

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-assisted)	DOCKET NO. 900688-WS
rate case in Pasco County by BETMAR)	ORDER NO. 24225
UTILITIES, INC.)	ISSUED: 3/12/91
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL McK. WILSON

FINAL ORDER GRANTING TEMPORARY
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER APPROVING INCREASED RATES
 FOR WATER AND WASTEWATER SERVICE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission, that the actions discussed herein, other than the granting of temporary rates in event of protest, are preliminary in nature and will become final unless a person whose interests are substantially affected files a request for a formal proceeding in accordance with Rule 25-30.029, Florida Administrative Code.

CASE BACKGROUND

Betmar Utilities, Inc. (Betmar) is a Class C utility that provides service to approximately 1,492 water and 895 wastewater customers in south-central Pasco County, about two miles west of Zephyrhills, north of State Road 54 and east of Dean Dairy Road. According to its 1989 annual report, Betmar realized gross annual revenues of \$121,366 and a net operating income of \$6,222 for water service, and gross annual revenues of \$117,301 and a net operating income of \$6,489 for wastewater service.

On August 4, 1989, the Department of Environmental Regulation (DER) issued a notice of violation (NOV) against Betmar. The purpose of the NOV was to require Betmar to eliminate unpermitted discharge of wastewater effluent either by expanding its existing

DOCUMENT NUMBER-DATE

02445 MAR 12 1991

PSC-RECORDS/REPORTING

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 2

effluent disposal system or by interconnecting with another utility that had adequate capacity. Although it initially seemed that an interconnection with Pasco County would be the most cost-effective solution to Betmar's problems, Pasco County appeared firm in its resolve to collect an impact fee of approximately \$750,000. However, the County eventually relented and agreed to "grandfather in" Betmar's existing territory without any impact fee.

The interconnection was completed on September 24, 1990. DER approved the interconnection on October 23, 1990. Betmar began pumping its wastewater to the County facilities on December 1, 1990.

On August 10, 1990, Betmar applied for a staff assisted rate case. In addition, because its rates did not include an allowance for purchased wastewater treatment, Betmar requested emergency interim rate relief. We granted Betmar's request for emergency temporary relief by Order No. 23884, issued December 14, 1990.

CUSTOMER MEETING

The Staff of this Commission (Staff) held a customer meeting on October 31, 1990. Approximately 500 of Betmar's 1,492 water and 895 wastewater customers attended this meeting. Of those customers that attended the meeting, eleven testified about the quality of service provided by Betmar. Their concerns are addressed under the heading of quality of service, below.

QUALITY OF SERVICE

At the customer meeting, Ms. Churchill, Ms. Del Busso, and Mr. Jones each testified about sediment and debris in their water. Mr. Capirchio and Mr. Zaagman testified that the water has a strong chlorine smell. Mr. Baumgartner, Ms. Del Busso, and Mr. Zaagman stated that there had been water outages without notice to customers. Mr. Dedrick and Mr. Lochart testified that they sometimes have trouble contacting the utility. Mr. Brown stated that his water pressure is low during the summer months. Mr. Lanesky testified to his belief that his meter is inaccurate. Ms. Del Busso and Mr. Jones also expressed their concern about the type of people that Betmar employs as maintenance help. All quality of service complaints were related to the water operations, with the exception of the concern about the character of utility maintenance persons and the one comment regarding a septic pumping truck at the wastewater treatment plant after the interconnect with the county had been activated. It was Mr. Jones' concern that the utility was still receiving credit for sludge hauling.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 3

With regard to the complaints concerning sediment and debris in the water, we contacted DER, which informed us that Betmar is up to date on all of its chemical analyses. According to DER, the results of these analyses are satisfactory. The secondary analysis for iron, however, indicates that its level is close to the maximum "contaminant" level. Additional secondary analyses indicate the presence of calcium and other dissolved solids. These results are indicative of "hard" water, which is somewhat scaleforming, but does not present a health threat. Betmar already treats its water with polyphosphate, a chemical which holds iron in suspension. However, due to complaints regarding the water's taste, elicited during the last rate case, we instructed Betmar to reduce the polyphosphate dosage. While reducing the dosage makes the water more palatable for the more taste-sensitive customers, it increases the likelihood that iron will settle out of suspension in select pockets of the distribution system. We note that in-home filtration units are available, at a relatively reasonable cost, which should go a long way toward easing the minds of those who are still uncomfortable with the utility's product.

As for the complaints regarding actual debris, this may be related to the ongoing construction of a water "loop." Within the last three years, Betmar has installed approximately 7,300 linear feet of 8 inch PVC pipe and approximately 300 linear feet of 6 inch PVC pipe with fire hydrants. The purpose of this construction is to complete a supply loop around the service area, improving system hydrodynamics and fire protection. It is not uncommon for dust and other debris to settle into the lines during such construction. To minimize the potential health risk due to the existence of debris, under Rule 17-555.345, Florida Administrative Code, utilities are required to flush and disinfect all newly constructed or repaired lines.

Along these same lines, we suspect that the strong chlorine smell experienced by Messrs. Capirchio and Zaagman is related, at least in part, to the disinfection requirement for newly constructed lines. We also note that, pursuant to Rule 17-550.510, Florida Administrative Code, Betmar is required to maintain a free chlorine residual of at least 0.2 parts per million (ppm) throughout its distribution system at all times.

In addition to during this proceeding, Mr. Capirchio registered the same complaint with this Commission earlier in 1990. When we tested the water in Mr. Capirchio's home, at a time when he stated that the odor was present, we found a free chlorine residual level of 0.7 ppm. A person with a very acute sense of smell can detect chlorine levels as low as 0.4 ppm. However, in order for

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 4

Betmar to maintain the required free residual level, historically, it has had to maintain a minimum level of 1.5 ppm at each plant site. In any event, since there is no maximum "contaminant" level for chlorine, Betmar's chlorination practices appear satisfactory.

The water outage that Mr. Baumgartner spoke of appears to have occurred approximately two years ago. Construction of the eight and six inch loop has resulted in periodic outages during the last three years, however, according to Betmar, it has provided notice of each outage on the backs of its bills. Betmar's office representative also apparently assisted by reminding customers who came into the office about the outages. According to the utility, there was one emergency outage when some heavy equipment broke a two and one-half inch main. All appearances indicate that Betmar responded in a timely and professional manner to repair the line and restore service.

As for Mr. Lanesky's complaint that his meter is in error, we note that only rarely does a malfunctioning residential water meter register in favor of the utility. Instead, they tend to drag and stick, and read in favor of the customer. However, if Mr. Lanesky wishes to have his meter tested, he may make this request in writing to the utility. In accordance with Rule 25-30.266, Florida Administrative Code, Betmar must then perform either a field test or a bench test to determine the accuracy of the meter. If a bench test is requested Betmar may require a deposit, not to exceed the rule's schedule, to defray the expense of the test. Betmar must return the deposit if the meter is found to exceed the prescribed accuracy limits.

Some customers testified that when they call Betmar's 24-hour emergency telephone number, they get no response. According to Betmar, the service is provided by answering machine and, when messages are not directly monitored, the machine is checked at least three times daily. The operator providing this service contends that very few calls are really emergencies and that customers use the emergency service to voice complaints and problems that should be reported to the utility office. Betmar apparently disregards all calls of this nature. In response to these complaints, Betmar has proposed to rerecord its answering machine message to specify the types of problems considered emergencies: broken water mains; emergency lights or alarms on at lift stations; and raw wastewater seeping out of manholes. The new message will also contain a referral to the office and the phone number for reporting all other types of problems.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 5

At least two customers expressed discomfort with the appearance of Betmar's maintenance help. To address this problem, Betmar has hired a more "mature" maintenance employee, who lives in the area.

Finally, Mr. Jones testified that, even though the wastewater interconnection has been completed, sludge hauling has not ceased. It appears that this complaint relates to Betmar's attempts to stabilize the plant after it was taken off-line. This is normal and, while the cost must be considered, it will be a one-time expense related to the deactivation of the plant and not a yearly expense allowance. We note that no sludge hauling expenses are included in the rates resulting from this proceeding.

Based upon the discussion above, we find that Betmar's operations are in compliance with DER requirements. All required drinking water testing is up-to-date and the results are satisfactory. Further, the water system deficiencies identified during the last rate case appear to have been satisfied. As for the wastewater operations, with the interconnection to Pasco County, all wastewater infractions and past customer complaints are considered resolved. All collection system improvements listed in the last case have been completed and appear satisfactory. Accordingly, we find that the quality of service provided by this utility is satisfactory.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedules Nos. 1A for water and 1B for wastewater, with our adjustments itemized on Schedule No. 1C. 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 PLANT

Water Treatment Plant

The water treatment plant is a closed system that relies on the capacity of its three most prominent wells to meet general flow demands. Peak flow periods are assisted by the back-up wells. Collectively, these wells are capable of producing 1,857 gallons per minute (gpm). In accordance with the general design criteria approved by the American Water Works Association, Betmar should be able to deliver 1.1 gpm per connection, or 1,729 gpm to its entire

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 6

service area, at any given time. Including a fire flow demand of 500 gpm for no less than four hours, and the projected end of test period connections, the water facilities are over 100 percent used and useful according to the standard formula. In fact, in order to have sufficient water supply during emergencies, Betmar had to interconnect its water facilities with those of Pasco County. Upon consideration of the above, we find that Betmar's water treatment facilities are 100 percent used and useful.

Water Transmission and Distribution System

The network of water mains is designed and constructed to serve the projected number of test period connections. According to the standard formula analysis, the system is 98.66 percent used and useful. However, we note that the utility could not provide adequate and sufficient service with any less of a distribution system. Therefore, we find that the water distribution system is 100 percent used and useful.

Wastewater Treatment Plant

As noted in the background section of this Order, DER ordered Betmar to eliminate all unpermitted discharge of wastewater effluent through expansion of its existing facilities or through an interconnection with another utility system. Based upon Betmar's analysis of the long-term financial effect of the two options, it chose to interconnect with Pasco County's system. The physical interconnection was completed on September 24, 1990, DER approval was given on October 23, 1990, and Betmar began pumping its wastewater to the County on December 1, 1990.

Based upon the above, we find it unnecessary and inappropriate to establish a used and useful percentage for the wastewater treatment and disposal plant on a prospective basis.

Wastewater Collection System

Our review of the "as built" construction plans indicates that each phase of development was constructed with the appropriately sized gravity lines and prudent placement of lift stations. The standard formula method of calculating used and useful plant would indicate that the system is 98.88 percent used and useful. However, as with the water distribution system, Betmar could not provide adequate and sufficient service with any less of a

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 7

collection system. Accordingly, we find that the wastewater collection system is 100 percent used and useful.

LAND

We established the values of land as of October 31, 1988, by Order No. 20787, issued February 21, 1989, at \$27,702 for water and \$5,981 for wastewater. During 1989, Betmar retired two parcels of land that had been assigned to water and one that had been assigned to wastewater. The estimated original cost of each parcel is \$200. We have, therefore, reduced land for water by \$400 and land for wastewater by \$200. During 1990, Betmar also made a \$350 improvement to a wastewater parcel. Accordingly, we have increased land for wastewater by this amount. Finally, as already noted, Betmar is retiring its wastewater treatment and disposal facilities, which includes \$2,671 in land. We have also reduced land by this amount.

Based upon the beginning figures and the adjustments discussed above, we find that the appropriate values of land to be included in rate base are \$27,302 for water and \$3,460 for wastewater.

WATER PLANT IN SERVICE

We last established water plant in service to be \$300,385.69, as of October 31, 1988, by Order No. 20787. Between November 1, 1988, and August 31, 1990, Betmar also recorded a net amount of \$211,286.01 in water plant additions. Of that amount, \$44,195 relates to donated property used to provide water service, but not previously recorded on Betmar's books. Another \$103,300.87 relates to curb stops, backflow prevention devices and new meter installations. An additional (\$3,025) relates to a six-inch well that Betmar retired. The remaining \$66,815.14 was expended primarily for the construction of the water system loop and other, DER-required upgrades, for which costs were included in the 1988 rate case.

Further, as of August 31, 1990, construction work in progress contained \$7,698.04 in costs related to the looping project. During September and October of 1990, Betmar expended \$3,515.52 more on this project. Since the loop is important from an engineering and design standpoint, as well as from a fire safety perspective, we have included these amounts in plant in service for 1990. Betmar is also in the process of purchasing an emergency chlorine apparatus, at a cost of \$1,860. Since this also appears to be a prudent investment, we have included this amount in plant in service. Finally, Betmar has begun to construct a 24 x 36 foot

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 8

multi-purpose shed at its main well site. We have examined a number of bids on this project which indicate that the cost of the shed will be in the range of \$25,000, which works out to a cost of \$28.00 per square foot. We believe that the shed is necessary and that the cost is within reason. Since the shed will be employed in the provision of both water and wastewater service, we believe that one-half of the total, or \$12,500, should be recognized on a proforma basis. Because the shed will not be completed until some time in 1991, we have only included an average amount, or \$6,250, in water plant in service.

Based upon the beginning plant in service values and the adjustments outlined above, we find that the projected average test year level of water plant in service is \$530,995.26.

WASTEWATER PLANT IN SERVICE

We last established the appropriate level of wastewater plant in service to be \$516,673.67, as of October 31, 1988, by Order No. 20787. Between November 1, 1988, and August 31, 1990, Betmar recorded net plant additions of \$75,318.76, \$24,106.50 of which related to donated property used to provide wastewater service, but not previously recorded on Betmar's books. Another \$61,212.26 was spent primarily to rehabilitate lift stations (this cost was included on a pro forma basis in the last rate case). The difference was a \$10,000 reduction to recognize proceeds from the sale of utility fill dirt.

Starting with the beginning balances and making the above-described adjustments, wastewater plant in service, as of August 31, 1990, would be \$591,992.43. However, as has already been discussed, Betmar has recently interconnected its wastewater facilities with those of Pasco County. Consequently, we believe that it is appropriate to recognize the prospective retirement of the wastewater treatment and disposal plant (\$210,441.83), and the cost of making the interconnection, \$45,000. Furthermore, Betmar has requested an additional \$21,002 for building up and sealing the manholes and "tightening" the collection lines to reduce infiltration. This appears to be a prudent investment. We have, therefore, included this amount. Finally, since the multi-purpose shed discussed above will be used for wastewater as well as water operations, we believe that it is appropriate to recognize one-half of the projected cost, or \$12,500, on a proforma basis. Because the shed will not be completed until some time in 1991, we have only included an average amount, or \$6,250, in wastewater plant in service.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 9

Notwithstanding our inclusion of the proposed costs of the manhole rehabilitation, the "tightening" of the collection lines, and the shed, Betmar shall complete these projects and provide proof of the actual costs to Staff within six months of the date of the final order in this proceeding. If it fails to do so, we will reexamine these matters in a separate proceeding.

Based upon the discussion above, we find that the appropriate average test period balance of wastewater plant in service is \$453,802.60.

ACCUMULATED DEPRECIATION

Water

Accumulated depreciation was previously set by this Commission at \$104,598, as of October 31, 1988, by Order No. 20787. We have updated this amount through August 31, 1990, using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Between November 1, 1988, and August 31, 1990, \$34,047.23 of depreciation was accumulated. In addition, the accumulated depreciation associated with water plant that was in service but not recorded increases the account by \$1,783. A well was also retired, during 1989, resulting in a \$3,025 decrease to accumulated depreciation. The sum of these additions, adjustments and the retirement result in an accumulated depreciation balance of \$137,403.23, as of August 31, 1990. In addition to the above, we have increased accumulated depreciation, based on projected plant balances, by \$7,512.21 as of December 31, 1990, and by \$23,020.54 through December 31, 1991. Finally, we have made an averaging adjustment of \$11,510.27 for 1991, resulting in a test period accumulated depreciation total of \$156,425.71 for water.

Wastewater

Accumulated depreciation was previously set by this Commission at \$172,019, as of October 31, 1988, by Order No. 20787. We have updated this amount through August 31, 1990, using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Between November 1, 1988, and August 31, 1990, \$45,415.94 of depreciation was accumulated. We have also increased accumulated depreciation by \$2,739 to recognize the depreciation associated with the plant that was used but not recorded until 1989. We also decreased accumulated depreciation by \$1,959 to account for the \$10,000 reduction in plant related to the sale of utility land fill. The total of these adjustments is an accumulated depreciation amount of \$218,214.94, as of August 31, 1990. In addition, we have decreased

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 10

accumulated depreciation by \$97,347.74, on a going forward basis, to account for the projected retirement of the wastewater treatment plant. Furthermore, based on projected plant balances, \$4,694.43 was accumulated through December 31, 1990, and \$14,314.55 through December 31, 1991. Finally, we have made an averaging adjustment of \$7,157.27 for 1991, resulting in a test period accumulated depreciation total of \$132,718.90 for wastewater.

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

Water

According to Betmar's books, the beginning balance of CIAC for water is \$274,873. Between November 1, 1988, and August 31, 1990, Betmar received an additional \$9,206 in connection fees. In addition, Betmar recorded an additional \$39,545, to account for assets which had been previously donated but never booked. Further, during 1989, Betmar retired two lots and a well which were included in CIAC at \$400 and \$3,025, respectively. We have adjusted CIAC by the above-mentioned amounts and, therefore, as of August 31, 1990, the appropriate amount of CIAC for water is \$279,129.

Based upon historical growth, we also estimate that Betmar's customer base will increase by twelve additional connections through December 31, 1990, and 32 additional connections through December 31, 1991. Accordingly, we find that the projected balance of CIAC as of December 31, 1991, will be \$284,629 which, with an averaging adjustment of \$2,000, results in an average test period CIAC balance of \$282,629 for water.

Wastewater

According to Betmar's books, the beginning balance of CIAC for wastewater is \$382,326. During 1989, Betmar retired a parcel of land which was included in CIAC at \$200. Although Betmar received no CIAC between November 1, 1988, and August 31, 1990, it recorded an additional amount of \$24,106.50 to account for property which had previously been donated but never booked. During this period, there was also \$49,500 in CIAC associated with the interconnection to Pasco County's facilities.

In addition, since the wastewater treatment and disposal systems will be retired, we have also remove the CIAC associated this plant. The amounts of CIAC associated with these systems are \$97,456 in plant and \$2,671 in land. Finally, during 1991, Betmar

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 11

will receive an estimated \$15,500 in additional prepaid CIAC which results in an average adjustment of \$7,750.

Based upon the previously established balances and the adjustments discussed above, we find that the appropriate balance of wastewater CIAC, as of December 31, 1991, is \$339,449.50.

ACCUMULATED AMORTIZATION OF CIAC

Water

The beginning balance of accumulated amortization of CIAC, as of October 31, 1988, is \$85,151. Based upon the CIAC balances and adjustments discussed above, and the appropriate composite depreciation rates, accumulated amortization should increase by \$12,892 through August 31, 1989. In order to be consistent with the CIAC adjustments for plant donated but not previously booked, accumulated amortization of CIAC is further increased by \$1,783. As also discussed above, during 1989, Betmar retired a donated well which was recorded in CIAC at \$3,025. Consequently, we have reduced accumulated amortization of CIAC by \$3,025.

Further, based upon the projected balance of CIAC and an amortization rate of 4.34 percent, accumulated amortization of CIAC is increased by \$10,869.07, to \$107,670.07, as of December 31, 1990. Again using the projected CIAC additions for 1991, and an amortization rate of 4.39 percent, accumulated amortization of CIAC further increases by \$11,201.18, as of December 31, 1991. When an averaging adjustment of \$5,600.59 is made, the resulting balance of accumulated amortization of CIAC is \$113,270.66.

Wastewater

The beginning balance of accumulated amortization of CIAC is \$143,447, as of October 31, 1988. Based upon the CIAC balances and adjustments discussed above, and the appropriate composite depreciation rate, accumulated amortization should increase by \$17,281 through December 31, 1989. In order to be consistent with the CIAC adjustments for plant donated but not previously booked, accumulated amortization of CIAC is further increased by \$2,739. Again, using the projected CIAC balances, and an amortization rate of 4.24 percent, amortization of wastewater CIAC for 1990 is \$15,623.05.

The accumulated amortization associated with the donated portion of the treatment plant which is being retired is \$46,648. Accordingly, we have decreased accumulated amortization of CIAC by

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 12

this amount, for a total of \$132,442.04 as of December 31, 1990. The projected amount of accumulated amortization for 1991 is \$10,757.50, resulting in the December 31, 1991 balance of \$143,199.54. Finally, making an averaging adjustment of \$5,378.75 decreases the balance of accumulated amortization of CIAC for wastewater to \$137,820.79.

WORKING CAPITAL

For the purpose of this proceeding, we have used the formula, or one-eighth of operation and maintenance (O & M) expense method to calculate working capital. While the formula approach lacks the precision of the balance sheet method, it is reliable and significantly less costly and time-consuming to implement. Based upon projected O & M expenses of \$99,859.97 for water and \$166,272.32 for wastewater, as discussed more fully hereunder, the appropriate working capital allowances are \$12,482.50 for water and \$20,784.04 for wastewater.

RATE BASE

Rate base was last established by this Commission by Order No. 20787. We have increased these amounts to account for plant additions made since that date, and for plant previously unrecorded. We have decreased the amounts to reflect retirements of utility property, accumulated depreciation, and CIAC. We have also made certain pro forma and mechanical adjustments to various accounts, and included working capital allowances based upon the formula method. Based upon the beginning balances of rate base and the adjustments outlined above, we find that the appropriate balances of rate base, for the purpose of this proceeding, are \$244,995.71 for water and \$143,699.03 for wastewater.

COST OF CAPITAL/RATE OF RETURN

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.

ACCUMULATED DEFERRED INCOME TAXES

Betmar had recorded on its books accumulated deferred income taxes of \$5,103. However, based upon certain adjustments to O & M expenses, as will be discussed more fully hereunder, we have increased accumulated deferred income taxes by \$7,431.29.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 13

Accordingly, the appropriate amount of accumulated deferred income taxes to include in the capital structure, before making any pro rata reconciliation, is \$12,534.29.

COST OF COMMON EQUITY

By Order No. 23318, issued August 7, 1990, this Commission established a leverage formula to calculate returns on common equity for water and wastewater utilities. Using the current leverage formula and Betmar's projected financial data, the appropriate equity ratio is .663, which results in a 12.18 percent return on common equity.

WEIGHTED COST OF CAPITAL

Using the test year levels of the capital structure components and applying a weighted average interest rate of 12 percent on outstanding debt, 8 percent on customer deposits, and 0 percent for deferred taxes, along with an equity return of 12.18 percent, we find that the appropriate overall weighted cost of capital, for the purpose of this proceeding, is 11.78 percent.

NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedules Nos. 3A for water and 3B for wastewater. 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.

ANNUAL REVENUES

Based upon a projected annual growth of 32 water and wastewater customers, we have projected annual revenues to be \$144,965.63 for water and \$158,887.86 for wastewater, for the test period ending December 31, 1991.

O & M EXPENSES

Water

Salaries and Wages - employees - During the twelve months ended December 31, 1989, the utility recorded \$18,704 for the salaries of its office and maintenance personnel. This represents sixty-three percent of the compensation for the office personnel and fifty percent of the compensation for the maintenance

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 14

personnel. The office worker's duties include care of the office, handling customer complaints and billing problems, visiting the service area once a week, and handling accounts receivable, billing records and customer changes. The plant maintenance person is responsible for performing all the duties of an operator-in-training. His responsibilities include general maintenance, upkeep, and repairs.

In the 1988 rate case, we determined that \$6,306.30 was reasonable compensation for the office worker's water-related duties. We also determined that \$7,020 was reasonable compensation for the maintenance worker's duties. Circumstances have not changed appreciably since that time, nor do we anticipate any substantial changes on a prospective basis. Nevertheless, we have increased the previously approved salary allowances by a total of \$1,152.61, an increase corresponding to the 1989 and 1990 price index amounts. This adjustment results in a total allowance of \$14,478.91, a reduction of \$4,225.09 to Betmar's recorded costs for 1989.

Salaries and Wages - officers and directors - During the twelve months ended December 31, 1989, Betmar recorded \$17,754 in salary for the owner of the utility. This represents sixty-three percent of her total compensation. The owner is responsible for the financial decisions and general management of Betmar. She also handles customer complaints and billing problems, posts cash receipts, writes checks, and visits the service area once a week.

In the 1988 rate case, the Commission determined that \$8,108.10 was reasonable compensation for the owner's water-related responsibilities. We do not believe that any of the circumstances underlying our decision in that case have changed, however, we have also increased the previously approved allowance by \$701.28, which corresponds to the 1989 and 1990 price index amounts. This results in a total allowance of \$8,809.38, a reduction of \$8,944.62 to Betmar's recorded costs for 1989.

Pensions and Benefits - employees - During the twelve months ended December 31, 1989, Betmar recorded zero in this account. However, it currently pays medical insurance premiums for its owner, its office worker, and its maintenance man. The total amount of these premiums is \$3,048. Consistent with our treatment of salaries, we have allocated sixty-three percent of the premiums for the owner and office worker, and fifty percent of the premium for the maintenance worker, to water operations. This results in a total allowance of \$1,789.20.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 15

Purchased Power - Betmar recorded \$4,977.67 in purchased power for the twelve months ended December 31, 1989. However, our analysis indicates that actual 1989 purchased power costs are \$4,117.44 for the well pumps and \$812.89 for the office. We have no reason to believe that these costs are not also appropriate on a prospective basis. Further, in order to be consistent with our treatment of salaries and benefits, we have allocated 63 percent of the office power expense, or \$512.02, to water operations. This results in a total purchased power allowance of \$4,629.46, which represents a \$348.21 reduction to the 1989 recorded costs.

Purchased Water - In late 1989, Betmar connected its water system, for emergency purposes only, with that of Pasco County. The monthly charge is \$251, which includes 3,000 gallons. To date, Betmar has not needed more than the 3,000 gallon allowance. Since the County did not start billing Betmar for this service until 1990, 1989 costs are zero. However, because this will be a regular charge on a prospective basis, we are including an annual allowance of \$3,012, or \$251 per month.

Chemicals - Betmar uses both chlorine and aquamag in its water operations. During 1989, it recorded \$2,997.69 for chemicals. We have increased this amount by \$735 for chemicals that were incorrectly recorded under wastewater, and by \$989.74 for amounts incorrectly classified as water materials and supplies. The result, \$4,722.43, is reasonably close to the 1988 allowance of \$4,380, indexed for 1989 and 1990. Accordingly, we find that the appropriate allowance for chemicals is \$4,722.43.

Materials and Supplies - Betmar recorded \$11,000.22 in materials and supplies for the twelve months ended December 31, 1989. These costs are primarily for materials and supplies used in the repair and maintenance of the water system, postage, office supplies, and telephone costs.

We have reclassified \$989.74 expended for aquamag, a chemical, to chemicals, and \$851.02, for the cost of an additional telephone, to nonutility expense, since it is only necessary because Betmar maintains its office outside of the service area. This results in a total allowance of \$9,159.46.

Contractual Services - Betmar recorded \$27,894.14 for contractual services during the twelve months ended December 31, 1989. This amount is comprised of costs for water testing, plant operation, computer billing, window cleaning, and accounting fees.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 16

During its last rate case, we recognized that Betmar was constantly making repairs to the water system, due in part to the age of the system and in part to the construction methods employed by the original owner. In addition, we noted that Betmar replaces approximately thirty meters per year. Accordingly, we determined that \$10,000 was a reasonable annual allowance for such repairs. Since it appears that such repairs and replacements will continue on a prospective basis, we believe that it is appropriate to include the same \$10,000 allowance on a going-forward basis.

An amount of \$2,300.66, substantiated by a bid from KNL Laboratory Services, is now necessary for additional water testing which was not considered or allowed for in Betmar's last rate proceeding. These tests are now required to be performed every three years commencing in 1991. Of the \$2,300.66, \$1,258.33 represents one-third of the estimated cost to test Betmar's wells and distribution system for volatile organic contaminants. The remaining \$1,042.33 represents the annual cost of monthly coliform bacteria analyses.

Lastly, during 1990, Betmar recorded accounting costs of \$5,306.47 in its "deferred assets" account. These costs relate primarily to Betmar's bringing its books and records into compliance with the accounting requirements of this Commission. Betmar is amortizing this cost over a four year period, or \$1,327 per year. We believe that the amount and the amortization period are reasonable and have, therefore, retained the allowance on a going forward basis.

The sum of all of the adjustments to contractual services results in total allowance of \$41,521.80 for that account, an increase of \$13,627.66 over 1989 recorded costs.

Transportation Expense - This account consisted of \$3,401.83 for the twelve months ended December 31, 1989. Betmar began leasing a new truck in late 1989. We have therefore, removed the lease payments for the prior vehicle that were attributable to water operations, and increased this account in the amount of the annual lease payments for the new vehicle. This results in a transportation allowance of \$3,636.70, an increase of \$234.87 over the 1989 recorded costs.

Insurance - During the twelve months ended December 31, 1989, Betmar recorded \$5,969.32 in insurance expense. This includes expenses for property insurance, liability insurance, vehicle insurance, and worker's compensation premiums attributable to water operations. We have examined Betmar's policies, and have either

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 17

reclassified or removed some of the recorded amounts. We have reclassified expenses for health insurance under pensions and benefits, as discussed above. We have also disallowed the premiums for one of two vehicles, and decreased a portion of workers' compensation premiums to correspond with the allowed, rather than the actual, expense. These adjustments result in a total insurance expense of \$1,945.25, a reduction of \$4,024.07.

Regulatory Commission Expense - During the twelve months ended December 31, 1989, Betmar recorded \$126 in this account. On a prospective basis, we have added the \$900 filing fee for this proceeding, as well as \$500 in costs for mailings and time spent by Betmar's certified public accountant, conferring with Staff. Pursuant to Section 367.0816, Florida Statutes, we have apportioned this expense for recovery over a four-year period, which results in a current expense of \$350. This represents an increase of \$224 over the 1989 recorded cost.

Miscellaneous Expenses - Finally, during 1989, Betmar recorded \$1,383.02 worth of miscellaneous expenses. After a thorough examination of these expenses, we believe that \$177.57 are either nonrecurring or nonutility expenses. We have, therefore, reduced this account to \$1,205.45.

Total O & M Expenses - Based upon the amounts booked and the allowances and adjustments discussed above, we find that the appropriate projected total water O & M expenses are \$99,859.97, an increase of \$1,052.15 over 1989 recorded amounts.

Wastewater

Salaries and Wages - employees - During the base period, the utility recorded \$14,380 for the salaries of its office and maintenance personnel. This amount represents thirty-seven percent of the office worker's compensation, and fifty percent of the maintenance workers' compensation. The wastewater-related duties of these employees are essentially the same as their water-related duties.

In the 1988 rate case, we determined that \$3,703.70 was reasonable compensation for the office duties and that \$7,020 was reasonable compensation for the maintenance duties. The office duties do not appear to have changed appreciably since the last rate proceeding, however, we have increased the compensation by \$320.34 to reflect the 1988 and 1989 price index adjustment amounts.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 18

As far as the plant maintenance person is concerned, since the wastewater treatment plant will be retired, the time necessary for wastewater operations will be limited to collection system activities. We estimate that seventy percent of the maintenance person's time is spent on collection system duties and thirty percent of his time is spent on treatment and disposal system duties. Accordingly, we have increased this salary allowance by \$606.17, to reflect the 1988 and 1989 price index increases, and reduced the resulting amount by 30 percent, for a total allowance of \$5,339.01.

Salaries and Wages - officers and directors - During the twelve months ended December 31, 1989, Betmar recorded \$10,426 for the salary of its owner. This represents thirty-seven percent of her total compensation. The owner's wastewater-related duties are essentially the same as her water-related duties. During the 1988 rate case, we determined that \$4,761.90 was reasonable compensation for these responsibilities. We have detected no change in circumstances in this proceeding that would warrant a significant change in her compensation, however, as with the other salaries, we have increased her salary by an amount corresponding to the 1989 and 1990 price index adjustments. This results in a total salary allowance of \$5,173.76, and a corresponding reduction of \$5,252.24 to the utility's 1989 recorded costs.

Pensions and Benefits - employees - During the twelve months ended December 31, 1989, Betmar recorded zero in this account. However, it currently pays medical insurance premiums for its owner, its office worker, and its maintenance man. The total amount of these premiums is \$3,048. Consistent with our treatment of salaries, we have allocated thirty-seven percent of the premiums for the owner and office worker, and fifty percent of the premium for the maintenance man to water operations. This results in a total allowance of \$1,258.80.

Purchased Wastewater Treatment - During 1989, Betmar recorded zero in this account, since it had its own wastewater treatment plant. However, as of December 1, 1990, the flows were diverted to Pasco County for treatment. Based upon estimated connections during 1991, and two months of wastewater flow data compared to water meter readings, we estimate that 24,461,000 gallons will be treated by Pasco County during the projected test period. Pasco County's current charge is \$4.13 per thousand gallons. This results in a total purchased wastewater treatment allowance of \$101,023.93.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 19

Sludge Removal - Betmar recorded \$5,080 for the twelve months ended December 31, 1989. However, since the wastewater treatment and disposal facilities are being retired, we have reduced this account to zero.

Purchased Power - During 1989, Betmar recorded \$9,387.15 in purchased power. Our analysis indicates that the actual purchased power costs for 1989 were \$8,054.57 for the wastewater treatment plant and lift stations and \$812.89 for the office. Since it is being retired, we have removed purchased power costs associated with the wastewater treatment plant. We have also increased purchased power in order to recognize that power consumption at the Plant Street lift station will increase as a result of the interconnection with Pasco County, and for the new Betmar Clubhouse No. 2 lift station, which came on line in the latter part of 1990, the pump at the Strand Street flow meter, and minimal costs to maintain light at the new multi-purpose shed. In order to be consistent with our previous allocations of O & M expenses, we have also allocated thirty-seven percent of office power expense, or \$300.76, to the wastewater operations. These adjustments and allocations result in a total allowance of \$3,149.85 for purchased power, which represents a reduction of \$6,237.30 to the 1989 recorded costs.

Chemicals - During 1989, Betmar recorded \$1,439.49 for chemicals. We have already reclassified \$735 to water, which brings the balance down to \$704.49. However, since the wastewater treatment plant is being retired, use of most wastewater chemicals will be discontinued. We believe that an allowance of \$450, the projected annual cost of the powdered enzymes used to treat the raw effluent at the lift stations, is a reasonable estimate of the costs for wastewater chemicals on a going-forward basis. Accordingly, we have reduced chemical costs by a total of \$989.49 from the 1989 recorded costs.

Materials and Supplies - The utility recorded \$5,176.68 in this account during the twelve months ended December 31, 1989. These costs are primarily for materials and supplies used in the repair and maintenance of the wastewater system, postage, other office supplies, and telephone costs. We have decreased the recorded amount by \$1,108.43, for materials and supplies which were used for the treatment and disposal plant, and by \$821.64 for the cost of an extra telephone which is necessary only because the utility elects to maintain its office out of the service area. We have also increased the allowance by an estimated \$2,500, for expenses related to maintaining the five lift stations. These

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 20

adjustments result in a total allowance of \$5,746.61, or a net increase of \$569.93 to the 1989 recorded costs.

Contractual Services - During 1989, Betmar recorded \$33,558.32 worth of contractual services. This account includes costs for groundwater monitoring tests, facilities operation, computer billing, window cleaning and accounting fees. Of the recorded amount, \$12,047.28 is attributable to the ground water monitoring and the contract operation of the wastewater treatment and disposal systems. Since the treatment and disposal systems are being retired, these costs will no longer be incurred. We have, therefore, reduced the recorded amount by \$12,047.28, for a resulting allowance of \$21,511.04 for costs associated with the collection system only. We have increased this amount by an amount corresponding to the 1990 price index adjustment, for a total allowance of \$22,397.29.

In the 1988 rate case, since it appeared that the systems were constantly in need of capital repairs, due in part to the age of the systems and the construction methods employed by the original owner, we approved an annual allowance of \$10,000 for extraordinary repairs to the wastewater system. Since it appears that such repairs will still be necessary for the collection system, we believe that an allowance is still appropriate. However, since the treatment and disposal systems are being retired, we believe that \$10,000 is excessive. Accordingly, we have reduced this allowance to \$7,000.

Finally, during 1990, Betmar recorded legal fees of \$7,855.48 in its wastewater "deferred assets" account. These costs primarily relate to Betmar's dealings with Pasco County over the bulk wastewater service agreement. The County originally held out for approximately \$775,000 in impact fees, however, Betmar was successful in getting the County to drop this requirement. Betmar has booked these costs to be amortized over a four-year period, or \$1,964 per year. Since Betmar was able to negotiate a no impact fee agreement, we believe that the amounts expended benefit the entire wastewater customer base. Further, the amortization period appears reasonable. We have, therefore, made no adjustment to this account.

Transportation Expense - Betmar recorded \$3,234.42 in this account during the twelve months ended December 31, 1989. The utility began leasing a new truck in late 1989. We have, therefore, reduced this account by the amount of the lease payments of the vehicle that was replaced, to the extent that they are attributable to the wastewater operations. We have also removed

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 21

\$61.60 in transportation costs related to the treatment and disposal systems. Finally, we increased the account by an amount corresponding to the amount of the new lease payments attributable to wastewater operations. These adjustments result in a total transportation allowance of \$3,407.73, which is an increase of \$173.31 over the 1989 recorded costs.

Insurance - The utility had \$4,627.96 recorded in this account. We have already reclassified some of these costs to pensions and benefits and, as with those costs related to the water operations, we believe it appropriate to disallow the costs related to insuring one of the claimed vehicles. We have also reduced the account by matching workers' compensation rates to the allowed salary levels, rather than the actual levels. These adjustments result in a total reduction of \$3,007.65 from the recorded amounts, or a total allowance of \$1,620.31.

Regulatory Commission Expense - Betmar recorded \$74 in this account for 1989. To this, we have added the \$900 filing fee for this proceeding, as well as \$500 in costs for mailings and time spent conferring with Staff by Betmar's certified public accountant. In accordance with Section 367.0816, Florida Statutes, we have deferred three-quarters of the resulting amount, or \$1,050, and allowed one-quarter, or \$350, as a current expense. This results in a \$276 increase to the 1989 recorded costs.

Miscellaneous Expenses - This account consisted of \$1,048.10 for the test period. We have decreased this amount by \$177.57 for nonutility expenses, and by \$227.68 for expenses that will be obviated by the retirement of the treatment and disposal systems, for a total allowance of \$642.85.

Total O & M Expenses - Based upon the booked amounts and the allowances and adjustments discussed above, we find that the appropriate projected total wastewater O & M expenses are \$166,272.32, which is an increase of \$75,116.06 over the 1989 recorded amounts.

DEPRECIATION EXPENSE

Using the projected plant balances and the rates prescribed by Rule 25-30.140, Florida Administrative Code, we find that the appropriate depreciation expenses are \$23,020.54 for water and \$14,314.55 for wastewater. Accordingly, the appropriate composite depreciation rates are 4.39 percent for water and 4.24 percent for wastewater.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 22

AMORTIZATION OF CIAC

Using the projected CIAC balances and the composite depreciation rates of 4.39 percent for water and 4.24 percent for wastewater, we find that the appropriate CIAC amortization is \$11,201.18 for water and \$10,757.50 for wastewater.

AMORTIZATION OF ACQUISITION ADJUSTMENTS

Betmar purchased these utility systems for more than book value which resulted, for book purposes, in a positive acquisition adjustment. Absent extraordinary circumstances, this Commission generally does not recognize acquisition adjustments for ratesetting purposes. Since there do not appear to be any extraordinary circumstances in Betmar's case, we have never recognized Betmar's acquisition adjustments for ratesetting purposes. Accordingly we have removed the related amortization of the acquisition adjustments recorded on Betmar's books as well.

TAXES OTHER THAN INCOME

Taxes other than income taxes include ad valorem taxes, intangible taxes, payroll taxes and regulatory assessment fees.

Ad Valorem Taxes

Property taxes for 1990, for property that will be in service during 1991, are \$1,559.29. We assigned property tax costs to the water and wastewater systems based upon the use of the particular property, resulting in water tax costs of \$1,092.69 and wastewater tax costs of \$466.60. Tangible taxes for 1990 are \$14,563.56. We assigned these taxes to each system on the basis of relative plant values, resulting in water tangible tax costs of \$6,699.23 and wastewater tangible tax costs of \$7,864.33. Based upon the utility's tangible tax return, we estimate that \$2,436 of the ad valorem taxes for wastewater relates to the treatment and disposal plant. We have, therefore, reduced tangible taxes by this amount, resulting in a total allowance of \$5,428.83 for wastewater tangible taxes.

Payroll Taxes

We calculated payroll taxes to be \$3,082.62 using the approved payroll levels and the current tax rates. The portion attributable to water payroll taxes is \$1,889.31, and to wastewater payroll taxes, \$1,193.32.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 23

Regulatory Assessment Fees

We calculated regulatory assessment fees based upon the projected revenue requirements of \$169,083.23 for water and \$223,815.79 for wastewater, using the current rate of 4.5 percent. The resulting regulatory assessment fees are \$7,608.75 for water and \$10,071.71 for wastewater.

Total Taxes Other Than Income

Based upon the utility balances and the allowances and adjustments made and discussed above, total taxes other than income are \$17,289.98 for water and \$17,159.96 for wastewater.

AMORTIZATION OF GAIN AND LOSS ON DISPOSITION OF UTILITY PROPERTY

As has already discussed at several places in this Order, Betmar is retiring its wastewater treatment and disposal facilities, including the property upon which these facilities are located. The land and a portion of the depreciable assets are recorded as CIAC. A portion of the depreciable property is investor funded. Taking into account the retirement of the depreciable plant and related accumulated depreciation, the CIAC and related accumulated amortization, and assuming that the fair market of the land, after filling and grading, is \$55,500, the loss is \$91,786. We estimate that the income tax effect of this loss will be twenty percent, resulting in a net loss after taxes of \$73,428.80.

In past instances involving such retirements, we have treated the net unrecovered investment as an extraordinary loss and excluded the investment costs from rate base. We have calculated the appropriate amortization period for the loss by dividing the net loss by the sum of the annual depreciation expense and the dollar rate of return that would have been allowed. Using this methodology in this case results in a five-year amortization period for the loss, or a projected annual allowance of \$14,686.

In addition, during 1989, Betmar retired two parcels of donated water land and one parcel of donated wastewater land. The original recorded cost of each of the parcels was \$200; however, since the parcels were donated and recorded as CIAC, the entire net proceeds are recognized as a gain. The net proceeds from the sales were \$37,438.59 and we estimate the income tax effect to be twenty percent, resulting in a net gain after taxes of \$30,072.59. Of

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 24

this gain, \$18,345.24 is from the sale of water land and \$11,727.35 is from the sale of wastewater land.

We believe that these gains should be treated the same way as the losses. Accordingly, they should be amortized over a five-year period, or \$3,669.05 per year for water and \$2,345.47 per year for wastewater. These gains also reduce the utility's operating expenses for water and wastewater by \$3,669.05 and \$2,345.47 per year, respectively. These lots were sold during the latter part of 1989. Consequently, the 1989 financial statements contain only two months of amortization, or \$611.38 for water and \$390.83 for wastewater. We have, therefore, made pro forma adjustments in the amounts of \$3,057.67 and \$1,954.64 to reflect the projected amortization during the 1991 test period.

INCOME TAXES

The utility's books and records reflected an income tax expense of \$1,259 for water and \$1,258 for wastewater. However, based upon the adjustments made for the test period, we have increased income tax expense by \$4,993.69 for water and decreased income tax expense by \$17,034.34 for wastewater. In addition, we have increased this expense by \$8,665.41 for water and \$23,331.96 for wastewater to correspond to the allowed increase to the revenue requirements. Accordingly, the appropriate amount of income tax expense to be included for the projected test year is \$14,918.10 for water and \$7,555.62 for wastewater.

REVENUE REQUIREMENT

Based upon the utility's books and the adjustments and allowances approved herein, projected test year revenues for water, before any increase, are \$144,965.63. Projected expenses for the same period are \$130,467.65. The result is a projected water operating income of \$14,497.98. Projected test year revenues for wastewater, before any increase, are \$158,887.86. Projected expenses for the same period are \$180,631.75. The result is a projected wastewater operating loss of \$21,743.89.

Upon consideration of the foregoing, we find that the appropriate revenue requirements for, the purpose of this proceeding, are \$169,083.23, which represents an increase of \$24,117.60 (16.6 percent) for water, and \$223,815.79, which represents an increase of \$64,927.93 (40.9 percent) for wastewater. These revenue requirements should allow Betmar to recover its operating costs and give it the opportunity to earn an 11.78

ORDER NO. 24225
 DOCKET NO. 900688-WS
 PAGE 25

percent return on its investment in property used and useful in the provision of water and wastewater service.

RATES

We find that the following rates, which are designed to allow Betmar to earn its approved revenue requirements, are fair, just, reasonable, and not unfairly discriminatory. Below is a depiction of Betmar's current rates, and those approved herein, for the purpose of comparison.

MONTHLY WATER RATES

Residential and General Service

Base Facility Charge

<u>Meter Size:</u>	<u>Present</u>	<u>Approved</u>
5/8" x 3/4"	\$ 4.04	\$ 4.23
3/4"	6.07	6.35
1"	10.11	10.58
1 1/2"	20.22	21.16
2"	32.36	33.86
3"	64.71	67.71
4"	101.11	105.79
Gallage Charge Per 1,000 gallons	\$ 1.43	\$ 1.83

MONTHLY WASTEWATER RATES

Residential Service

<u>Base Facility Charge</u>	<u>Present</u>	<u>Emergency</u>	<u>Approved</u>
<u>Meter Size:</u>		<u>Interim</u>	
All meter sizes	\$ 5.14	\$ 7.05	\$ 6.69
Gallage Charge Per 1,000 gallons (maximum 6,000 gallons)	\$ 3.24	\$ 4.29	\$ 4.78

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 26

General Service

<u>Base Facility Charge</u> <u>Meter Size:</u>	<u>Emergency</u>		
	<u>Present</u>	<u>Interim</u>	<u>Approved</u>
5/8" x 3/4"	\$ 5.14	\$ 7.05	\$ 6.69
3/4"	7.71	10.58	10.04
1"	12.85	17.63	16.73
1 1/2"	25.70	35.25	33.45
2"	41.13	56.40	53.52
3"	82.25	112.80	107.04
4"	128.52	176.25	167.25
 Gallonage Charge Per 1,000 gallons (no maximum)	 \$ 3.89	 \$ 5.14	 \$ 5.73

SERVICE AVAILABILITY

As a result of its last rate case, Betmar applied for revised service availability policies and charges, which application was filed and processed during 1990. Betmar's circumstances have not changed appreciably since that time. We have, therefore, made no changes to service availability in this case.

TEMPORARY RATES IN EVENT OF PROTEST

By this Order we have approved a proposed increase in water and wastewater rates. A timely protest could delay what may be a justified rate increase, pending a formal hearing and final order in this case, resulting in an unrecoverable loss of revenue to the utility. Accordingly, in the event that a substantially affected person files a timely protest to this Order, we hereby authorize Betmar to collect the rates proposed above, subject to refund, provided that it furnishes security for such a potential refund. The security should be in the form of a bond or letter of credit in the amount of \$70,000. Alternatively, Betmar may establish an escrow account with an independent financial institution pursuant to a written agreement. If this alternative is chosen, all revenue collected under the rate increase will be subject to escrow. Any withdrawals of funds from this escrow account shall be subject to prior approval of this Commission through the Director of Records and Reporting. Should any refund ultimately be required, it shall be paid with interest calculated pursuant to Rule 25-30.360 (4), Florida Administrative Code.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 27

The utility shall also keep an accurate account, in detail, of all monies received due to said increases, 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 and charges are in effect, showing the amount of revenues and charges collected as a result of the temporary rates and charges, and the amount of revenues and charges that would have been collected under the prior rates and charges.

CUSTOMER NOTICE

In accordance with Rule 25-22.0406(9), Florida Administrative Code, Betmar shall give notice to its customers of the increased rates approved herein with its first bill incorporating the new rates. Betmar shall submit a proposed notice to Staff for its approval prior to transmitting such notice to its customers.

EFFECTIVE DATE

The monthly rates approved herein shall be effective for meter readings taken on or after thirty days from the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved following verification that they are consistent with our decision, that the proposed customer notice is adequate, that the protest period has expired, and that the required security, if applicable, has been provided.

RECOVERY OF RATE CASE EXPENSE

Pursuant to Section 367.0816, Florida Statutes, rate case expense is required to be amortized over a four-year period, at the end of which rates must be reduced by the amount of rate case expense included in the rates. The only rate case expense allowed in this proceeding, as discussed under O & M expenses, is \$350 for water and \$350 for wastewater. These amounts, when grossed-up for regulatory assessment fees, result in a total of \$366 for water and \$366 for wastewater included in Betmar's rates. Accordingly, Betmar's rates must be reduced by these amounts four years after the effective date of the final rates in this proceeding. Betmar shall, therefore, file revised tariff sheets reflecting the reduction no later than thirty days prior to the actual date of the required rate reduction. Betmar shall also file at that time a proposed notice to its customers setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 28

through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that, with the exception of granting temporary rates in the event of a protest, this Order is issued as proposed agency action but shall become final unless an appropriate petition, in the form required by Rule 25-22.029, Florida Administrative Code, is filed with the Director of the 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 specified in the Notice of Further Proceedings or Judicial Review. It is further

ORDERED that Betmar Utilities, Inc.'s application for an increase in water and wastewater rates in Pasco 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, whether in the form of discourse or in the form of schedules attached hereto are, by reference, specifically incorporated herein. 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 sheets. It is further

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

ORDERED that, in the event that a substantially affected person files a timely protest to this Order, Betmar Utilities, Inc.

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 29

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 it has provided satisfactory security for any potential refund and subject to its submittal and Staff's approval of revised tariff sheets and a proposed customer notice. This portion of this Order is not issued as proposed agency action. It is further

ORDERED that, if a timely protest to this Order is not filed, and Betmar Utilities, Inc. has complied with all of the requirements herein, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 12th
of MARCH, 1991.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

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, our approval of increased rates for water and wastewater service is preliminary in nature and will not become effective or final, except as provided

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 30

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 April 2, 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. 24225
 DOCKET NO. 900688-WS
 PAGE 31

BETMAR UTILITIES, INC.
 DOCKET NO. 900688-WS
 PROJECTED TEST YEAR ENDING
 DECEMBER 31, 1991
 RATE BASE - WATER

SCHEDULE 1-A

	TOTAL PER UTILITY 12/31/89		COMMISSION ADJUSTMENTS	PROJECTED AVERAGE BALANCE PER COMMISSION 1991
	-----		-----	-----
DEPRECIABLE PLANT IN SERVICE	\$496,190.00	A	\$34,805.26	\$530,995.26
LAND	\$27,302.00	B	\$0.00	\$27,302.00
ACCUMULATED DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE	(\$122,762.00)	C	(\$33,663.71)	(\$156,425.71)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(\$274,873.00)	D	(\$7,756.00)	(\$282,629.00)
ACCUMULATED AMORTIZATION OF CIAC	\$96,801.00	E	\$16,469.66	\$113,270.66
WORKING CAPITAL ALLOWANCE	\$0.00	F	\$12,482.50	\$12,482.50
	-----		-----	-----
RATE BASE	\$222,658.00		\$22,337.71	\$244,995.71
	=====		=====	=====

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 32

SCHEDULE 1-B

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
RATE BASE - WASTEWATER

	TOTAL PER UTILITY 12/31/89 -----	COMMISSION ADJUSTMENTS -----	PROJECTED AVERAGE BALANCE PER COMMISSION 1991 -----
DEPRECIABLE PLANT IN SERVICE	\$587,315.00	A (\$133,512.40)	\$453,802.60
LAND	\$5,781.00	B (\$2,321.00)	\$3,460.00
ACCUMULATED DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE	(\$200,986.00)	C \$68,267.10	(\$132,718.90)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(\$382,326.00)	D \$42,876.50	(\$339,449.50)
ACCUMULATED AMORTIZATION OF CIAC	\$163,467.00	E (\$25,646.21)	\$137,820.79
WORKING CAPITAL ALLOWANCE	\$0.00	F \$20,784.04	\$20,784.04
	-----	-----	-----
	\$173,251.00	(\$29,551.97)	\$143,699.03
	=====	=====	=====

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 33

SCHEDULE 1-C
PAGE 1 OF 2

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
ADJUSTMENTS TO
RATE BASE - WATER and WASTEWATER

	WATER	WASTEWATER

A. Depreciable plant in service		
1. Historical additions 01/01/90 through 12/31/90	\$15,482.12	\$4,677.43
2. Pro forma allowance for CWIP which will be transferred into plant during 1990 ("loop" construction)	\$11,213.14	
3. Pro forma allowance for emergency chlorine apparatus	\$1,860.00	
4. Pro forma allowance for cost of garage/workshop/storage shed	\$12,500.00	\$12,500.00
5. Record cost of interconnection with Pasco County, which was billed in late 1990		\$45,000.00
6. Pro forma allowance for rehabilitating manholes and tightening collection system		\$21,002.00
7. Project retirement of wastewater treatment and disposal plant at recorded cost		(\$210,441.83)
8. Averaging adjustment	(\$6,250.00)	(\$6,250.00)
	-----	-----
	\$34,805.26	(\$133,512.40)
	=====	=====
B. Land and Land Improvements		
1. Historical additions 01/01/90 through 12/31/90		\$350.00
2. Projected cost of filling percolation pond property		\$85,000.00
3. Projected retirement of treatment and disposal property at original cost (\$2,671) plus costs of reclamation		(\$87,671.00)
	-----	-----
	\$0.00	(\$2,321.00)
	=====	=====
C. Accumulated Depreciation and Amortization of Plant in Service		
1. Accumulate depreciation for period 01/01/90 through 08/31/90, using rates prescribed by Rule 25-30.140, FAC, and staff calculated plant in service	(\$14,641.23)	(\$17,228.94)
2. Project removal of accumulated depreciation associated with retirement of the depreciable treatment and disposal system		\$97,347.74
3. Project depreciation for period 09/01/90 through 12/31/90, using prescribed depreciation rates and projected plant	(\$7,512.21)	(\$4,694.43)

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 34

SCHEDULE 1-C
PAGE 2 OF 2

4. Project depreciation for period 01/01/91 through 12/31/91, using prescribed depreciation rates and projected plant	(\$23,020.54)	(\$14,314.55)
5. Averaging adjustment	\$11,510.27	\$7,157.28
	-----	-----
	(\$33,663.71)	\$68,267.10
	=====	=====
D. Contributions in Aid of Construction		
1. Historical additions 01/01/90 through 08/31/90	(\$4,256.00)	\$0.00
2. Project retirement of treatment and disposal land, which is recorded as CIAC		\$2,671.00
3. Projected additions 09/01/90 through 12/31/90, based on 32 connections per year at \$125 per connection ((32/12 x 4) x \$125)	(\$1,500.00)	
4. Project additional CIAC related to interconnection with the County (\$45,000 x 110%)		(\$49,500.00)
5. Project retirement of contributed depreciable wastewater treatment and disposal facilities		\$97,456.00
6. Projected additions 01/01/91 through 12/31/91, based on 32 connections per year at \$125 per connection	(\$4,000.00)	
7. Project additional CIAC to be recorded in 1991		(\$15,500.00)
8. Averaging adjustment	\$2,000.00	\$7,750.00
	-----	-----
	(\$7,756.00)	\$42,877.00
	=====	=====
E. Accumulated Amortization of CIAC		
1. Project amortization for period, 01/01/90 through 12/31/90, based on composite depreciation rate of 4.34 percent for water and 4.24 percent for wastewater and projected CIAC balances	\$10,869.07	\$15,623.05
2. Project removal of accumulated amortization associated with retirement of the contributed depreciable treatment and disposal system		(\$46,648.00)
3. Project amortization for period 01/01/91 through 12/31/91 based on composite depreciation rate of 4.39 percent for water and 3.2 percent for wastewater and projected CIAC balances	\$11,201.18	\$10,757.50
4. Averaging adjustment	(\$5,600.59)	(\$5,378.75)
	-----	-----
	\$16,469.66	(\$25,646.20)
	=====	=====
F. Working Capital Allowance Reflect one-eighth of operation and maintenance expenses	\$12,482.50	\$20,784.04
	=====	=====

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 35

SCHEDULE 2

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
COST OF CAPITAL/RATE OF RETURN

	TOTAL PER UTILITY 12/31/89	SPECIFIC ADJUSTMENT	ADJUSTED BALANCE	COMMISSION RECONCILING ADJUSTMENTS	PROJECTED AVERAGE TOTAL PER COMMISSION 1991	RATIO	COST	WEIGHTED AVERAGE COST
COMMON STOCK	(\$5,000)		(\$5,000)	\$851	(\$4,149)	0.0107	0.1218	0.0013
OTHER PAID IN CAPITAL	(\$295,754)		(\$295,754)	\$50,342	(\$245,412)	0.6314	0.1218	0.0769
RETAINED EARNINGS	(\$328)		(\$328)	\$56	(\$272)	0.0007	0.1218	0.0001
LONG-TERM DEBT	(\$153,312)		(\$153,312)	\$26,096	(\$127,216)	0.3273	0.1200	0.0393
DEFERRED TAXES	(\$5,103)	(\$7,431)	(\$12,534)	\$2,134	(\$10,401)	0.0268	0.0000	0.0000
CUSTOMER DEPOSITS	(\$1,500)		(\$1,500)	\$255	(\$1,245)	0.0032	0.0800	0.0003

COST OF CAPITAL/OVERALL RATE OF RETURN	(\$460,997)	(\$7,431)	(\$468,428)	\$79,734	(\$388,695)	1.0000		0.1178
	*****	*****	*****	*****	*****	*****		*****

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 36

SCHEDULE 3-A
PAGE 1 OF 4

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
NET OPERATING INCOME - WATER

	TOTAL PER UTILITY 12/31/89		COMMISSION ADJUSTMENTS	PROJECTED AVERAGE PER COMMISSION 1991		COMMISSION ADJUSTMENTS FOR INCREASE	COMMISSION BALANCE FOR SETTING RATES
	-----		-----	-----		-----	-----
OPERATING REVENUES	(\$120,754.62)	A	(\$24,211.01)	(\$144,965.63)	I	(\$24,117.60)	(\$169,083.23)
OPERATION AND MAINTENANCE EXPENSES	\$98,807.82	B	\$1,052.15	\$99,859.97		\$0.00	\$99,859.97
DEPRECIATION AND AMORTIZATION EXPENSE	\$17,330.00	C	\$5,690.54	\$23,020.54		\$0.00	\$23,020.54
AMORTIZATION OF CIAC	(\$11,307.00)	D	\$105.82	(\$11,201.18)		\$0.00	(\$11,201.18)
AMORTIZATION OF ACQUISITION ADJUSTMENT	\$1,512.00	E	(\$1,512.00)	\$0.00		\$0.00	\$0.00
TAXES OTHER THAN INCOME TAXES	\$7,543.00	F	\$8,661.68	\$16,204.68	J	\$1,085.29	\$17,289.98
GAIN ON DISPOSITION OF UTILITY PROPERTY	(\$611.38)	G	(\$3,057.67)	(\$3,669.05)		\$0.00	(\$3,669.05)
INCOME TAXES	\$1,259.00	H	\$4,993.69	\$6,252.69	K	\$8,665.41	\$14,918.10
	-----		-----	-----		-----	-----
TOTAL OPERATING EXPENSES	\$114,533.44		\$15,934.21	\$130,467.65		\$9,750.70	\$140,218.36
	-----		-----	-----		-----	-----
NET OPERATING (INCOME) LOSS	(\$6,221.18)		(\$8,276.80)	(\$14,497.98)		(\$14,366.90)	(\$28,864.87)
	-----		-----	-----		-----	-----
RATE BASE	\$222,658.00			\$244,995.71			\$244,995.71
	-----			-----			-----
RETURN ON INVESTMENT/COST OF CAPITAL	0.0279			0.0592			0.1178
	-----			-----			-----

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 37

SCHEDULE 3-A
PAGE 2 OF 4

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
SCHEDULE OF DETAILED OPERATION AND
MAINTENANCE EXPENSES - WATER

	1989 TOTAL PER UTILITY		COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION
	-----		-----	-----
Salaries and wages - employees	\$18,704.00	1	(\$4,225.09)	\$14,478.91
Salaries and wages - officers, directors and stockholders	\$17,754.00	2	(\$8,944.62)	\$8,809.38
Pensions and benefits - employees	\$0.00	3	\$1,789.20	\$1,789.20
Purchased power	\$4,977.67	4	(\$348.21)	\$4,629.46
Purchased water	\$0.00	5	\$3,012.00	\$3,012.00
Chemicals	\$2,997.69	6	\$1,724.74	\$4,722.43
Materials and supplies	\$11,000.22	7	(\$1,840.76)	\$9,159.46
Contractual services	\$27,894.14	8	\$13,627.66	\$41,521.80
Rental expenses	\$4,502.05	9	\$0.00	\$4,502.05
Transportation expense	\$3,401.83	10	\$234.87	\$3,636.70
Insurance expense	\$5,969.32	11	(\$4,024.07)	\$1,945.25
Regulatory commission expense	\$126.00	12	\$224.00	\$350.00
Bad debt expense	\$97.88	13	\$0.00	\$97.88
Miscellaneous expenses	\$1,383.02	14	(\$177.57)	\$1,205.45
	-----		-----	-----
	\$98,807.82		\$1,052.15	\$99,859.97
	*****		*****	*****

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 38

SCHEDULE 3-A
PAGE 3 OF 4

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
ADJUSTMENTS TO
NET OPERATING INCOME - WATER

A. Operating Revenues

Adjust to projected revenue, based on projected
test year customers and current rates (24,211.01)

B. Operating and Maintenance Expenses

1. Reduce salaries and wages - employees to reasonable level of compensation for services performed	(4,225.09)
2. Reduce salaries and wages - officers, directors and stockholders to reasonable level of compensation for services performed	(8,944.62)
3. Reflect health insurance benefits of employees which are paid by the utility	\$1,789.20
4. Reduce purchased power to balance per audit	(\$348.21)
5. Pro forma allowance for cost of emergency water interconnection charges (Pasco County)	\$3,012.00
6. Reclassification of chemical expense which was incorrectly recorded in other water and wastewater O & M expense accounts	\$1,724.74
7. Reclassification to chemical expense (\$989.74) and disallowance of cost of extra telephone	(\$1,840.76)
8. Pro forma allowance for extra costs of testing which are required every three years, commencing in 1991	\$2,300.66
Allowance for replacement of capital assets (due in part to age of the system)	\$10,000.00
Projected amortization relating to accounting costs expended to put books and records in proper form (amortized over four years)	\$1,327.00

	\$13,627.66

9. Rental expenses	\$0.00
10. Annualizing adjustment to recognize greater lease cost of new vehicle put into service during 1990	\$234.87
11. Reduce insurance expense to audited balance	(\$4,024.07)
12. Pro forma increase to allow one-quarter of projected expenses related to this proceeding	\$224.00
13. Bad debt expense	\$0.00
14. Remove nonutility expenses	(\$177.57)

	\$1,052.15

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 39

SCHEDULE 3-A
PAGE 4 OF 4

C. Depreciation and Amortization Expense

Project additional depreciation expense based
on projected test year plant and rates prescribed
by Rule 25-30.140, FAC

\$5,690.54
=====

D. Amortization of CIAC

Project reduction in CIAC amortization based
on projected test year CIAC and composite
projected depreciation rate

\$105.82
=====

E. Amortization of Acquisition Adjustment

Remove amortization, consistent with current
Commission policy

(\$1,512.00)
=====

F. Taxes Other Than Income Taxes

Increase to audited level, based on increased
tangible taxes, recommended payroll levels and
the projected test year revenue

\$8,661.68
=====

G. Gain on Disposition of Utility Property

Reflect ten additional months of amortization
(1989 contains only two months)

(\$1,057.67)
=====

H. Income Taxes

Income taxes on projected 1991 revenue
before recommended increase

\$4,993.69
=====

I. Operating Revenues

Increase required to allow the utility
the opportunity to earn its authorized rate
of return and recover its approved expenses

(\$24,117.60)
=====

J. Taxes Other Than Income Taxes

Increase in regulatory assessment fees based
on increase and current rate of 4.5 percent

\$1,085.29
=====

K. Income Taxes

Additional income taxes on recommended
revenue increase

\$8,665.41
=====

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 40

SCHEDULE 3-B
PAGE 1 OF 4

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
NET OPERATING INCOME - WASTEWATER

	TOTAL PER UTILITY 12/31/89	COMMISSION ADJUSTMENTS	PROJECTED AVERAGE PER COMMISSION 1991	COMMISSION ADJUSTMENTS FOR INCREASE	COMMISSION BALANCE FOR SETTING RATES
OPERATING REVENUES	(\$116,910.17)	A (\$41,977.69)	(\$158,887.86)	J (\$64,927.93)	(\$223,815.79)
OPERATION AND MAINTENANCE EXPENSES	\$91,156.26	B \$75,116.06	\$166,272.32	\$0.00	\$166,272.32
DEPRECIATION AND AMORTIZATION EXPENSE	\$24,363.00	C (\$10,048.45)	\$14,314.55	\$0.00	\$14,314.55
AMORTIZATION OF CIAC	(\$14,949.00)	D \$4,191.50	(\$10,757.50)	\$0.00	(\$10,757.50)
AMORTIZATION OF ACQUISITION ADJUSTMENT	\$1,513.00	E (\$1,513.00)	\$0.00	\$0.00	\$0.00
TAXES OTHER THAN INCOME TAXES	\$7,470.00	F \$6,768.20	\$14,238.20	K \$2,911.76	\$17,159.96
GAIN ON DISPOSITION OF UTILITY PROPERTY	(\$390.83)	G (\$1,954.64)	(\$2,345.47)	\$0.00	(\$2,345.47)
LOSS ON DISPOSITION OF UTILITY PROPERTY	\$0.00	H \$14,686.00	\$14,686.00	L \$0.00	\$14,686.00
INCOME TAXES	\$1,258.00	I (\$17,034.34)	(\$15,776.34)	\$23,331.96	\$7,555.62
TOTAL OPERATING EXPENSES	\$110,420.43	\$70,211.32	\$180,631.75	\$26,253.72	\$206,885.47
NET OPERATING (INCOME) LOSS	(\$6,489.74)	\$28,233.63	\$21,743.89	(\$38,674.21)	(\$16,930.32)
RATE BASE	\$173,251.00		\$143,699.03		\$143,699.03
RETURN ON INVESTMENT/COST OF CAPITAL	0.0375		-0.1513		0.1178

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 41

SCHEDULE 3-B
PAGE 2 OF 4

BETMAR UTILITIES, INC.
DOCKET NO. 900688-WS
PROJECTED TEST YEAR ENDING
DECEMBER 31, 1991
SCHEDULE OF DETAILED OPERATION AND
MAINTENANCE EXPENSES - WASTEWATER

	1989 TOTAL PER UTILITY		COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION
	-----		-----	-----
Salaries and wages - employees	\$14,380.00	1	(\$5,016.95)	\$9,363.05
Salaries and wages - officers, directors and stockholders	\$10,426.00	2	(\$5,252.24)	\$5,173.76
Pensions and benefits - employees	\$0.00	3	\$1,258.80	\$1,258.80
Purchased wastewater treatment	\$0.00	4	\$101,023.93	\$101,023.93
Sludge removal expense	\$5,080.00	5	(\$5,080.00)	\$0.00
Purchased power	\$9,387.15	6	(\$6,237.30)	\$3,149.85
Chemicals	\$1,439.49	7	(\$989.49)	\$450.00
Materials and supplies	\$5,176.68	8	\$569.93	\$5,746.61
Contractual services	\$33,558.32	9	(\$2,197.03)	\$31,361.29
Rental expenses	\$2,724.14	10	\$0.00	\$2,724.14
Transportation expense	\$3,234.42	11	\$173.31	\$3,407.73
Insurance expense	\$4,627.96	12	(\$3,007.65)	\$1,620.31
Regulatory commission expense	\$74.00	13	\$276.00	\$350.00
Miscellaneous expenses	\$1,048.10	14	(\$405.25)	\$642.85
	-----		-----	-----
	\$91,156.26		\$75,116.06	\$166,272.32
	-----		-----	-----

ORDER NO. 24225
 DOCKET NO. 900688-WS
 PAGE 42

SCHEDULE 3-B
 PAGE 3 OF 4

BETMAR UTILITIES, INC.
 DOCKET NO. 900688-WS
 PROJECTED TEST YEAR ENDING
 DECEMBER 31, 1991
 ADJUSTMENTS TO
 NET OPERATING INCOME - WASTEWATER

 A. Operating Revenues

Adjust to projected revenue, based on projected
 test year customers and current rates (41,977.69)
 =====

B. Operating and Maintenance Expenses

1. Reduce salaries and wages - employees to reasonable level of compensation for services performed	(5,016.95)
2. Reduce salaries and wages - officers, directors and stockholders to reasonable level of compensation for services performed	(5,252.24)
3. Reflect health insurance benefits of employees which are paid by the utility	\$1,258.80
4. Pro forma allowance for purchased wastewater treatment costs, based on current rate of \$4.13 per thousand and projected annual gallons of 24,461,000	\$101,023.91
5. Pro forma reduction to reflect that the utility's sludge hauling expense will be reduced to zero on a prospective basis	(5,080.00)
6. Reduce power expense to audited 1989 level	(1,031.82)
Remove power costs associated with treatment and disposal facilities	(7,133.24)
Pro forma allowance to recognize power costs of Mission Square lift station	\$101.76
Pro forma increase for estimated increased power usage at Plant St. lift station	\$1,526.00
Pro forma allowance for electricity at structure under construction in service area	\$120.00
Pro forma allowance for Clubhouse No. 2 lift station	\$108.00
Pro forma allowance for electricity used by Strand Street flow meter	\$72.00

	(6,237.30)

7. Reclassification of water chemical expense which was incorrectly recorded in wastewater chemical expenses (\$735) and removal of other chemical expenses which will be eliminated with the retirement of the wastewater treatment facilities (\$254.49)	(989.49)
8. Pro forma reduction for treatment and disposal materials and supplies	(1,108.43)
Disallowance of costs of Zephyrhills telephone costs	(821.64)

ORDER NO. 24225
DOCKET NO. 900688-WS
PAGE 43

SCHEDULE 3-B
PAGE 4 OF 4

Pro forma allowance for adequate materials for the continued maintenance of the five lift stations	\$2,500.00

	\$569.93

9. Pro forma reduction for treatment and disposal costs in 1989 expenses	(\$12,047.28)
Index balance of costs for 1990 index	\$886.25
Pro forma allowance for extraordinary maintenance costs (due in part to age of system)	\$7,000.00
Pro forma amortization of legal costs associated with bulk service agreement suit, which costs are being amortized over a four year period	\$1,964.00

	(\$2,197.03)

10. Rental expense	\$0.00
11. Pro forma reduction for treatment and disposal costs in 1989 expenses	(\$61.60)
Annualizing adjustment to recognize greater lease cost of new vehicle put into service during 1990	\$234.91

	\$173.31

12. Reduce insurance expense to audited balance	(\$3,007.65)
13. Pro forma increase to allow one-quarter of projected expenses related to this proceeding	\$276.00
14. Remove nonutility expenses (\$177.57) and nonrecurring treatment and disposal costs (\$227.68)	(\$405.25)

	\$75,116.04
	=====
C. Depreciation and Amortization Expense	
Project reduction in depreciation expense based on projected test year plant and rates prescribed by Rule 25-30.140, FAC	(\$10,048.45)
	=====
D. Amortization of CIAC	
Project reduction in CIAC amortization based on projected test year CIAC and composite projected depreciation rate	\$4,191.50
	=====
E. Amortization of Acquisition Adjustment	
Remove amortization, consistent with current Commission policy	(\$1,513.00)
	=====
F. Taxes Other Than Income Taxes	