

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff- ) DOCKET NO. 940767-WS  
assisted rate case in Martin ) ORDER NO. PSC-95-0501-FOF-WS  
County by IBSCO, Inc. ) ISSUED: April 24, 1995  
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The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

FINAL ORDER GRANTING TEMPORARY RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER GRANTING  
RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein regarding our granting of increased rates and charges is preliminary in nature and 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.

BACKGROUND

IBSCO, Inc. (IBSCO or utility) is a Class C water and wastewater utility operating a water and wastewater system in Martin County. The systems serve approximately 299 water and 289 wastewater customers.

On September 23, 1980, the Board of County Commissioners of Martin County adopted a resolution which relinquished its jurisdiction of privately owned utilities to the Florida Public Service Commission. On April 4, 1981, IBSCO, a utility since the late 1970's, filed an application with this Commission for grandfather certificates to operate water and wastewater utilities in Martin County. By Order No. 11604, issued February 11, 1983, in Docket No. 810130-WS, the utility was granted water certificate 382-W and wastewater certificate 328-S.

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FPSC-RECORDS/REPORTING

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On August 9, 1990, IBSCO filed an application with this Commission for staff assistance to adjust its rates and charges to its customers in Martin County. Order No. 25731, issued February 17, 1992, in Docket No. 900685-WS, allowed the utility an additional six months to complete all remaining pro forma requirements of Order No. 24481, issued May 6, 1991, in the same docket. The utility filed its latest application on July 20, 1994, for staff assistance in increasing its rates and charges to its customers.

The service area is located North of the St. Lucie River in the Northeast portion of Martin County known as Jensen Beach. The service territory is positioned along the West boundary of State Road 723, approximately one mile South of State Road 707-A, which travels east/west from U.S. Highway 1.

We have audited the utility's records for compliance with Commission rules and orders and we have determined all components necessary for ratesetting. We have also conducted an engineering field investigation of the utility's water and wastewater plants and the service area. A review of the utility's operation expenses, maps, files, and rate application was performed to obtain information about the physical plant and operating costs.

We selected a historical test year ending December 31, 1993. During that period, the utility's books reflected unaudited operating revenues of \$84,912 for water and \$77,044 for wastewater. The utility recorded unaudited net operating income of \$4,014 for water and an operating loss of \$1,292 for wastewater.

#### QUALITY OF SERVICE

On December 11, 1994, a customer meeting was held in the utility's service area to allow customers to address the quality of service being provided by the utility. Out of a customer base of 378 equivalent residential connections (ERCs), approximately eight customers were in attendance at this meeting. From the customers who testified concerning poor quality of service from the utility, we were informed that "the water does not taste good" and "there is a white film in the water." Other concerns were in the form of general interest questions concerning the number of customers used in calculating the rates, who regulates and monitors water quality, and how the proposed rates compare with rates of other privately owned utilities. One customer stated that his water had been independently tested for quality and the results were satisfactory.

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water

and wastewater utility operations: (1) quality of utility's product (both water and wastewater service); (2) operational conditions at both plant facilities; and (3) customer satisfaction.

The latest sanitary survey of the water treatment system performed by the Department of Environmental Protection (DEP) listed no plant-in-service violations. The utility has just ended one complete cycle of its required testing and analysis, with all results being satisfactory. Another cycle of the required testing is due to begin presently. A review of the water analysis for the utility did not reveal an explanation for the customer comments regarding taste or the white film. The groundwater supply is near the Atlantic coast, which caused concern about Chlorides (salt), but is not at a level that requires treatment. IBSCO's water does contain Hydrogen Sulfide, which is treated by aeration. The water also contains Bicarbonates and Calcium (from a 1991 analysis), which are secondary standards that do not present a health hazard, but cause "hard" water. At this time the levels of Bicarbonates and Calcium do not exceed allowable limits and DEP is not requiring the utility to remove these organic compounds.

While operational conditions at both plants is normal, housekeeping is in need of attention at both plants. This is cosmetic and contributes little to the plant in service functions. Inside both plants, repair parts appeared to be available, shelved and easily accessible for emergencies. While the equipment did not have a fresh coat of paint, it did appear well maintained. The auxiliary power generator at the water plant was manually started and appeared to be ready for emergencies. By all appearances, operational conditions are satisfactory.

This utility is within the South Florida Water Management District (SFWMD) and is operating under Consumptive Use Permit No. 43 00311-W. SFWMD issued the permit on December 20, 1990, and it will expire on December 20, 1995. IBSCO is in a defined critical water supply problem area, but the utility's water use is within its consumptive use limits. The current rate structure of base facility plus gallonage charges appear sufficient as conservation rates for this utility. The water management district was notified that the utility has filed for a change in rates.

Overall, customer satisfaction appears above normal. Any utility with a customer base the size of this utility (378 ERCs) has the potential of becoming volatile should the utility have chronic service problems. As stated earlier, customer attendance at this meeting, which occurred during the peak season, was small. We have responded to all comments and questions. Based on the foregoing, we find the utility's quality of service is satisfactory.

### RATE BASE

Our calculation of the appropriate rate base for the water and wastewater systems are depicted on Schedules Nos. 1 and 1-A, respectively. 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 other adjustments are discussed below:

#### Used and Useful

##### Water Treatment Plant

The water treatment plant is an open system operation where the plant's ability to meet instantaneous fluctuations in flow demand currently rests on the capacity of the well pumps (rated at 250 gallons per minute (gpm) each). In accordance with American Waterworks Association (AWWA) Manual No. M5, page 24, to properly evaluate the capacity of the utility's supply to deliver the maximum daily consumption and required fire flow, one or two of the highest capacity pumps must be removed from the calculation. This system contains fire hydrants which require a minimum of 500 gpm to be sustained for a minimum of four hours, for a total of 120,000 gallons per day (gpd). The peak month was May, 1993. The maximum daily flow average during the peak month was 241,400 gpd. By accepted formulation, we find that the water treatment plant is 100% used and useful.

##### Water Distribution System

The water distribution system is a network of water mains that has been engineered and constructed to adequately serve the existing capacity of customers. In keeping with the approved formula used to determine a starting point for a used and useful percentage, the distribution system was calculated to be 97.25% used and useful. This high percentage certainly illustrates that no less of a distribution system could serve the existing customer base. We therefore find that the water distribution system is 100% used and useful.

##### Wastewater Treatment Plant

The wastewater treatment plant is a steel Enviroport type structure that has been modified to a capacity of 200,000 gpd in the contact stabilization mode of treatment. During the test year, the highest five-day average of daily flows occurred in February, 1991, and was 25,800 gpd. The approved used and useful formula

yields a percentage of 57.29%. We therefore find that all wastewater plant accounts are 57.29% used and useful.

#### Wastewater Collection System

We also evaluated the wastewater collection system by the approved formula. The result of the calculation indicates that the collection system is 97.05% used and useful. Again, this high percentage indicates that no less of a collection system could serve the existing customer base. We therefore find that the wastewater collection system is 100% used and useful.

#### Test Year Rate Base

The appropriate components of the utility's rate base include depreciable plant in service, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and working capital allowance. Plant, depreciation, and CIAC balances were determined as of June 30, 1990, in the utility's last staff assisted rate case by Order No. 24481. We have used the amounts set forth in that Order as a basis for rate base components updated by this Order. Further adjustments are necessary to reflect test year changes, the used and useful determinations, and pro forma plant. A discussion of each component follows:

#### Depreciable Plant in Service

##### Water Treatment Plant

The water treatment plant is an open system that currently resources the ground water with two 4" wells rated at 250 gpm each. A third well was recently drilled, but has not been placed into service. Water is transmitted from the wells to a 10,000 gallon aeration/ground storage unit. From the ground storage tank, two high service pumps rated at 350 gpm each transport the treated water for pressurization and dispersion to the customers via a 10,000 gallon hydropneumatic tank. Treatment combines aeration and disinfection by chlorine gas.

##### Water Distribution System

According to the plans reviewed, the water distribution system is composed of approximately 4,010 feet of 8 inch PVC, 11,170 feet of 6 inch PVC, 1,000 feet of 4 inch PVC, and 250 feet of 2 inch PVC pipe. The network of mains appears properly sized and engineered to meet current pressure and supply demands. Twenty-three fire hydrants are dispersed throughout the existing service area, as are ten separately metered irrigation outlets. Lines extending into

areas that were not conducive to looping are provided with flushing valves at the end of each line.

#### Wastewater Treatment Plant

The utility's wastewater treatment plant is a steel Enviroport plant operating in the contact stabilization mode of treatment and rated at 200,000 gpd. The effluent flows from this modified plant into a dual sand filtration unit for a final polish before being dispersed to the percolation ponds. Disinfection of pathogens is accomplished by chlorine gas purchased in 150 pound cylinders. Water for plant wash-down is obtained from the potable water system and is not recycled gray water from the chlorine contact chamber.

#### Wastewater Collection System

The gravity collection mains for Jensen Park Estates - Phase I, the oldest of the developed phases, were constructed with 10 inch and 8 inch vitrified clay pipe. This type of pipe is somewhat fragile. It is now approximately 15 years old, and is starting to deteriorate. The remaining collection system is a network of 10 inch and 8 inch PVC gravity feed pipes with two lift stations. Both lift stations are fed by gravity flow from different areas of the service territory and are injected into the wastewater plant via separate force mains. Neither serves as a master receiving station. The collection system appears adequately designed and constructed to serve the existing development.

We hereby make adjustments to plant to reflect \$10,178 for water and \$3,250 for wastewater plant additions not included in the utility's application, adjustments of \$648 for water and \$648 for wastewater pro forma plant additions for a copying machine, adjustments of (\$805) for water plant and (\$12,865) for wastewater plant to reclassify plant in service to the land account, and adjustments of (\$1,046) for water and (\$3,250) for wastewater to reflect an averaging adjustment of plant for the test period.

Based on the foregoing, we find that the appropriate amount of plant in service is \$306,569 for water and \$403,875 for wastewater.

#### Land

By Order No. 24481, the Commission found land value to be \$805 for the water system and \$12,865 for the wastewater system. Other than reclassification from utility plant in service, we find that no adjustments to land value are necessary.

Non-Used and Useful Plant

In accordance with our above findings regarding used and useful, we find it appropriate to make an adjustment to wastewater plant accounts of (\$15,717) to reflect a 57.29% used and useful determination for the wastewater treatment plant.

Contributions-in-Aid-of-Construction (CIAC)

The CIAC balances have been adjusted to impute CIAC undercollected since the last rate case of (\$875) for the water system. We find that the appropriate CIAC balances are (\$270,850) for water and (\$327,809) for wastewater.

Accumulated Depreciation

Consistent with Commission practice, we calculated accumulated depreciation using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. The accumulated depreciation balances have been adjusted to reflect the amounts reflected in Order No. 24481 up through the present, (\$14,288) for water and (\$10,778) for wastewater, to reflect one year of depreciation on pro forma plant (copier), \$43 for water and \$43 for wastewater, and to adjust for changes related to the averaging adjustment, \$6,399 for water and \$7,985 for wastewater. Based on the foregoing, we find that the appropriate accumulated depreciation balances are (\$119,699) for water and (\$153,373) for wastewater.

Accumulated Amortization

The accumulated amortization of CIAC balances have been adjusted to reflect CIAC recorded by Order No. 24481, and according to prescribed NARUC rates, (\$13,460) for water and (\$10,895) for wastewater. We find that the appropriate amortization of CIAC balances are \$120,235 for water and \$116,020 for wastewater.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we find it appropriate to use the one-eighth of operation and maintenance expense formula approach for calculating working capital allowance. Applying that formula, we find that the appropriate working capital allowance is \$9,181 for water and \$9,379 for wastewater (based on operation and maintenance expenses (O&M) of \$73,447 for water and \$75,035 for wastewater).

### Rate Base Summary

Based on the foregoing, we find that the appropriate balance of the IBSCO test year rate base is \$46,241 for water and \$45,240 for wastewater.

### COST OF CAPITAL

Our calculation of the appropriate cost of capital and our adjustments are contained in Schedule No. 2. 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.

### Return on Equity

The utility's capital structure includes mostly long-term debt at interest rates ranging from 0% to 10%. Using the current leverage formula approved by Order No. PSC-94-1051-FOF-WS, issued August 29, 1994, in Docket No. 940006, the rate of return on common equity is 10.42%.

### Overall Rate of Return

Our calculation of the capital structure and the rate of return is shown on Schedule No. 2. Applying the weighted average method to the total capital structure yields an overall rate of return of 9.75% with a range of 9.13% to 10.38%. The company's test year average equity and debt balances have been adjusted down on a pro rata basis to match our finding of the total allowance for rate base.

### NET OPERATING INCOME

Our calculation of net operating income for the water and wastewater systems are depicted on Schedules Nos. 3 and 3-A, respectively. 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 Operating Revenues

The IBSCO system recorded water revenues of \$84,912 and wastewater revenues of \$77,044 during the test period. Upon review of the test year billing analysis, we find that the appropriate



test year revenue is \$86,182 for water and \$78,377 for wastewater. We hereby make adjustments of \$1,270 to water and \$1,333 to wastewater to increase test year revenue to the proper amount.

Test Year Operating Expenses

The utility recorded operating expenses of \$80,441 for water and \$78,336 for wastewater. The components of these expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes.

The utility's test year operating expenses have been traced to invoices. We have made adjustments to reflect unrecorded test year expenses and to reflect approved allowances for plant operations.

Operation and Maintenance Expenses (O&M)

The utility charged \$71,419 to water O&M and \$66,127 to wastewater O&M during the test year. The major adjustments are discussed below:

1) Salaries and Wages - Employees - The utility recorded employee salaries and wages of \$28,925 for water and \$28,925 for wastewater. The utility has four employees consisting of a customer service representative, an operator, and two repair and maintenance staff members.

The customer service representative oversees all income and expenses of the utility, assists in filing county and state applications for licensing, prepares and mails bills, handles customer receipts and bank deposits, and maintains customer and vendor files. She works thirty-two hours per week at \$12.20/hour. This position, accountant/secretary, is paid \$20,300 annually with no benefits.

The operator reads the meters, oversees all maintenance of the plants, checks to see that all aspects of the plant are working properly, checks ponds, surge tanks, lift stations, is responsible for all disconnects and reconnects and handles all matters with the Public Service Commission, DEP, and Martin County. For these services, he receives a salary of \$26,000/year, or \$12.50/hour. This amount includes an increase of \$2,600/year, which we have included as a pro forma adjustment.

The two repair and maintenance staff members are responsible for cleaning and maintenance of both systems. One is paid \$150/week for standby support, while the other is paid \$10/hour for

a four hour work week. Combined, these two maintenance positions are paid \$14,910 annually, \$7,455 for water and \$7,455 for wastewater.

Based on the foregoing, we find that the appropriate employee salaries and wages are \$30,605 for water and \$30,605 for wastewater.

2) Salaries and Wages - Officers - The utility did not record any provision for officer salaries and wages. We therefore find that no adjustment to this account is warranted.

3) Sludge Removal Expense - The utility recorded \$4,200 for sludge removal expense during the test year. We make an adjustment of (\$700) to eliminate an out of period invoice that was included in the test year. We find that the appropriate sludge removal expense is \$3,500 for wastewater.

4) Purchased Power - The utility recorded purchased power expense of \$10,068 for water and \$12,244 for wastewater during the test year. We make a purchased power expense adjustment of \$94 for water and \$94 for wastewater to adjust to the amount reflected on invoices for the test period. We find that the appropriate purchased power expense is \$10,162 for water and \$12,338 for wastewater.

5) Chemicals - The utility recorded chemical expense of \$4,653 for water and \$0 for wastewater during the test year. We make a chemical expense adjustment of (\$600) for water to adjust to the amount reflected on invoices for the test period, and (\$712) for water and \$2,227 for wastewater to true the expense to levels deemed appropriate by the staff engineer. Based on the foregoing, we find that the appropriate chemicals expense is \$3,341 for water and \$2,227 for wastewater.

6) Materials and Supplies - The utility recorded materials and supplies expense of \$1,940 for water and \$2,030 for wastewater. We make an adjustment to this expense category of \$1,410 for water and \$2,906 for wastewater to true the expense to levels deemed appropriate by the staff engineer. We find that the appropriate materials and supplies expense is \$3,350 for water and \$4,936 for wastewater.

7) Contractual Services - The utility recorded contractual services expenses of \$16,345 for water and \$9,144 for wastewater during the test year. We make adjustments to the water contractual services account to: a) adjust expense for invoice support for the period (\$1,387); b) adjust engineering expense to amount incurred

during the test year (\$160); c) reclassify water expense to wastewater expense (\$70); d) allow pro forma increase in billing costs \$447; and e) allow pro forma increase for groundskeeping costs \$650.

We also make adjustments to the wastewater contractual services account to: a) adjust expense for invoice support for the period \$1,018; b) adjust engineering expense to amount incurred during the test year (\$160); c) reclassify water expense to wastewater expense \$70; d) allow for pro forma increase in billing costs \$447; and e) allow pro forma increase for groundskeeping costs \$650.

Total adjustments are (\$520) for water contractual services and \$2,025 for wastewater contractual services. We find that the appropriate amount for water contractual services is \$15,825, which includes \$3,504 for accounting services, \$10,400 for repairs and maintenance, and \$1,921 for required DEP testing. We find that the appropriate amount for wastewater contractual services is \$11,169, which includes \$3,504 for accounting services, and \$7,665 for repairs and maintenance.

8) Rents - The utility recorded \$2,930 in the water and \$2,930 in the wastewater rents accounts. We make adjustments of \$1,227 for water and \$1,227 for wastewater to annualize an increase in rent expense, an adjustment of \$358 for water and \$358 for wastewater to reclassify rent expense from transportation expense, and \$86 for water and \$86 for wastewater to annualize the tax applied on the pro forma increase to rent expense. Based on the foregoing, we find that the appropriate amounts are \$4,601 for the water rents account and \$4,601 for the wastewater rents account.

9) Transportation Expenses - The utility recorded \$1,040 in the water and \$1,040 in the wastewater transportation expense accounts. We make an adjustment of (\$358) for water and (\$358) for wastewater to reclassify rent expense from transportation expense. We find that the appropriate amounts are \$682 for water transportation expense and \$682 for wastewater transportation expense.

10) Insurance Expense - The utility recorded \$3,096 in the water and \$3,095 in the wastewater insurance expense account. We make an adjustment of (\$84) for water and (\$84) for wastewater to eliminate out of period workers' compensation insurance expense. We find that the appropriate amounts are \$3,012 for water insurance expense and \$3,011 for wastewater insurance expense.

11) Regulatory Commission Expense - The utility did not record any expense in the water or wastewater regulatory commission expense account. We make an adjustment of \$250 for water and \$250 for wastewater to include the staff assisted rate case filing fee amortized over four years.

12) Miscellaneous Expense - The utility recorded \$2,422 of water and \$2,519 of wastewater miscellaneous expenses. We make adjustments to: a) adjust (\$98) of water and (\$98) of wastewater phone expense to agree with the invoiced total for the test period; and b) adjust (\$705) of water and (\$705) of wastewater stationery expense for the reduced costs of billing materials.

Total miscellaneous expense adjustments are (\$803) for water and (\$803) for wastewater. We find that the appropriate water miscellaneous expenses are \$1,619, which includes \$270 for telephone, \$699 for office supplies, and \$650 for postage. We find that the appropriate wastewater miscellaneous expenses are \$1,716, which includes \$270 for telephone expense, \$796 for office supplies, and \$650 for postage.

#### Operation and Maintenance Expenses (O&M) Summary

Total IBSCO operation and maintenance adjustments are \$2,028 for water and \$8,908 for wastewater. We find that the appropriate O&M expenses for IBSCO are \$73,447 for water and \$75,035 for wastewater. IBSCO O&M expenses are shown in Schedules Nos. 3-C and 3-D.

#### Depreciation Expense

The utility recorded \$11,490 of water and \$3,085 of wastewater depreciation expense during the test year. We make adjustments to: a) adjust \$1,308 of water and \$12,884 of wastewater depreciation to agree with NARUC rates; b) adjust \$43 of water and \$43 of wastewater depreciation for the addition of pro forma plant-copier; and c) adjust (\$987) of wastewater depreciation for the exclusion of non-used and useful plant. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances, and then offsetting that by applying the composite depreciation rates to the appropriate CIAC account balances, yields the appropriate depreciation expenses net of CIAC of \$198 for water and \$2,142 for wastewater during the test year.

#### Taxes Other Than Income Taxes

The utility recorded \$9,477 of water and \$9,124 of wastewater taxes other than income during the test year. We make adjustments

to: a) adjust (\$1,449) of water and \$826 of wastewater real estate tax per tax assessments for the test period; b) adjust \$57 of water and \$60 of wastewater regulatory assessment fees to reflect the adjustment made to operating revenues; and c) adjust \$145 of water and \$145 of wastewater payroll taxes to adjust for the pro forma payroll increases. Based on the foregoing, we find that the appropriate amounts are \$8,230 for water and \$10,155 for wastewater taxes other than income.

Increases in Operating Revenues and Expenses for Ratesetting Purposes

Operating Revenues

Revenues have been adjusted by \$214 for water and \$13,998 for wastewater to reflect the increase in revenue required to cover expenses and to allow the utility the opportunity to earn its rate of return on investment.

Taxes Other Than Income Taxes

This expense has been increased by \$10 for water and by \$630 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary

The application of our adjustments to the utility's test year operating expenses results in operating expenses of \$81,885 for water and \$87,962 for wastewater.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, IBSCO shall be allowed an annual increase in revenue of \$186 (.25%) for water and \$5,078 (17.86%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 9.75% return on its investment.

RATES AND CHARGES

During the test year, IBSCO provided water service to approximately 299 residential customers and wastewater service to approximately 289 residential customers. The utility currently employs the base facility/gallonage charge rate structure for all customers. The Commission has a memorandum of understanding with the Florida Water Management Districts. This memorandum recognizes that a joint cooperative effort is necessary to implement an

effective, statewide water conservation policy. Water use in the utility's service area is under the jurisdiction of the South Florida Water Management District (SFWMD). SFWMD has been notified that the utility has filed for a change in rates, but because there are no special water use conditions placed on the utility in the permit issued by SFWMD, no particular restrictions that promote conservation are necessary at this time. Therefore, we make no changes in rate structure.

We have calculated a base facility/gallage charge for water and wastewater customers based on test year data. The base facility/gallage charge rate structure is the preferred rate structure because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the costs of providing service (through the consumption or gallage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

Approximately 23% (or \$20,257) of the water revenue requirement and 37% (or \$33,897) of the wastewater revenue requirement are associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored ERCs. The remaining 77% (or \$66,139) of the water revenue requirement and 63% (or \$58,478) of the wastewater revenue requirement represent the consumption charge based on the estimated number of gallons consumed during the test period.

Schedules of the utility's current and approved rates are shown below:

IBSCO  
WATER RATES  
RESIDENTIAL MULTI-RESIDENTIAL, AND GENERAL SERVICE

Meter Size	<u>Base Facility Charge</u>	
	<u>Current Rate</u>	<u>Approved Rate</u>
5/8" x 3/4"	\$ 5.97	\$ 4.85
3/4"	N/A	7.28
1"	N/A	12.13
1-1/2"	N/A	24.26
2"	N/A	38.81
3"	N/A	77.63
4"	N/A	121.30
6"	N/A	242.59
 Gallonage Charge Per 1,000 gallons	 \$ 1.27	 \$ 1.30

IBSCO  
WASTEWATER RATES  
RESIDENTIAL MULTI-RESIDENTIAL, AND GENERAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>	
	<u>Current Rate</u>	<u>Approved Rate</u>
5/8" x 3/4"	\$ 7.15	\$ 8.36
3/4"	N/A	12.54
1"	N/A	20.89
1-1/2"	N/A	41.79
2"	N/A	66.86
3"	N/A	133.72
4"	N/A	208.93
6"	N/A	417.86
 Gallonage Charge Per 1,000 gallons (10,000 gallon max.)	 \$ 1.68	 \$ 1.85

Using the 299 test year water customers with an average water use of 13,000 gallons/month per customer, an average residential water bill comparison is shown below:

	Water Average Bill Using Current <u>Rates</u>	Water Average Bill Using Approved <u>Rates</u>	<u>Percent Increase</u>
Base Facility Charge	\$ 5.97	\$ 4.85	
Gallonaage Charge	<u>\$15.66</u>	<u>\$ 16.90</u>	
Total	\$21.63	\$ 21.75	.25%

Using the 289 test year wastewater customers with an average wastewater consumption of 7,028 gallons/month per customer, an average residential monthly wastewater bill comparison is shown below:

	Wastewater Average Monthly Bill Using Current <u>Rates</u>	Wastewater Average Monthly Bill Using Approved <u>Rates</u>	<u>Percent Increase</u>
Base Facility Charge	\$ 7.15	\$ 8.36	
Gallonaage Charge	<u>\$11.81</u>	<u>\$ 13.00</u>	
Total	\$18.96	\$ 21.36	12.66%

The rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. The tariff sheets shall be approved upon staff's verification that the tariffs are consistent with this decision, that the customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate shall be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.



STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which are \$261 annually for the water and wastewater systems at IBSCO. The reduction in revenues results in the rates shown on Schedules Nos. 4 and 4-A.

The utility shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also be required to file a proposed customer notice 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-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

SERVICE AVAILABILITY CHARGES

The utility's tariff has plant capacity and system capacity charges at actual cost. It also contains a meter installation fee of \$125 for the water meter. We find it appropriate for the utility to maintain its existing service availability charges.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order contains an increase in water and wastewater rates for IBSCO. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein on a temporary basis, subject to refund, provided that the utility first furnishes and has approved by Commission staff adequate security for a potential refund through a bond, letter of credit in the amount of \$31,839, or escrow agreement, a proposed customer notice, and revised tariff sheets.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than twenty days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

#### BOOKS AND RECORDS

During the test year, the utility's books were not maintained in conformity with the Uniform System of Accounts (USOA). Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Wastewater Utilities", states:

- 1) Water and Wastewater Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

We believe the utility has the expertise necessary to convert and maintain its records in conformity with Rule 25-30.115, Florida Administrative Code. Our staff is available to assist the utility in this regard, if necessary. Therefore, the utility shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

In the event that no timely protest is received, the rates approved herein on a temporary basis shall become final and this docket shall be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that IBSCO, Inc.'s, application for increased water rates is hereby 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 schedules attached hereto are incorporated herein by reference. It is further

ORDERED that IBSCO, Inc., is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that IBSCO, Inc.'s, rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received proper notice. It is further

ORDERED that IBSCO, Inc., shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, IBSCO, Inc., shall submit and have approved a bond or letter of credit in the amount of \$5,654 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that IBSCO, Inc.'s, existing service availability charges shall be maintained. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, IBSCO, Inc., is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that IBSCO, Inc., has furnished satisfactory security for any potential refund and provided that it has

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submitted and our staff has approved revised tariff pages and a proposed customer notice. It is further

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

ORDERED that IBSCO, Inc., shall submit monthly reports as set forth in the body of this Order. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that the provision of this Order regarding our granting of increased rates and charges is issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting, 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 IBSCO, Inc., shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that if no timely protest is received from a substantially affected person, the security funds may be released. It is further

ORDERED that this docket shall be closed if no timely protest is received from a substantially affected person, and upon the utility's filing and our staff's approval of revised tariff sheets and the customer notice.

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By ORDER of the Florida Public Service Commission, this 24th  
day of April, 1995.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

RGC

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 action regarding our granting of the increased rates and charges is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this Order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 15, 1995. 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.

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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 wastewater 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 wastewater 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.

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993  
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1  
 DOCKET NO. 940767-WS

	<u>BALANCE PER UTIL. APP.</u>	<u>COMMISSION ADJ. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$297,594	\$8,975 A	\$306,569
LAND/NON-DEPRECIABLE ASSETS	0	805 B	805
PLANT HELD FOR FUTURE USE	0	0	0
NON-USED AND USEFUL PLANT	0	0 C	0
CWIP	0	0	0
CIAC	(269,975)	(875) D	(270,850)
ACCUMULATED DEPRECIATION	(111,767)	(7,932) E	(119,699)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	106,783	13,452 F	120,235
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,181 G</u>	<u>9,181</u>
WATER RATE BASE	\$22,635	\$23,606	<span style="border: 1px solid black; padding: 2px;">\$46,241</span>



IBSCO, INC.  
TEST YEAR ENDING DECEMBER 31, 1993  
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-A  
DOCKET NO. 940767-WS

	<u>BALANCE PER UTIL. APP.</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$416,092	(\$12,217) A	\$403,875
LAND/NON-DEPRECIABLE ASSETS	0	12,865 B	12,865
PLANT HELD FOR FUTURE USE	0	0	0
NON-USED AND USEFUL PLANT	0	(15,717) C	(15,717)
RATE BASE ADJUSTMENT TO ZERO	0	0 H	0
CIAC	(327,809)	0 D	(327,809)
ACCUMULATED DEPRECIATION	(150,537)	(2,836) E	(153,373)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	105,125	10,895 F	116,020
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,379</u> G	<u>9,379</u>
WASTEWATER RATE BASE	\$42,871	\$2,369	<span style="border: 1px solid black; padding: 2px;">\$45,240</span>

IBSCO, INC.  
TEST YEAR ENDING DECEMBER 31, 1993  
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-B  
DOCKET NO. 940767-WS

<u>A. UTILITY PLANT IN SERVICE</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. Agree utility balances with Order 24481	\$ 10,178	\$ 3,250
2. To reflect pro forma plant (copier)	648	648
3. To reflect averaging adjustments	(1,046)	(3,250)
4. To reclassify land from pis	(805)	(12,865)
	<u>\$ 8,975</u>	<u>\$ (12,217)</u>
<u>B. LAND</u>		
1. To reclassify land from pis	\$ 805	\$ 12,865
	0	0
	<u>\$ 805</u>	<u>\$ 12,865</u>
<u>C. NON-USED AND USEFUL PLANT</u>		
1. To reflect non-used and useful plant	<u>\$ 0</u>	<u>\$ (15,717)</u>
<u>D. CIAC</u>		
1. To impute CIAC authorized but not collected since last rate case	(875)	0
	0	0
	0	0
	<u>\$ (875)</u>	<u>\$ 0</u>
<u>E. ACCUMULATED DEPRECIATION</u>		
1. To reflect NARUC rates	\$ (14,288)	\$ (10,776)
2. To reflect 1 year depreciation for pro forma plant	(43)	(43)
3. To reflect accumulated depreciation for averaging	6,399	7,985
	0	0
	0	0
	0	0
	0	0
	<u>\$ (7,932)</u>	<u>\$ (2,836)</u>
<u>F. AMORTIZATION OF CIAC</u>		
1. To adjust per NARUC, Rule 25-30.140	\$ 13,460	\$ 10,895
2. Averaging adjustment	(8)	0
	0	0
	<u>\$ 13,452</u>	<u>\$ 10,895</u>
<u>G. WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses	<u>\$ 9,181</u>	<u>\$ 9,379</u>
<u>H. RATE BASE ADJUSTMENT TO ZERO</u>		
1. Adjust rate base to zero	<u>\$ 0</u>	<u>\$ 0</u>

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 940767-WS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 29,682	\$ 0	\$ 29,682	32.45%	8.94%	2.90%
LONG-TERM DEBT	3,024	0	3,024	3.31%	10.00%	0.33%
LONG-TERM DEBT	1,500	0	1,500	1.64%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	8.50%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	8.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	7.50%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	7.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	8.75%	0.00%
EQUITY	31,300	25,975	57,275	62.61%	10.42%	6.52%
PREFERRED STOCK	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	6.00%	0.00%
TOTAL	\$ 65,506	\$ 25,975	\$ 91,481	100.00%		9.75%
TOTAL RATE BASE	\$ 65,506		\$ 91,481			

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY (PSC 941051 FOF WS)	9.42%	11.42%
OVERALL RATE OF RETURN	9.13%	10.38%

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993  
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3  
 DOCKET NO. 940767-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 84,912	\$ 1,270	A 86,182	\$ 214	F 86,396
OPERATING EXPENSES					
OPERATION AND MAINTENANCE	71,419	2,028	B 73,447	0	73,447
DEPRECIATION	11,490	1,351	C 12,841	0	12,841
AMORTIZATION	(11,945)	(698)	D (12,643)	0	(12,643)
TAXES OTHER THAN INCOME	9,477	(1,247)	E 8,230	10	G 8,240
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 80,441	\$ 1,434	\$ 81,875	\$ 10	\$ 81,885
OPERATING INCOME / (LOSS)	\$ 4,471		\$ 4,307		\$ 4,511
WATER RATE BASE	\$ 22,635		\$ 46,241		\$ 46,241
RATE OF RETURN	N/A		9.31%		9.75%

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993  
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-A  
 DOCKET NO. 940767-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ 77,044	\$ 1,333 A	78,377	\$ 13,998 F	92,375
OPERATING EXPENSES					
OPERATION AND MAINTENANCE	66,127	8,908 B	75,035	0	75,035
DEPRECIATION	3,085	11,940 C	15,025	0	15,025
AMORTIZATION	0	(12,883) D	(12,883)	0	(12,883)
TAXES OTHER THAN INCOME	9,124	1,031 E	10,155	630 G	10,785
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 78,336	\$ 8,996	\$ 87,332	\$ 630	\$ 87,962
OPERATING INCOME / (LOSS)	\$ (1,292)		\$ (8,955)		\$ 4,413
WASTEWATER RATE BASE	\$ 42,871		\$ 45,240		\$ 45,240
RATE OF RETURN	N/A		N/A		9.75%

IBSCO, INC.  
TEST YEAR ENDING DECEMBER 31, 1993  
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B (Sheet 1 of 2)  
DOCKET NO. 940767-WS

A. REVENUE	WATER	WASTEWATER
a. To adjust out of period revenue	\$ <u>1,270</u>	\$ <u>1,333</u>
<b>B. OPERATION AND MAINTENANCE EXPENSES</b>		
1. Salaries and Wages (Employees)		
a. To adjust per utility filed W-2	(575)	(575)
b. To adjust plant operator salary	1,300	1,300
c. To reflect Comm. salary level for maintenance employee	955	955
	\$ <u>1,680</u>	\$ <u>1,680</u>
2. Salaries and Wages (Officers)		
	0	0
	0	0
	\$ <u>0</u>	\$ <u>0</u>
3. Sludge Removal Expense		
a. To adjust out of period expense	0	(700)
	0	0
	\$ <u>0</u>	\$ <u>(700)</u>
4. Purchased Power		
a. To adjust expense per invoices for the test period	94	94
	0	0
	\$ <u>94</u>	\$ <u>94</u>
5. Chemicals		
a. To adjust out of period expense	(600)	0
b. To adjust chemical expense to prescribed levels	(712)	2,227
	\$ <u>(1,312)</u>	\$ <u>2,227</u>
6. Materials and Supplies		
a. To reflect annual expenditures	1,410	2,906
	\$ <u>1,410</u>	\$ <u>2,906</u>
7. Contractual Services		
a. To adjust testing expense per audit(portion reclass. to sewer)	(1,387)	1,018
b. To adjust engineering expense	(160)	(160)
c. To reclassify water expense to wastewater	(70)	70
d. To reflect pro forma increase in billing costs	447	447
e. To reflect allowance for mowing	650	650
	0	0
	\$ <u>(520)</u>	\$ <u>2,025</u>
8. Rents		
a. To annualize increase in rent expense	1,227	1,227
b. To reclassify rent expense from transportation expense	358	358
c. To annualize tax applied on rent (7%)	86	86
	\$ <u>1,671</u>	\$ <u>1,671</u>
9. Transportation Expenses		
a. To reclassify transportation expense to rent expense	(358)	(358)
	0	0
	0	0
	\$ <u>(358)</u>	\$ <u>(358)</u>
10. Insurance Expense		
a. To adjust out of period expense for workmen's compensation	(84)	(84)
	0	0
	0	0
	\$ <u>(84)</u>	\$ <u>(84)</u>

(Continued on Sheet 2)

IBSCO, INC.  
TEST YEAR ENDING DECEMBER 31, 1993  
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B (Sheet 2 of 2)  
DOCKET NO. 940767-WS

11. Regulatory Commission Expense		
a. To reflect rate case filing fee amortized over four years	250	250
	0	0
	<u>\$ 250</u>	<u>\$ 250</u>
12. Miscellaneous Expenses		
a. To adjust phone expense	(98)	(98)
b. To adjust office supply expense	(705)	(705)
	0	0
	0	0
	0	0
	<u>\$ (803)</u>	<u>\$ (803)</u>
13. Unclassified disbursements		
	0	0
	0	0
	<u>\$ 0</u>	<u>\$ 0</u>
	<u>\$ 2,028</u>	<u>\$ 8,908</u>
TOTAL O & M ADJUSTMENTS		
C. <u>DEPRECIATION EXPENSE</u>		
1. To adjust depreciation expense per NARUC rates	1,308	12,884
2. To adjust depreciation expense for per audit for pro forma plant	43	43
3. To adjust for non-used and useful plant	0	(987)
	0	0
	0	0
	0	0
	<u>\$ 1,351</u>	<u>\$ 11,940</u>
D. <u>AMORTIZATION EXPENSE</u>		
1. To adjust amortization per NARUC, Rule 25-30.140	(690)	(12,883)
2. To reflect averaging adjustment	(8)	0
	0	0
	0	0
	<u>\$ (698)</u>	<u>\$ (12,883)</u>
E. <u>TAXES OTHER THAN INCOME</u>		
1. To adjust real estate taxes	(1,449)	826
2. To reflect regulatory assessment fees on test year revenue adjustment	57	60
3. To adjust for payroll taxes related to payroll adjustment (8.65%)	145	145
	0	0
	<u>\$ (1,247)</u>	<u>\$ 1,031</u>
F. <u>OPERATING REVENUES</u>		
1. To reflect Commission's recommended increase in revenue	<u>\$ 214</u>	<u>\$ 13,998</u>
G. <u>TAXES OTHER THAN INCOME</u>		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement	<u>\$ 10</u>	<u>\$ 630</u>

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993  
 ANALYSIS OF WATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-C  
 DOCKET NO. 940767-WS

	TOTAL PER UTIL.	COMMISSION ADJUST.		TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$ 28,925	\$ 1,680	[1]	30,605
(603) SALARIES AND WAGES - OFFICERS	0	0	[2]	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	10,068	94	[4]	10,162
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	4,653	(1,312)	[5]	3,341
(620) MATERIALS AND SUPPLIES	1,940	1,410	[6]	3,350
(630) CONTRACTUAL SERVICES	14,424	(520)	[7]	13,904
DEP REQUIRED TESTING	1,921	0		1,921
(640) RENTS	2,930	1,671	[8]	4,601
(650) TRANSPORTATION EXPENSE	1,040	(358)	[9]	682
(655) INSURANCE EXPENSE	3,096	(84)	[10]	3,012
(655) REGULATORY COMMISSION EXPENSE	0	250	[11]	250
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	2,422	(803)	[12]	1,619
UNCLASSIFIED DISBURSEMENTS	0	0		0
	\$ 71,419	\$ 2,028		\$ 73,447



IBSCO, INC.  
TEST YEAR ENDING DECEMBER 31, 1993  
ANALYSIS OF WASTEWATER OPERATION AND  
MAINTENANCE EXPENSE

	<u>TOTAL PER UTIL.</u>	<u>COMMISSION ADJUST.</u>		<u>TOTAL PER COMM.</u>
(701) SALARIES AND WAGES - EMPLOYEES	\$ 28,925	\$ 1,680	[1]	30,605
(703) SALARIES AND WAGES - OFFICERS	0	0	[2]	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(710) PURCHASED SEWAGE TREATMENT SLUDGE REMOVAL	0	0		0
(715) PURCHASED POWER	4,200	(700)	[3]	3,500
(716) FUEL FOR POWER PRODUCTION	12,244	94	[4]	12,338
(718) CHEMICALS	0	0		0
(720) MATERIALS AND SUPPLIES	0	2,227	[5]	2,227
(730) CONTRACTUAL SERVICES	2,030	2,906	[6]	4,936
(740) RENTS	9,144	2,025	[7]	11,169
(750) TRANSPORTATION EXPENSE	2,930	1,671	[8]	4,601
(755) INSURANCE EXPENSE	1,040	(358)	[9]	682
(765) REGULATORY COMMISSION EXPENSES	3,095	(84)	[10]	3,011
(770) BAD DEBT EXPENSE	0	250	[11]	250
(775) MISCELLANEOUS EXPENSES	0	0		0
UNCLASSIFIED DISBURSEMENTS	2,519	(803)	[12]	1,716
	<u>0</u>	<u>0</u>		<u>0</u>
	\$ 66,127	\$ 8,908		\$ 75,035

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RECOMMENDED RATE REDUCTION SCHEDULE

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 4  
 DOCKET NO. 940767-WS

CALCULATION OF RATE REDUCTION AMOUNT  
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>RECOMMENDED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 4.85	0.01
3/4"	7.28	0.02
1"	12.13	0.04
1-1/2"	24.26	0.07
2"	38.81	0.12
3"	77.63	0.24
4"	121.30	0.37
6"	242.59	0.74
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.30	0.00

RECOMMENDED RATE REDUCTION SCHEDULE

IBSCO, INC.  
 TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 4-A  
 DOCKET NO. 940767-WS

CALCULATION OF RATE REDUCTION AMOUNT  
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>RECOMMENDED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 8.36	0.02
1"	12.54	0.04
1-1/4"	20.89	0.06
1-1/2"	41.79	0.12
2"	66.86	0.19
3"	133.72	0.38
4"	208.93	0.59
6"	417.86	1.18
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.85	0.01