creek on file. The only complaint against Sandy Creek which this Commission has on file concerns a developer's need for service and not the quality of service.

During the field investigation, we noted that the plant systems appeared to be in good working order and receiving adequate maintenance. All construction work in progress was near completion, so that operational information was not available.

During the November 5, 1990, customer meeting, the customers complained of: frequent sewage back-ups due to pump failure, the pumping of sewage directly into the system's force main without primary treatment, frequent line breaks, and improperly wired pumping stations. Most of the complaints were targeted at the wastewater system. Nonetheless, some of the customers noted that repairs to the system had been accomplished as timely as possible and workers had done the best job possible, given the condition of the system.

As to Sandy Creek's water system, we find that the quality of service is satisfactory. While the utility has experienced unacceptable levels of unaccounted for water, we do not hold that against it in our evaluation its quality of service.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 3

As to the utility's wastewater system, however, we make a different finding. We recognize that the majority of the wastewater system's problems are the direct result of its unusual design, which requires a substantial amount of maintenance. Considering the existing circumstances, we think the utility is doing the best job possible. Nonetheless, in light of the problems mentioned above, we find that the quality of service rendered by the utility's wastewater system is unsatisfactory.

Sandy Creek's sewage collection system is readily described. It starts with a typical connection from which the sewage flows by gravity into a septic tank maintained by the customer. There, the sewage receives primary treatment by the anaerobic process. The supernatant, which is the discharge from the septic tank, flows by gravity into a small pumping station maintained by the utility. The station pumps the supernatant into a force main which carries the supernatant to a 75,000 gallon per day (GPD) capacity sewage treatment plant.

To serve the existing population, the system has ninety-one pumping stations. Because of the small size of these pumping stations, the time and expense required for their operation and maintenance is more than what it would be for a typical lift station. Furthermore, the pumping stations are equipped with pumps having a four or five year life expectancy. Pump replacement is costly and requires a significant amount of labor. The utility is currently unable to provide preventive maintenance to the station pumps, and since the stations are below ground and below the water table, no cursory inspections can be made to determine if infiltration is a problem.

Although the design of the system is not the doing of the current utility owners, we believe that the continued high cost of maintaining and operating the system is unacceptable. Rather than imposing a penalty on the utility, we think it more constructive to order the utility to submit for our review and approval a plan setting forth its intended improvements to and redesign of the wastewater collection system. The plan shall be designed to improve the system and reduce its operation and maintenance requirements. We hereby order the utility to file this plan within ninety (90) days of the date of this Order. We will determine the reasonableness of the plan. Upon our decision on the plan, we shall decide what further action, if any, is necessary.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 4

#### RATE BASE

Our calculation of the appropriate rate bases for the purpose of this proceeding are depicted on Schedules Nos. 1 and 1-A, and our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Used and Useful

The water treatment plant has capacity to produce up to 180,000 GPD. Since the system has storage capacity, domestic flow requirements should be sufficient to handle maximum daily demands rather than maximum hourly demands. During the month of August, 1989, the peak five-day average (considered maximum day demand) was 733 GPD per connection. Therefore, the utility needs 100,420 GPD of domestic flow to serve 137 test year connections.

Although Bay County has no minimum fire flow requirements, the National Fire Protection Association (NFPA) recommends a minimum of 120,000 gallons of fire flow reserve. However, the area's volunteer Fire Chief stated that his department has alternative water resources and that 60,000 gallons is an adequate reserve. We shall rely on that statement in calculating used and useful.

Historical information shows that the utility averages six new customers per year. When calculating a margin reserve allowance, it is our practice to use an eighteen month growth figure. Therefore, the appropriate margin of reserve allowance in this case is nine equivalent residential connections (ERCs), which amounts to approximately 6,600 GPD of capacity.

In consideration of the above factors, we find that the water treatment facilities are 93% used and useful.

The water distribution system has the capacity to provide service to 254 customers, but served 139 connections in the test year. To arrive at the number of used and useful connections, we add the number of test year connections to the nine ERCs in the margin reserve. To arrive at the used and useful percentage of the water distribution system, we divide the used and useful connections by the capacity. Based on the above, we find that the water distribution system is 57% used and useful.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 5

The wastewater treatment facility has a capacity of 75,000 GPD. Average daily sewage flow during September, 1990, to June, 1990, was 5,488 GPD. Water consumption is about 158 GPD per ERC, which is substantially below the standard guideline figure of 350 GPD per ERC. The low figure might be because most of the water consumed is for domestic use. However, sewage flows which amount to 49 GPD/ERC might also be due to breaks in the system or improper flow metering or reading. To establish a used and useful rate, we have used the maximum daily flows reported to DER during the peak five days of the test year, which were December 29 through January 3, 1989. Using 16,500 GPD and a 1,326 GPD margin reserve, which accounts for eighteen months of growth, we calculate the total used capacity to be 17,826 GPD. Therefore, we find that the wastewater treatment facility is 24% used and useful.

The wastewater collection system consists of two major components, the force mains and the pumping stations. We shall evaluate each component used and usefulness separately. The force main had the capacity to provide service to approximately 225 customers. To the 112 test year connections we add a 9 ERC margin reserve to arrive at the number of used and useful connections. Therefore, we find that force main is 54% used and useful. As the pumping stations are providing service to existing customers only, we find that they are 100% used and useful.

#### Land

The utility did not record land value on its books. However, after reviewing courthouse records and documents submitted by the utility, we have determined that the land on which the water treatment and wastewater treatment plants are located is owned by the utility and the original cost of the land is \$1,300 for water and \$3,000 for wastewater.

We find that the used and useful percentages for the land upon which the water and wastewater plants are located are the same as the used and useful percentages of the plants themselves. Therefore, we have reduced the value of the land in the water account by \$91 to reflect the 93% used and useful figure. We have also reduced the value of the land in the wastewater account by \$2,280 to reflect the 24% used and useful figure for the wastewater plant. Therefore, we find that the proper valuation for land in this case is \$1,209 for water and \$720 for wastewater.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 6

Construction Work In Progress (CWIP)

The utility is expanding its wastewater and water plants to meet DER standards. According to a contract between the utility and the Churchwell Dozier and Pipeline contractor, the total cost for construction is \$332,790. The total contract price has been divided \$45,909 for water and \$286,881 for wastewater.

At the end of the test year, the utility's books showed \$42,615 in wastewater CWIP. The remaining \$290,175 in CWIP projects have been completed and are on line. In circumstances like this, it is our practice to recognize the total contractual amount as proforma plant. Therefore, we have increased the water plant account by \$45,909 and the wastewater plant account by \$286,881. We have also made a \$42,615 coordinating reduction to the wastewater CWIP account to leave a \$0 balance.

Unaccounted-for Water

According to our analysis of the utility's flow data, the utility had a faulty master water meter. That meter was replaced in August, 1989. Subsequent meter readings showed a substantial amount of unaccounted for water. We annualized flow data for a four month period following installation of the new meter and determined that approximately 17,337,000 gallons of water were pumped during the test year. Again annualizing data for the same period, we estimated that 14,208,000 gallons of water were sold during the test year. Based on these figures, the utility's level of unaccounted-for water is 18%.

We believe that an appropriate level of unaccounted-for water is 10%. We find that the 18% level of unaccounted-for water is unacceptable and therefore make the following adjustment. In our calculation of test year gallons sold, we have included as sold 1,421,000 gallons. This amount represents the number of gallons unaccounted-for which exceeded the 10% limit.

We realize that the excessive unaccounted-for water was probably due to irrigation of common areas. The utility estimates that five meters, three 5/8 x 3/4 inch meters and two 2 inch meters, would have to be installed in the irrigated common areas in order to reduce the level of unaccounted-for water. The utility has purchased all five meters at a cost of \$825, but has installed only one. We find that the cost of the meters is reasonable, and we have increased the water plant account by \$825 to reflect the

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 7

meter cost as proforma plant. Finally, since only one of the five meters has been installed, we hereby order the utility to install the other four within ninety (90) days of the date of this Order.

#### Working Capital

We have used the one-eighth of operation and maintenance (O & M) expense method to calculate working capital. Based upon the O & M expenses which we have allowed in a subsequent section of this Order, we find that the proper working capital allowances are \$2,910 for water and \$4,739 for wastewater.

#### Average Test Year Rate Base

Rate base has never been established for this utility, and original plant cost documentation prior to 1989 is not available. When original plant cost documentation is not available, it is Commission practice to conduct an original cost study to establish plant levels. In this instance, however, we deem it appropriate to begin with the plant totals listed in the utility's 1988 annual report. The practical considerations involved in the decision to use these figures are obvious, and we think it to be the best course of action. According to the 1988 report, the plant totals, excluding land, as of December 31, 1988, were \$338,842 for water and \$281,216 for wastewater. We find that these amounts are reasonable for this system and fairly reflect plant as of December 31, 1988. During our review of plant totals, we discovered that some plant accounts were co-mingled. We have adjusted all accounts that were co-mingled to reflect reclassification to the appropriate accounts.

We have traced all plant additions from January, 1989, through December 31, 1989, to supporting documentation and reconciled the documentation with the utility's recorded balances. The utility's recorded balances as of December 31, 1989, equals the sum of the 1988 annual report totals plus the audited test year additions. We have increased the plant accounts to include the proforma plant allowances addressed earlier. After making an averaging adjustment, we calculate that the average test year plant amounts are \$366,526 for water and \$428,675 for wastewater.

In determining the proper amount of test year plant, we have removed from the rate base calculation that portion of plant not considered used and useful; this non-used and useful plant includes some year-end and proforma plant. We have also accounted for

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 8

accumulated depreciation associated with non-used and useful plant. After making an averaging adjustment, we find that the average amounts of test year plant held for future use are \$99,510 for water and \$173,246 for wastewater.

The utility recorded contributions in aid of construction (CIAC) in the amounts of \$46,050 for water and \$84,700 for wastewater. Based on the number of year-end customers and existing service availability charges, we think the utility recorded less CIAC than it should have collected. We have therefore increased CIAC balances by \$16,500 for water and \$27,300 for wastewater. In addition, pursuant to policy, we have increased CIAC balances by \$2,700 for water and \$6,300 for wastewater to reflect the imputation of CIAC associated with margin reserve. Upon making an averaging adjustment, we find that the average test year CIAC balances are \$64,125 for water and \$117,800 for wastewater.

We have made no adjustments to the utility's accumulated depreciation as of December 31, 1988. We calculated accumulated depreciation for the period January, 1989, through December, 1989, in accordance with Rule 25-30.140, Florida Administrative Code. Upon making an average adjustment, we find that the average test year amounts for accumulated depreciation are \$62,748 for water and \$75,683 for wastewater.

We amortized the above CIAC balances by the composite depreciation rate of the water and wastewater plants. Upon making an averaging adjustment, we find that the average test year amounts for CIAC amortization are \$11,239 for water and \$30,717 for wastewater.

In consideration of the foregoing, we find that the appropriate average test year rate bases for this utility are \$155,501 for water and \$98,122 for wastewater.

#### COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 9

Return on Equity

The utility's capital structure consists of 33.88% equity. According to Order No. 23318, issued August 7, 1990, the return on equity for companies with equity ratios of 40% and below are capped at 13.51%. Therefore we find that the appropriate return on equity for this utility is 13.51%.

Overall Rate of Return

The utility's capital structure consists of 33.88% of common equity at a cost rate of 13.51%, 64.65% of long-term debt at a cost of 12%, and 1.47% of customer deposits at a cost of 8%. We have reconciled the utility's capital structure with the rate base approved herein and find that the appropriate overall rate of return is 12.46%.

NET OPERATING INCOME

Our calculation of net operating income for water is depicted on Schedule No. 3, our calculation of net operating income for wastewater is depicted on Schedule No. 3-A, and our adjustments are itemized on Schedule No. 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenues

According to our audit, the utility recorded test year revenues of \$23,382 for water and \$20,206 for wastewater. Test year water revenue includes \$1,473 derived from miscellaneous service charges, which are charges designed to allow the utility to recover costs associated with initiating or terminating a connection. Since the costs associated with these connection activities are separate from the cost of providing water service, we have reduced water revenue by \$1,473 to remove the revenue associated with miscellaneous service charges.

Because the utility's existing rates became effective in August, 1989, test year revenues for water and wastewater include revenues generated from two different rate schedules. We have therefore annualized revenues based on existing rates and test year billing. After increasing water revenue by \$2,027 and wastewater revenue by \$3,123 to reflect annualization, we find that the

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 10

appropriate amount of test year revenues are \$23,936 for water and \$23,329 for wastewater.

Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances. A summary of our adjustments follows.

1) Salaries and Wages--Employees. During the test year the utility employed three persons: a secretary and two maintenance men. Based on our audit, gross test year salaries for these three employees were \$37,963. The utility only recorded \$34,296 of the total and allocated \$17,148 to each system. We have increased this expense by \$3,668 to reflect the audited amount for test year gross salaries and have allocated this amount evenly between the two systems.

The utility recorded \$14,083 as the annual salary for the secretary. The secretary's annual salary should come to \$15,600, given the hourly rate of pay, \$7.50 per hour. We have therefore increased this expense by \$758 for water and wastewater each to reflect the secretary's annual salary based on the hourly rate. Furthermore, according to our audit, the secretary spends only 40% of her time performing utility duties. We have therefore decreased this expense by \$4,680 to reflect the fact that only 40% of the secretary's time is devoted to the utility.

The two utility maintenance men earn \$13,000 each annually. During the test year, the utility recorded \$23,880 in salaries for the maintenance men because one of the two was employed less than twelve months. After the plan which the utility is to submit to us is implemented and improvements are made, we believe that only one full time maintenance person will be needed. We have therefore decreased this expense by \$5,440 for each system to remove one maintenance man's salary. Furthermore, as we believe that the remaining maintenance man's duties will be divided 25% to the water system and 75% to the wastewater system, we have reduced this expense by \$3,250 for water and increased it by \$3,250 for wastewater.

2) Employee Benefits. The utility recorded \$5,144 for this expense during the test year and divided it evenly between the water and wastewater systems. Following the salary allocations set

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 11

forth above, we have reduced this expense by \$1,808 for water and by \$812 for wastewater.

3) Purchased Power. The utility recorded \$3,249 in purchased power expense for each system. We have reduced this expense by \$512 for each system to reflect a reclassification of telephone expenses to miscellaneous expense. We have also reduced this expense by \$256 for water and increased it by \$1,503 for wastewater to reflect what we believe to be reasonable annual allowances for this item.

4) Chemicals. The utility recorded \$2,609 in chemical expense for water and \$2,950 for wastewater. We have reduced water chemical expense by \$712 to reflect the reclassification of a water plant addition to the water plant account. We have reduced water and wastewater chemical expense by \$1,397 and \$1,330 respectively to reflect the reclassification of repairs and maintenance. We have also reduced wastewater chemical expense by \$960 to reflect what we believe to be a reasonable annual allowance for this item.

5) Rents. The utility recorded a water plant addition of \$703 in this expense. We have therefore reduced this expense by \$703 to reflect reclassification to water plant.

6) Contractual Services. The utility recorded contractual services expense of \$8,512 for each system. This total includes \$14,435 for a contractual plant operator and manager. The contract calls for \$625 bi-monthly and \$15,000 annually. As we believe this contractual amount to be reasonable, we have increased this expense by \$283 for each system to reflect an annualized amount.

We have increased contractual services expense by \$645 for water and \$2,110 for wastewater to reflect reclassification from testing expense. We have reduced contractual services for water by \$112 to remove the unamortized portion of DER required primary organic tests. We have increased water and wastewater test by \$65 and \$1,825 respectively to reflect what we believe to be a reasonable annual allowance for this expense. We have increased wastewater test expenses by \$200 to account for a reasonable annual sludge hauling expenditure.

We have increased contractual services by \$900 for each system to reflect reclassification of annual report preparation expense from regulatory commission expense. However, we believe that \$1,800 for annual report preparation is unreasonable and therefore

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 12

reduce contractual services by \$400 for each system to reflect a reasonable allowance for the annual report preparation.

The utility recorded a total of \$1,300 of water plant in water and wastewater contractual expenses. We have therefore reduced contractual services by \$650 for each system to reflect the appropriate reclassification to water plant. We have also reduced this expense by \$217 for each system to reflect a reclassification of repairs and maintenance to the appropriate expense account. Finally, we have reduced this expense by \$428 for each system to remove non-recurring legal expenses.

7) Rents. We have reduced this expense by \$138 for each system to remove non-recurring expenses.

8) Regulatory Commission Expense. We have reduced this expense by \$900 for each system to reflect reclassification of annual report preparation expense to contractual services. The utility paid a \$1,050 filing fee for this rate case. We have therefore increased this expense by \$132 for each system to allow the amortization of the rate case expense over four years.

9) Miscellaneous Expense. Three businesses are housed in the office which the utility uses, and the office has three phones. The standard cost for one phone is \$35 per month; the average long distance cost is \$15 per month. We believe that an annual telephone expense allowance of \$300 for each system is reasonable and have therefore reduced this expense by \$212 for each system.

We have increased this expense by \$512 for each system to reflect a reclassification from purchased power. We have also increased this expense by \$1,397 for water and \$1,330 for wastewater to reflect a reclassification from chemical expense. We have reduced this expense by \$1,780 to reflect a reclassification to water plant. Finally, we have reduced miscellaneous expense by \$645 for water and \$2,110 for wastewater to reflect a reclassification to contractual services.

#### Revenue Requirement

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the appropriate annual revenue requirement for this utility is \$54,962 for water and \$60,154 for wastewater. This revenue requirement represents an annual increase in revenue of \$31,026 (130%) for water and \$36,825 (158%) for wastewater. This revenue requirement

ORDER NO. 24170  
 DOCKET NO. 900505-WS  
 PAGE 13

will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 12.46% return on its investment.

RATES AND CHARGES

Monthly Rates

The utility currently employs a conventional rate structure for water and a flat rate for wastewater. It is our practice, however to use the base facility (BFC) rate structure for water and wastewater. The BFC rate structure is our preferred rate structure because it allows the utility to track costs and allows the customers to have some control over their bills. The customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge.

We have calculated the rates set forth below using the average test year customers and consumption and have included the connections and consumption anticipated from meter installation in the common areas. We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow Sandy Creek to recover its operating expenses and to have the opportunity to earn a 12.46% return on its investment. The utility's existing rates and those approved herein are set forth below for the purpose of comparison.

WATER

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICES

EXISTING RATES

First 3,000 gallons	\$ 8.08
All over 3,000 gallons	\$ .97 per 1,000 gallons

APPROVED RATES

RESIDENTIAL AND GENERAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8 x 3/4"	\$ 9.46
3/4"	14.19

ORDER NO. 24170  
 DOCKET NO. 900505-WS  
 PAGE 14

<u>Meter Size</u>	<u>Base Facility Charge</u>
1"	\$ 23.65
1 1/2"	47.30
2"	75.68
3"	151.36
4"	236.50
6"	473.00
 <u>Gallorage Charge</u>	
Per 1,000 gallons	\$ 2.22

WASTEWATER

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE

EXISTING RATES

Flat Rate \$ 17.41

APPROVED RATES

RESIDENTIAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>
All meter sizes	\$ 19.85
 <u>Gallorage Charge</u>	
Per 1,000 gallons (10,000 gal. max.)	\$ 2.98

GENERAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8 x 3/4"	\$ 19.85
3/4"	29.78
1"	49.63

ORDER NO. 24170  
 DOCKET NO. 900505-WS  
 PAGE 15

<u>Meter Size</u>	<u>Base Facility Charge</u>
1 1/2"	\$ 99.25
2"	158.80
3"	317.60
4"	496.25
6"	992.50

Gallonage Charge

Per 1,000 gallons \$ 3.58

These rates shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with our decision herein and that the proposed customer notice is adequate.

Amortization of Rate Case Expense

Section 367.0816, Florida Statutes, states,

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The only rate case expense incurred by the utility for this case was a \$1,050 filing fee. With a four-year recovery period for this expense, the utility will recover approximately \$132 per year per system through its rates. After grossing up this revenue to account for regulatory assessment fees, we calculate the appropriate annual recovery of rate case expense is \$138 per system. Therefore, at the end of four years the utility's rates for water and wastewater should be reduced to reflect the \$138 reduction in its revenue requirements. Based on the existing circumstances, the effect of this revenue reduction will be a \$.03 reduction in the water base facility charge, a \$.05 reduction in the wastewater base facility charge, and a \$.01 reduction in the wastewater gallonage charge. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for

ORDER NO. 24170  
 DOCKET NO. 900505-WS  
 PAGE 16

the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed each.

Service Availability Charges

Customer growth projections figure prominently in calculating both main extension charges and plant capacity charges. The customer growth rate for the utility is so low that we project that the water and wastewater plants will be fully depreciated before the utility reaches its design capacity. Establishing service availability charges which would achieve the optimum 75% contribution levels is not practical in this instance. Therefore, we shall allow the utility's existing grandfathered meter installation and tap-in charges of \$300 for water and \$700 for wastewater to remain in effect; we shall, however, restructure these charges as follows. The \$300 water tap-in charge is to be classified as a plant capacity charge, and the \$700 wastewater tap-in charge is to be broken down into a \$250 plant capacity charge and a \$450 main extension charge.

The utility's existing service availability charges and those approved herein are set forth below for the purpose of comparison.

EXISTING CHARGES

WATER

<u>Meter Installation Fee</u>	
5/8 x 3/4"	\$ 150
Over 2"	Actual Cost
Tap-In Charge	\$ 300

WASTEWATER

Tap-In Charge	\$ 700
Wastewater pretreatment pumping system connection fee	\$ 300

APPROVED CHARGES

	<u>Water</u>	<u>Wastewater</u>
Plant Capacity Charge	\$ 300	\$ 250
Main Extension Charge		\$ 450

ORDER NO. 24170  
 DOCKET NO. 900505-WS  
 PAGE 17

The above charges shall be effective for connections made on or after the stamped approval date on revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision and that the proposed customer notice is adequate.

Miscellaneous Service Charges

The utility currently has miscellaneous service charges for certain services. These charges are listed below.

EXISTING CHARGES

<u>Type Service</u>	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$25.00	N/A
Normal Reconnection	\$25.00	N/A
Violation Reconnection	\$25.00	N/A
Premises Visit	N/A	N/A

All wastewater customers are water customers, see water charge.

We believe that the existing charges should be modified to reflect the appropriate labor and materials required for the pertinent services. Based upon our analysis of the labor and materials required for these services, we find that the following miscellaneous service charges are reasonable.

APPROVED CHARGES

<u>Type Service</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	\$10.00	\$10.00

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

The following are definitions of the services provided for each charge.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 18

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

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

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

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

The approved miscellaneous services 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 the tariff sheets are consistent with the Commission decision and that the proposed customer notice is adequate.

#### RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest could delay what may be a justified rate increase pending the formal hearing and final order, thus resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the monthly service rates approved herein, on a temporary basis, subject to refund, provided that it furnishes security for such a potential refund. The security provided shall be either a bond or a letter of credit in the amount of \$47,659 or the utility may establish an escrow account with an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 19

The utility must keep an accurate account, in detail of all monies received by 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 rates are 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 rates. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

The utility is authorized to implement the temporary rates only after providing the above discussed security and Staff's approval of the revised tariff sheets and customer notice.

SERVING OUTSIDE OF CERTIFICATED TERRITORY

During our field investigation of the utility's service area, we discovered that the utility is providing water and wastewater service to homes adjacent to and outside of its certificated area. Section 367.161, Florida Statutes, authorizes this Commission to assess penalties against utilities under its jurisdiction that knowingly refuses to comply with or willfully violates any provision of Chapter 367 or with Commission rules or orders.

We believe that the utility did not knowingly or willfully violate our authority under Chapter 367 and will therefore not penalize it now. We have sent the utility an application for an amendment to its certificate, which we expect to receive soon.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Sandy Creek Utilities, Inc., for an increase in its Sandy Creek Utilities, Inc., rates in Bay County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the body of this Order and in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that the provisions of this Order issued as proposed agency action shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code,

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 20

is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Sandy Creek Utilities, Inc., is authorized to charge the new rates and charges set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that prior to its implementation of the rates approved herein, Sandy Creek Utilities, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates approved herein, Sandy Creek Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Sandy Creek Utilities, Inc., is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Sandy Creek Utilities, Inc., has provided satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 21

ORDERED that within ninety (90) days of the date of this Order, Sandy Creek Utilities, Inc., shall submit to the Commission a plan of its intended improvements to and redesign of its wastewater system as set forth in the body of this Order. It is further

ORDERED that the docket shall remain for our review of the aforementioned improvement and redesign plan and for the Commission to take action on that plan.

By ORDER of the Florida Public Service Commission, this 27th  
day of February, 1991.

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

( S E A L )

M F

by: Kay Flynn  
Chief, Bureau of Records

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, all of our actions taken herein, except for the establishment of rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 22

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 20, 1991. 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.

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.

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.

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 23

SANDY CREEK UTILITIES, INC.  
SCHEDULE OF WATER RATE BASE  
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1  
DOCKET NO. 900505-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 342,980 A	\$ 23,546	\$ 366,526
LAND/NON-DEPRECIABLE ASSETS	0 B	1,209	1,209
PLANT HELD FOR FUTURE USE	0 C	(99,510)	(99,510)
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	(46,050) F	(18,075)	(64,125)
ACCUMULATED DEPRECIATION	(66,194) G	3,446	(62,748)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	8,559 I	2,680	11,239
WORKING CAPITAL ALLOWANCE	3,966 J	(1,056)	2,910
	-----	-----	-----
WATER RATE BASE	\$ 243,261	\$ (87,760)	\$ 155,501
	=====	=====	=====

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 24

SANDY CREEK, UTILITIES, INC.  
SCHEDULE OF WASTEWATER RATE BASE  
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1-A  
DOCKET NO. 900505-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 289,251 A	\$ 139,424	\$ 428,675
LAND/NON-DEPRECIABLE ASSETS	0 B	720	720
PLANT HELD FOR FUTURE USE	0 C	(173,246)	(173,246)
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	42,615 E	(42,615)	0
C.I.A.C.	(84,700) F	(33,100)	(117,800)
ACCUMULATED DEPRECIATION	(72,273) G	(3,410)	(75,683)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	13,399 I	17,318	30,717
WORKING CAPITAL ALLOWANCE	4,661 J	78	4,739
	-----	-----	-----
WASTEWATER RATE BASE	\$ 192,953	\$ (94,831)	\$ 98,122
	=====	=====	=====

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 25

Page 1 of 2

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO RATE BASE**  
**SCHEDULE NO. 1-B**

A. <u>UTILITY PLANT IN SERVICE</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. To reflect CWIP completed after the test year and recognized as proforma plant.	\$ 45,909	\$ 244,266
2. To reflect reclassification from CWIP.		42,615
3. To reflect proforma meter installations.	825	
4. To reflect reclassification from operation and maintenance expense.	4,495	
5. To reflect average adjustment.	<u>(27,683)</u>	<u>(147,457)</u>
	<u>\$ 23,546</u>	<u>\$ 139,424</u>
B. <u>LAND</u>		
1. To reflect staff's recommended plant valuation.	\$ 1,300	\$ 3,000
2. To reflect non-used and useful land.	<u>(91)</u>	<u>(2,280)</u>
	<u>\$ 1,209</u>	<u>\$ 720</u>
C. <u>PLANT HELD FOR FUTURE USE</u>		
1. To reflect year end amount.	\$(120,997)	\$(313,622)
2. To reflect average adjustment.	2,505	108,948
3. To reflect year end accumulated depreciation on non-used and useful plant.	20,493	40,305
4. To reflect average adjustment for accumulated depreciation.	<u>(1,511)</u>	<u>(8,877)</u>
	<u>\$ (99,510)</u>	<u>\$(173,246)</u>

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO RATE BASE**  
**SCHEDULE NO. 1-B**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>E. <u>CONSTRUCTION WORK IN PROGRESS</u></b>		
<u>(CWIP)</u>		
To reflect reclassification to proforma plant.		<u>\$ (42,615)</u>
<b>F. <u>CONTRIBUTIONS IN AID OF</u></b>		
<u>CONSTRUCTION (CIAC)</u>		
1. To reflect staff's recommended total.	\$ (16,500)	\$ (27,300)
2. To reflect CIAC associated with margin reserve.	(2,700)	(6,300)
3. To reflect average adjustment.	<u>1,125</u>	<u>500</u>
	<u>\$ 18,075</u>	<u>\$ 33,100</u>
<b>G. <u>ACCUMULATED DEPRECIATION</u></b>		
1. To reflect staff's recommended total.	\$ (2,574)	\$ (18,160)
2. To reflect average adjustment.	<u>6,020</u>	<u>14,750</u>
	<u>\$ 3,446</u>	<u>\$ 3,410</u>
<b>I. <u>AMORTIZATION OF CIAC</u></b>		
1. To reflect staff's recommended total.	\$ (3,604)	\$ (19,942)
2. To reflect average adjustment.	<u>924</u>	<u>2,624</u>
	<u>\$ 2,680</u>	<u>\$ 17,318</u>
<b>J. <u>WORKING CAPITAL ALLOWABLE</u></b>		
To reflect one-eighth of operation and maintenance expense.	<u>\$ (1,056)</u>	<u>\$ 78</u>

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 27

SANDY CREEK UTILITIES, INC.  
SCHEDULE OF CAPITAL STRUCTURE  
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO.2  
DOCKET NO.900505-WS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 250,000	\$ (86,043)	\$ 163,957	64.65%	12.00%	7.76%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,726	0	3,726	1.47%	8.00%	0.12%
COMMON EQUITY	133,000	(47,060)	85,940	33.88%	13.51%	4.58%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 386,726</b>	<b>\$ (133,103)</b>	<b>\$ 253,623</b>	<b>100.00%</b>		<b>12.46%</b>

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	12.51%	14.51%
OVERALL RATE OF RETURN	12.12%	12.80%

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 28

SANDY CREEK UTILITIES, INC.  
SCHEDULE OF WATER OPERATING INCOME  
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO.3  
DOCKET NO.900505-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 23,382 A	\$ 554	\$ 23,936 G	\$ 31,026	\$ 54,962
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	40,243 B	(16,956)	23,287	0	23,287
DEPRECIATION (NET)	8,844 C	(1,277)	7,567	0	7,567
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME TAXES	2,299 E	(218)	2,081 H	1,396	3,477
INCOME TAXES	0 F	1,256	1,256	0	1,256
TOTAL OPERATING EXPENSES	51,386 \$	(17,195) \$	34,191 \$	1,396 \$	35,587
OPERATING INCOME/(LOSS)	(28,004) \$	17,749 \$	(10,255) \$	29,630 \$	19,375
WATER RATE BASE	243,261	\$	155,501	\$	155,501
RATE OF RETURN	-11.51%		-6.59%		12.46%

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 29

SANDY CREEK UTILITIES, INC.  
SCHEDULE OF WASTEWATER OPERATING INCOME  
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO.3-A  
DOCKET NO.900505-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 20,206 A	\$ 3,123	\$ 23,329 G	\$ 36,825	60,154
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	41,306 B	(3,394)	37,912	0	37,912
DEPRECIATION (NET)	8,797 C	(3,415)	5,382	0	5,382
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME	2,219 E	(36)	2,183 H	1,657	3,840
INCOME TAXES	0 F	794	794	0	794
TOTAL OPERATING EXPENSES	52,322 \$	(6,051) \$	46,271 \$	1,657 \$	47,928
OPERATING INCOME/(LOSS)	(32,116) \$	9,174 \$	(22,942) \$	35,168 \$	12,226
WASTEWATER RATE BASE	192,953	\$	98,122	\$	98,122
RATE OF RETURN	-16.64%		-23.38%		12.46%

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME**  
**SCHEDULE NO. 3-B**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>A. <u>OPERATING REVENUES</u></b>		
1. To remove miscellaneous revenue.	\$ (1,473)	
2. To reflect annualized test year revenue.	2,027	3,123
	<u>\$ 554</u>	<u>\$ 3,123</u>
<b>B. <u>OPERATION AND MAINTENANCE EXPENSE</u></b>		
1. To adjust test year salary to gross.	\$ 1,834	\$ 1,834
2. To reflect annualized salary for secretary.	758	758
3. To adjust secretary's salary to reflect 40% of time performing utility duties.	(4,680)	(4,680)
4. To reflect staff's recommendation for one maintenance man.	(5,440)	(5,440)
5. To reflect 25% and 75% allocation to water and wastewater respectively for one full time maintenance man.	(3,250)	3,250
6. To remove non-utility insurance expense for secretary.	(400)	(399)

ORDER NO. 24170  
 DOCKET NO. 900505-WS  
 PAGE 31

Page 2 of 5

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME**  
**SCHEDULE NO. 3-B**

	<u>Water</u>	<u>Wastewater</u>
7. To remove insurance expense for one maintenance man.	\$ (912)	\$ (912)
8. To reflect 25% and 75% allocation of insurance expense to water and wastewater respectively.	(496)	499
9. To reflect reclassification telephone expense to Account Nos. 675 and 775.	(512)	(512)
10. To reflect purchased power expense as determined by the staff engineer.	(256)	1,503
11. To reflect reclassification to water plant.	(712)	
12. To reflect reclassification of repairs and maintenance expense to Account Nos. 675 and 775.	(1,397)	(1,330)
13. To reflect an annual chemical expense allowance as determined by the staff engineer		(960)
14. To reflect reclassification to water plant.	(703)	
15. To reflect annual contractual operator allowance.	283	283
16. To reflect reclassification of water and wastewater expense from Account Nos. 675 and 775.	645	2,110
17. To remove unamortized portion of primary organic test expense.	(112)	

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME**  
**SCHEDULE NO. 3-B**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>B. <u>OPERATION AND MAINTENANCE</u></b>		
<b><u>EXPENSE</u></b>		
18. To reflect annual allowance for DER required water tests.	\$ 65	\$ 1,825
19. To reflect annual sludge analysis as determined by the staff engineer.		200
20. To reflect reclassification from Account Nos. 665 and 765.	900	900
21. To reflect staff's recommended allowance for annual report preparation.	(400)	(400)
22. To reflect reclassification to water plant.	(650)	(650)
23. To reflect reclassification to Account Nos. 675 and 775.	(217)	(217)
24. To remove non-recurring legal expense.	(428)	(428)
25. To remove non-recurring expense.	(138)	(138)
26. To reflect annual liability insurance.	758	758
27. To reflect reclassification to Account Nos. 630 and 730.	(900)	(900)
28. To reflect rate case expense amortized over four years.	132	132
29. To reflect reclassification of telephone expense from Account Nos. 615 and 715.	512	512

ORDER NO. 24170  
DOCKET NO. 900505-WS  
PAGE 33

Page 4 of 5

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME**  
**SCHEDULE NO. 3-B**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>B. <u>OPERATION AND MAINTENANCE</u></b>		
<b><u>EXPENSE</u></b>		
30. To reflect staff's recommended telephone expense	\$ (212)	\$ (212)
31. To reflect reclassification of repairs and maintenance expense from Account Nos. 618 and 718.	1,397	1,330
32. To reflect reclassification of water and wastewater plant.	(1,780)	
33. To reflect reclassification of water and wastewater testing expense to Account Nos. 630 and 730.	(645)	(2,110)
	<u>\$ (16,956)</u>	<u>\$ (3,394)</u>
<b>C. <u>DEPRECIATION EXPENSE</u></b>		
To reflect staff's calculated depreciate expense net of amortization of CIAC.	<u>\$ (1,277)</u>	<u>\$ (3,415)</u>
<b>E. <u>TAXES OTHER THAN INCOME</u></b>		
1. To reflect regulatory assessment fee at 4.5% on test year revenue.	\$ 493	\$ 546
2. To adjust test year payroll taxes.	(1,175)	(617)
3. To reflect real estate taxes.	499	144

**SANDY CREEK UTILITIES, INC.**  
**SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME**  
**SCHEDULE NO. 3-B**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>E. <u>TAXES OTHER THAN INCOME</u></b>		
4. To adjust real estate taxes based on land used and useful percentage as determined by the staff engineer.	(35)	(109)
	<u>\$ (218)</u>	<u>\$ (36)</u>
<b>F. <u>INCOME TAXES</u></b>		
To reflect staff's recommended amount.	<u>\$ 1,256</u>	<u>\$ 794</u>
<b>G. <u>OPERATING REVENUE</u></b>		
To reflect increase in revenue required to cover expenses and allow recommended return on investment.	<u>\$ 31,026</u>	<u>\$ 36,825</u>
<b>H. <u>TAXES OTHER THAN INCOME</u></b>		
To reflect regulatory assessment fee at 4.5% on increase in revenue.	<u>\$ 1,396</u>	<u>\$ 1,657</u>