

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 941280-WS
increase in Pasco County by) ORDER NO. PSC-95-1437-FOF-WS
BETMAR UTILITIES, INC.) ISSUED: November 27, 1995

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING FINAL RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein 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

Betmar Utilities, Inc. (Betmar or utility) is a Class B utility located in Pasco County. According to the Southwest Florida Water Management District (SWFWMD), Betmar is not in a water use caution area. The main office for the utility is located in the City of Port Richey and facilities are located near the City of Zephyrhills. The utility has a water system with five wells; three of which are unusable and offline due to poor recovery rate or setback requirements established by the Department of Environmental Protection (DEP). One of the three is held for emergency use (fire flow) only. Betmar also maintains a wastewater collection system, which has been connected to the Pasco County wastewater system as a bulk customer since 1991. According to the minimum filing requirements (MFRs) filed in this rate case, during the test year ending December 31, 1994, the utility had an average of 1,621 water customers and 1,001 wastewater customers.

The utility filed this application for a rate case on April 14, 1995. We found this filing deficient, and Betmar corrected the deficiencies on May 19, 1995, and that date was established as the official date of filing. The test year

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FPSC-RECORDS/REPORTING

for this docket is the historical twelve-month period ending December 31, 1994. Also, the utility requested that this case be processed using the Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes.

Betmar reported adjusted test year operating revenues of \$170,443 for water and \$198,314 for wastewater operations, producing rates of return of -14.21% and -32.29% respectively. The last Commission action considering rates for the utility was a rate reduction effective April 1, 1995. As a result of the last general rate case for the utility, Order No. 24225, was issued March 12, 1991, in Docket No. 900688-WS.

The utility has requested revenue adjustments of \$68,756 for water and \$65,289 for wastewater, designed to produce a rate of return of 10.99% each.

QUALITY OF SERVICE

Our analysis of the overall quality of service provided by the utility is derived from quality of the utility's product (water and/or wastewater), operational condition of the utility's plant or facilities and customer satisfaction. We have also considered the utility's current compliance with DEP and Health Department (water and wastewater) standards.

Quality of Utility's Product

Betmar has no current DEP, Health Department or EPA violations with either the water or wastewater facilities. The utility is a bulk wastewater customer of Pasco County, and therefore operates a collection system for wastewater and transfers it to Pasco County for treatment.

Operational Condition of the Utility's Plant or Facilities

The utility is in compliance with all operational regulations. During a site inspection performed by our staff engineer the week of June 12, 1995, all facilities were found to be in proper maintenance and operational condition.

Customer Satisfaction

A customer meeting was held on August 3, 1995. Approximately 250 persons attended. Seventeen people spoke at the meeting. No quality of service issues were raised. The utility has made a concerted effort to prevent quality of service problems and to promptly correct any complaints that arise.

Upon consideration of the foregoing, we find that the quality of service provided by Betmar satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1-A for the water system and Schedule No. 1-B for the wastewater system. Our adjustments are itemized on Schedule No. 1-C. Those adjustments which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The water treatment plant consists of a closed system of five wells that, in the past, relied on the capacity of its three most prominent wells to meet general flow demands. By Orders Nos. 24225 and 20787, issued March 12, 1991 and February 21, 1989, in Docket Nos. 900688-WS and 880914-WS, respectively, we found the water system, both treatment and distribution systems and the wastewater collection system to be 100% used and useful. Because of DEP regulations regarding setback from pollution sources (for example, septic tanks), two of the wells are currently off line and a third is available but to be used for emergency fire flow only. The utility has an emergency connection to the Pasco County water system and a permit from the water management district to drill a new twelve inch well. When a suitable site can be located and acquired, the well will be drilled. The water transmission and distribution system is designed and constructed to service the customers in the most efficient manner. The utility could not provide adequate and sufficient service with any less of a system.

The wastewater collection system was constructed with appropriately sized gravity lines and prudent placement of lift stations. As with the water system described above, the utility could not provide adequate and sufficient service with any less of a collection system. Since the utility has no wastewater treatment plant and is connected as a bulk customer to that Pasco County wastewater treatment plant, no used and useful application for treatment plant is necessary. Therefore, we find that the water and wastewater systems are 100% used and useful.

Excessive Unaccounted For Water

Unaccounted for water is caused by incidents such as main breaks, fire hydrant flushing or theft. In the past, we have established a 10% loss as an acceptable figure for unaccounted for

water. According to the MFRs, Betmar had 11.15% unaccounted for water during the test year. We find that 11.15% is within acceptable limits. If we were to disallow this percentage, the reduction in revenues would be \$648 from account 610 (Purchased Power) and \$490 from account 618 (Chemicals), a total of \$1138. This calculates to approximately 70 cents per water customer per year. We find this to be an insignificant figure. We would, however, encourage the utility to maintain vigilance regarding unaccounted for water and take steps to reduce the loss to 10% or less.

Excessive Infiltration and Inflow (I&I)

Infiltration and inflow is caused by groundwater seeping into collection lines and rainwater flowing into lift stations. The problem can be exacerbated by leaking seals and broken lines. Industry standards calculate 80% of water sold will be returned to wastewater treatment plants. Analysis of Betmar's water sold versus wastewater flows billed by Pasco County reveals a return of 97%; far above the standard. For this calculation, only water and wastewater customers of the utility were included; since those with septic tanks do not contribute to wastewater flows.

Correspondence from the utility indicates extensive repairs are being undertaken to alleviate the I&I problem. For example, 15 manholes have been treated with fiberglass to eliminate leaks. The cost of the treatment was \$28,500. Also planned is the removal and replacement of old clay pipes with PVC pipe to eliminate leakage. As the different areas are repaired, the utility is better able to determine where additional attention is required. Since Betmar has initiated this repair campaign and is actively pursuing the elimination of the I&I problem, we find that it is unnecessary to disallow any expense associated with excessive I&I.

Margin Reserve

The utility did not request a margin reserve. Since the plant is essentially built out, and we found it to be 100% used and useful, we find that no margin reserve is necessary.

Plant-In-Service

The utility recorded the purchase of a golf cart by allocating the entire cost of the cart to the water system. According to our staff's Audit Disclosure No. 6, the golf cart will be used equally between the water and wastewater systems. Therefore, we have reallocated one-half of the cost of the golf cart, or \$997, to wastewater from water. We have also reallocated the associated

\$200 of water accumulated depreciation to the wastewater accumulated depreciation account. In addition, we have adjusted the related depreciation expense accounts by a decrease to water of \$67 and an increase to wastewater of \$67.

Working Capital

Rule 25-30.433(2), Florida Administrative Code, requires Class B utilities to use the formula method, or one-eighth of operation and maintenance (O&M) expenses, for calculating the working capital allowance. The utility has calculated its working capital allowance pursuant to this rule. We have made adjustments to O&M expenses as discussed later in this Order. Based on the adjusted balance of O&M expenses, we find that working capital is \$17,383 for water and \$23,713 for wastewater.

Rate Base

Based upon adjustments and use of a simple average test year, we find the average rate base for Betmar is \$240,178 for water and \$139,124 for wastewater.

COST OF CAPITAL

Our calculation of the appropriate cost of capital for each system is depicted on Schedule No. 2.

Common Equity

In its MFRs, the utility does not reflect common equity at its correct simple average. Rule 25-30.433(4), Florida Administrative Code, requires the use of a simple beginning and end of year averaging method for Class B utilities. Applying this rule, we have increased common equity by \$15,584 to arrive at the simple average balance of \$265,297.

Cost Rate of Customer Deposits

According to the utility's approved tariff, the amount of initial deposit for a 5/8" meter size shall be \$35 for water service and \$50 for wastewater service. The utility charged 15 of its water and wastewater customers a \$50 deposit instead of the approved \$85 due to their limited usage. Furthermore, the utility did not reflect deposits that were collected from five of its wastewater only customers and two water and wastewater customers. We have increased the average balance of customer deposits by \$945 to reflect these discrepancies with its tariff.

The utility used a cost rate of 7.00% for customer deposits in its MFRs. Rule 25-30.311(4)(a), Florida Administrative Code, requires that each utility which requires deposits to be made by its residential customers shall pay a minimum rate of interest on such deposits of 6 percent per annum. Non-residential customer deposits by that rule are allowed an interest rate of 7% only if the utility elects not to refund the deposit after 23 months. Upon review of the MFRs, the majority of the utility's customers are residential. The MFRs do not support or explain why 7% was requested. Therefore, we find it appropriate to apply a 6.00% cost rate to customer deposits.

Cost Rate of Long Term Debt

The utility has requested a cost rate of 12% for long-term debt. The long-term debt consists of a related party loan from Turco Supertest, owned by Joe Turco, to the utility. Turco Supertest provided goods and services valued at \$153,314 to Betmar in 1989. Since that time, Betmar has not repaid principal or interest to Turco Supertest. In the utility's response to our staff's discovery, a promissory note between Betmar and Turco Supertest was provided which indicates a cost rate of 12%. The note was dated November 20, 1992, but not signed by Betmar's owner until July 21, 1995.

By their very nature, related party transactions require full scrutiny by this Commission. Just because the transaction is between related parties does not mean the transaction is unreasonable. However, it is the utility's burden to prove the reasonableness of the transaction. In order to support the cost of debt in a related party transaction, the utility should show that it cannot obtain a lower cost rate than the one requested. In this respect, Betmar has not supported its requested cost of debt.

In the absence of support for Betmar's requested rate, we find that the appropriate cost rate for related party debt transactions shall be the prime rate of interest plus 2%. At the time the promissory note was entered into and signed by the utility on July 21, 1995, the prime rate of interest was 8.75%. Therefore, we find it appropriate to include the long term debt at a cost of 10.75% in the utility's capital structure.

Overall Rate of Return

Based upon the components of our adjusted capital structure as shown on Schedule No. 2, we find the equity ratio for Betmar is 63.38%. Using the current leverage formula approved in Order

No. PSC-95-0982-FOF-WS, issued on August 10, 1995 in Docket No. 950006-WS, we find the appropriate return on equity is 10.83%, with a range of 9.83% to 11.83%.

Overall Cost of Capital

Based upon our adjustments herein, we find the overall cost of capital is 10.74%, with a range of 10.12% to 11.37%.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedules Nos. 3-A and 3-B for each individual system. The schedule of adjustments to operating income is attached as Schedule No. 3-C. Those adjustments which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenues

During 1994, Betmar billed 702,000 gallons at a lower rate than what was approved in its tariff. This lower rate being charged, on a per 1,000 gallon basis, was exactly one dollar less than the approved tariff amount. Therefore, we have imputed these revenues by increasing test year wastewater revenues by \$702. The resulting amounts for test year revenues are \$172,678 and \$199,016 for water and wastewater, respectively.

Operation and Maintenance Expense (O&M)

In its MFRs, the utility has included previous rate case amortization in the contractual service accounts for legal, accounting and other. In addition, there are several out-of-period charges and late fees included in the test year expense balances, as well as incorrect allocations between the water and wastewater systems. In our staff audit, Audit Exception No. 3 suggests several adjustments to correct for these errors.

Upon our review, we find that all of the adjustments suggested in Audit Exception No. 3 are appropriate except two. The first adjustment related to a \$254 facsimile machine the auditors suggested should be capitalized instead of expensed. We do not find it cost effective to capitalize an item of this magnitude and, therefore, find that it should have been expensed. The second adjustment related to prior unamortized rate case expense that the auditors reallocated from contractual services to rate case expense. We have adjusted the amount of prior rate case to reflect

only the amount allowed in the limited proceeding (Docket No. 910963-WU, Order No. PSC-93-1719-FOF-WU, issued on November 30, 1993). Therefore, we have made corrective adjustments to total O&M expenses to decrease water by \$2,511, and to increase wastewater by \$1,003.

Reclassification of General Manager

The utility has made pro forma adjustments in its MFRs to reclassify the job of general manager. Pro forma adjustments were also made to increase payroll taxes and insurance by \$4,202 and \$3,330, respectively. The position was changed from consultant with Environmental Specialists Group, Inc. (ESG) to general manager employed by Betmar. The utility's support for changing the status of the general manager is inconsistent, as discussed below.

Betmar is owned by Ms. Eve Turco. She is the daughter of Mr. Joe Turco. Mr. Turco is employed as an associate of ESG, and acts as general manager of Betmar through a management contract with the utility. ESG is owned by Ms. Jackie Turco, who is president of ESG and also Mr. Turco's wife. Although Mr. Turco is not the owner of Betmar, he exercises complete control over the operations of the utility. Mr. Turco contends that he spends 40 hours per week on Betmar related duties, and is on call 24 hours a day for the utility. He states that he is not actively involved in any duties relating to any other company. ESG charges Betmar, among other things, an annual management fee of \$54,000 for Mr. Turco's management services. Mr. Turco also owns Turco Supertest, an inactive company which is the creditor party on a promissory note with Betmar.

There are many inconsistencies between the information supplied by the utility to our auditors and the information obtained through discovery. In a response to an audit request, the utility provided a copy of Mr. Turco's resignation as manager of Betmar. This letter was dated June 1, 1995, and states as follows:

I, Joseph L. Turco, associate of Environmental Specialists Group, Inc. herewith tender my resignation as manager of Betmar Utilities, Inc. This resignation will become effective the day and date when all indebtedness is paid to Turco Supertest....

At a minimum, we are confused by this correspondence. The letter does not specify on what date the debt will be paid. Also, the letter is unclear on whether Mr. Turco will remain an associate with ESG. It also assumes that Mr. Turco is already an employee of Betmar. We do not understand why Mr. Turco wrote this letter.

In response to additional discovery, the utility contends that Mr. Turco is not an employee of Betmar at the present time, and that his wages and related taxes are being paid by ESG. Also, the utility states that Mr. Turco should be considered to be an employee of Betmar rather than being included as part of contractual services. However, the response indicates that Betmar and ESG will defer the recording of Mr. Turco as an employee until this treatment is approved by this Commission. This reasoning is inconsistent with the reasoning presented in Mr. Turco's resignation letter obtained by our auditors.

Furthermore, by Order No. 20787, issued on February 21, 1989, we required the utility to notify its customers that they should no longer contact Mr. Turco regarding customer complaints, but should contact a service representative. This Commission order was prompted by complaints from utility customers concerning Mr. Turco's attitude in dealing with the customers. We find that compliance with this order would be accomplished if Mr. Turco remained a consultant and not a direct employee of the utility.

We find that \$54,000 is reasonable compensation for Mr. Turco's management duties. However, ESG shall continue to pay his taxes and benefits. Therefore, we have made an adjustment to remove the utility's pro forma adjustment to reclassify Mr. Turco's fee to wages, and have made an adjustment to remove the related benefits and taxes.

Salaries and Wages-Administrative

The utility included in its MFRs an allowance for administrative salaries of \$44,720. This amount includes a salary expense of \$26,260 for Ms. Eve Turco and \$18,460 for Ms. Angelic Turco Duhaime. Ms. Turco is the owner of the utility and is responsible for making financial decisions. Ms. Duhaime along with Ms. Turco participates in the care of the office; handles customer complaints and billing problems; visits the service area once a week; and handles the accounts receivable, billing records and customer changes.

An outside accounting firm provides Betmar with bookkeeping services at a cost of \$10,000 a year. The utility contracts with ESG to perform customer billing services and management services. ESG charges Betmar \$23,961 for the billing service and \$54,000 for the management services.

In Betmar's 1990 rate case, we determined that \$10,875 was reasonable compensation for Ms. Duhaime's time and duties and that \$13,983 was a reasonable salary for Ms. Turco's time and duties.

Circumstances have not changed substantially since then, nor do we anticipate substantial changes on a prospective basis. Further, since outside contractors are providing a substantial amount of the administrative services, we find that the salaries of these employees shall be kept at the previous level. However, we have increased the 1990 approved allowance by \$3,883, which recognizes the price index increases from 1991 through 1995. This results in an allowance of \$16,167 and 12,574 for Ms. Turco and Ms. Duhaime, respectively.

In the MFRs, salaries and benefits are allocated between water and wastewater plants by the number of customers. Based on the above, we have reduced salaries by \$10,067 for water and \$5,912 for wastewater. Also, we have made an adjustment to reduce payroll taxes by \$783 for water and \$460 for wastewater.

Salaries and Wages-Employees

The utility has made a pro forma adjustment in its MFRs for one additional field person's salary of \$18,720 for cross connection and other maintenance. We find the utility's intent with this additional person is to perform the required annual testing of the approved backflow prevention devices, which is currently the customers' responsibility. DEP requires that the appropriate backflow prevention devices be checked annually. The utility has stated that it would require one hour and fifteen minutes in the field to test the approved backflow preventor device, and another hour and fifteen minutes for the office work associated with the report on the test. Therefore, the required time for the utility to do the annual testing of one backflow prevention device will require a total time of two and one-half hours. Currently, the utility does not annually test these backflow prevention devices but rather provides the customers that currently have these devices, a list of three companies willing to do the testing. The least expensive company has been ESG, which has offered a \$25.00 flat fee to test the appropriate backflow prevention devices. In Order No. PSC-94-0437-FOF-WU, issued April 12, 1994, in Docket No. 931002-WU, we investigated the utility for unauthorized testing fees for backflow prevention devices. The Order states: "We believe that Betmar, itself, did not collect any unauthorized testing fees from its customers. Therefore, we find it appropriate not to order Betmar to show cause for allegedly collecting unauthorized testing fees."

We find that in order to justify this additional field person, the utility must have to annually test over 750 backflow preventor devices per year, since each device requires two and one-half hours per device to test. The utility would also need the necessary

testing equipment and tools which amounts to approximately \$2,500. Currently, the utility has less than 150 approved backflow prevention devices that must require this annual testing. We have estimated the growth projections for the utility to be only 23 connections per year. For reasons stated above, we find that the utility's request to add one additional field person for cross connection and other maintenance is inappropriate and is hereby denied. Furthermore, we have already stated in Order No. PSC-93-1719-FOF-WU, issued November 30, 1993, in Docket No. 910963-WU, that if the customer creates a cross-connection that presents an imminent and substantial danger to the public health, then that customer shall bear the responsibility for its elimination. Therefore, when and if the DEP rules require the installation of a backflow prevention device and its subsequent inspection, the customer shall retain a certified technician to perform inspection and maintenance of the devices.

Legal Fees

In its MFRs, the utility reported test year legal expenses of \$8,513 for water and \$6,983 for wastewater. We requested supporting documentation for the requested legal fees. After reviewing the documents, we concluded that the amount for the law firm of Martin, Ferguski and Harrell represented fees related to property the utility no longer owns.

In its last rate case, the utility retired its wastewater treatment plant and was allowed to amortize the loss over five years. An independent appraisal was performed on the wastewater land which estimated its value at \$55,500. This amount was used in the calculation to determine the loss.

The wastewater treatment plant property has since been sold to Jake Development, a related party. These legal fees are a result of an on-going law suit between Betmar and Jake Development. We find that the customers should not be required to pay any additional costs incurred after the property has been sold. Therefore, we have reduced legal fees by \$3,173 and \$2,115 for water and wastewater, respectively.

Rate Case Expense

The utility's requested provision for rate case charges includes two components: a provision to amortize prior rate charges from Docket No. 900688-WS (\$14,953) and a provision to amortize

current rate case costs (\$75,047). The allocation of the estimated rate case expense for the current portion is as follows:

Legal Fees	\$25,000
Accounting Fees	47,000
Other Expenses	<u>3,047</u>
	<u>\$75,047</u>

Those amounts are shared equally by the water and wastewater divisions.

We requested that the utility supply us with current rate case expense, supporting documentation, and an estimate to complete the PAA proceeding. The utility's current rate case expense and estimate to complete the PAA proceeding produced a revised rate case expense of \$80,195. In our review, we found several areas where adjustments are necessary.

Legal Fees

We have reviewed the requested amount of legal fees incurred in connection with this rate case. The utility originally estimated its legal fees to be \$25,000. According to the utility, only \$9,785 was actually incurred and remaining to process the case through PAA. After review of the information submitted, we find that \$65 of the requested legal fees relate to filing MFR deficiencies. Accordingly, they shall be removed because they are duplicative costs. Further, the utility's estimate to complete included legal costs for two attorneys to provide essentially the same services. We do not believe that two attorneys are necessary to complete this case, especially for a utility of this size. Therefore, we have disallowed the expense (\$1,345) for the second attorney. As adjusted, we find the appropriate amount for legal fees to process this case is \$8,378 through the PAA process.

Accounting Fees - Regulatory Consultants, Inc.

The utility initially estimated that accounting fees and expenses would be \$47,000. The utility's updated information indicated that accounting fees would be \$62,968 to complete this case through PAA. After our review of the invoices, we have made several adjustments to the revised amount.

The information provided includes charges for 293 hours at \$60 an hour, to create MFR schedules. After our initial review we were under the assumption that these costs were incurred in creating the schedules. However, we have since discovered that a lot more time

was spent preparing the MFRs to bring the books into compliance with the National Association of Regulatory utility Commissioners (NARUC) Uniform System of Accounts (USOA).

In its MFRs, the utility requested a proforma adjustment of \$5,500 to increase its test year accounting fees to \$10,000. At the beginning of 1993, Betmar switched from a Class C to a Class B utility. Accordingly, the accounting requirements are greater than those of a Class C utility. Based on our review of the increased accounting fees, we find that on an annual basis, these fees are reasonable. However, we do find that the utility needed these additional accounting services provided at an earlier date. Had the utility planned ahead and obtained these services at the time the increased accounting requirements were necessary, the rate case consultant would not have had to spend so much time up-front adjusting the utility's books. According to our auditors, the utility had so many adjustments made to its books that it made it very difficult to perform the audit procedures required.

We find it appropriate to remove the majority of the initial costs to create rate case schedules, since the increase in accounting fees has been included in test year expenses. We find it appropriate to remove eighty-five percent of the charges related to creating the accounting schedules. Therefore, we have reduced this portion of the request by \$14,918. Had the utility incurred the additional \$5,500 for 1983 through 1985, this would have more than offset the amount of rate case expense we removed.

We have also removed the \$2,500 related to the deficiencies, because they are duplicative. In addition, we find it appropriate to disallow \$480 associated with a statistical analysis and flow charts, because it does not appear to relate to the rate case.

In its estimate to complete, the utility included 65 hours at a cost of \$5,000 to prepare for the PAA process. We find that sixteen hours or \$1,280 is more than adequate to cover the amount of time spent on this task. Therefore, we have reduced the utility's revised request by \$3,720.

Accounting Fees - Morgenstern & Company, P.A.

In its revised requests, Betmar included additional accounting costs of \$2,540 for Morgenstern & Company, P.A. We find these costs duplicative or already included in test year expenses. Accordingly, these costs are disallowed. Based on the foregoing, we have reduced accounting fees by \$24,158.

Engineering Fees

The utility's MFR's did not include engineering fees, but the utility did file an updated request for \$1,740 for engineering consultant fees. We find this expense reasonable, and it shall be included. Therefore, we have increased rate case expense by \$1,740.

Miscellaneous

In its filing, the utility requested \$2,000 for filing fees and \$1,047 in other miscellaneous expenses. In its updated filing the utility requested \$5,702, including filing fees. We find that the provision is reasonable except for the inclusion of \$280 for long distance telephone calls. We find it appropriate to remove this cost, since telephone charges are already included in test year operating expense. Therefore, we have increased miscellaneous expenses by \$2,375.

Prior Rate Expense

The utility included \$14,953 in prior rate case expense in its current calculation. Section 367.0816, Florida Statutes, requires that rates be reduced immediately following the expiration of the four year period by the amount of rate case expense previously authorized in the rates. As a result, prior rate case expense shall not be added to current amount and then divided by four years. If this were done, rates would be understated when the four-year rate reduction takes place. Accordingly, we have included the approved prior unamortized rate case expense separately and reduced current rate case expense by \$14,953.

Upon consideration of the foregoing, we find the appropriate amount of reasonable rate case expense to be \$56,090.

Amortization

By Order No. 24225, issued on March 31, 1991, we recognized a gain of \$18,345 and \$11,727, for the sale of water and wastewater land, respectively. The gain was to be amortized over a five-year period, or \$3,669 per year for water and \$2,345 for wastewater. By Order No. 24225, we also recognized an extraordinary loss of \$73,429 for the retirement of the wastewater treatment plant. The loss was also amortized over five years, which equated to \$14,686 a year.

The utility included the amortization amount for the loss in its MFRs, however, it did not include the amount for the gain. The audit indicated that for the test year there was still an

unamortized amount of \$3,056 for the gain for water and \$1,955 for wastewater. In its response, the utility stated that since the five year write-off period will expire early in 1996 and that is about the time the final rates will be implemented, the gain should not be included. We find that the utility is correct. However, we also find that the loss should not be included, since the amortization period for the loss will expire at the same time as the gain.

Based on the foregoing, the amortization expense related to the loss on the sale of the wastewater treatment plant shall be disallowed. Therefore, we have reduced test year amortization expenses by \$14,686.

Property Tax

According to the audit, the utility paid personal property taxes of \$7,304 and \$5,670 for water and wastewater, respectively. However, when the utility booked the adjustment it was reversed. The utility agrees that an error was made when recording the tax to the general ledger.

Based on the foregoing, we have made an adjustment to increase property taxes for water by \$1,634 and decrease property taxes for wastewater by \$1,634. This adjustment is the difference between the property tax booked to water and to wastewater (\$7,304 - \$5,670).

Income Tax Expense

The amount of tax expense in the utility's MFRs is \$3,667 for its water plant and \$2,076 for its wastewater plant. In its last rate case, Order No. 24255, the utility was allowed to recover tax expenses of \$14,918 and \$7,553 for its water and wastewater plants, respectively. We reviewed the utility's tax returns for the last three years and inferred that the utility has not paid any income taxes for those years and has net operating loss (NOL) carryforwards of \$126,836.

However, the utility has submitted additional information to support its argument that the NOLs relate to below-the-line losses. Based on several previously disallowed expenses including salaries and an acquisition adjustment, we find that the losses are below-the-line. Hence, the utility would not have a net operating loss for regulatory purposes. Therefore, we find it appropriate to allow the utility an income tax expense.

Based upon the approved level of revenues and expenses, the appropriate provision for income tax is \$3,800 for water and \$2,201 for wastewater.

Test Year Operating Income

Based on our adjustments discussed herein, we find that the appropriate test year operating income before any provision for increased revenues is \$5,898 for water and an operating loss of \$10,855 for wastewater.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records, we find that the appropriate annual revenue requirement for this utility is \$198,386 and \$232,338 for water and wastewater, respectively. This will allow the utility the opportunity to recover its allowed level of expenses and to earn a 10.74% rate of return on its investment in rate base.

RATES

The final rates approved for the utility are designed to produce revenues of \$196,151 for the water service, which is an increase of \$25,708 or 15.08% and \$232,338 for the wastewater service, which is an increase of \$33,322 or 16.74%. These approved increases exclude miscellaneous service revenues and are designed using the base facility charge rate structure. Metered water service shall be based on equivalent residential connection (ERC) equivalents for each meter size, in accordance with the standards provided by the American Water Works Association (AWWA).

We evaluated the utility's requested change in the allocation of cost between the base facility charge and the gallonage charge. The utility has requested its gallonage charge be reduced by applying more allocation of cost to the base facility charge. We find that a higher allocation of cost towards the base facility charge, thereby reducing the gallonage charge, may have the impact of promoting increased water usage. Therefore, we find a balanced cost allocation between the base facility and gallonage charge appropriate, so that it continues to promote water conservation.

EFFECTIVE DATE

The utility shall file revised tariff sheets and proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates shall be effective for service rendered on or after the stamped

approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide this Commission proof of the date notice was given within 10 days after the date of the notice.

A comparison of the utility's original rates, interim rates, requested rates, and our approved rates is shown on Schedule No. 4.

REFUND OF REVENUES

By Order No. PSC-95-0986-FOF-WS, issued on August 10, 1995, in this docket, the utility's proposed rates were suspended and interim water and wastewater rates were approved subject to refund, pursuant to Sections 367.082, Florida Statutes.

According to Section 367.082, Florida Statutes, any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Examples of these adjustments would be an attrition allowance or rate case expense, which are recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates was the historical twelve months ended December 31, 1994. The approved interim rates did not include any provisions for proforma consideration of increased operating expenses or increased plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

To establish the proper refund amount, we have calculated a revised interim revenue requirement utilizing the same data used to establish final rates. Rate case expense was excluded because it was not an actual expense during the interim collection period.

Using the principles discussed above, we have calculated the revenue requirement for the interim collection period to be \$190,931 for water and \$224,884 for wastewater. These revenue levels exceed the interim revenues which were granted in Order No. PSC-95-0986-FOF-WS. Therefore, we find that no refund is necessary.

STATUTORY FOUR-YEAR RATE REDUCTION

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of rate case expense previously authorized in the rates. The reduction shall reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$7,341 for water and \$7,341 for wastewater. The removal of rate case expense shall result in the reduction of approved rates as reflected on Schedule No. 5.

The utility shall be required to file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall be required to file proposed customer notices setting forth the lower rates and reason for the reductions.

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 for the reduction in the rates due to the removal of amortized rate case expense.

SERVICE AVAILABILITY CHARGES

The utility was ordered to file a service availability case within 60 days of the effective date of Order No. PSC-94-1476-FOF-SU, issued December 1, 1994, in Docket No. 940229-SU. On December 29, 1994, Betmar filed a Motion to Consolidate and Separate Motion to Toll Time. In its Motion, Betmar requested that the Commission consolidate the service availability case with Betmar's full rate case. The utility was allowed to file their service availability case, required by Order No. PSC-94-1476-FOF-SU, with this rate case by Order PSC-95-0362-FOF-SU, issued March 14, 1995, in Docket No. 940229-SU.

As stated earlier, the utility has been interconnected with Pasco County for wastewater treatment since 1991, and, thus, has no investment in treatment plant. Therefore, the utility collects no wastewater plant capacity charge. The applicant for wastewater service is required to pay the applicable Pasco County capacity charge either to the county directly or to the utility, which forwards such funds to Pasco County. However, according to the utility's current service availability policy for wastewater service, the applicant for service must either install and donate the lines necessary to provide service or pay 110 percent of the actual cost of these main extension. We find that to require 110

percent of the cost of the extensions is unjust and unreasonable. Since the utility no longer has a treatment plant and is now only a collection system, it is not reasonable to allow Betmar to continue to collect 110 percent of cost in service availability charges.

Rule 25-30.580, Florida Administrative Code, requires that a utility's contribution in aid of construction (CIAC) ratio be no greater than 75 percent net CIAC to net plant at build out. We find it appropriate to allow the utility to collect 75 percent of the actual cost of the on-site and off-site lines. Currently, the utility's net CIAC to net plant ratio is 60.4 percent. If the utility was allowed to collect 100 percent of the actual cost of the on-site and off-site lines this would place the utility in direct violation of Rule 25-30.580, Florida Administrative Code. Since the utility no longer has investment in a treatment plant, we find that the utility should maintain some investment in the cost of the on-site and off-site collection lines. Therefore, the utility shall collect 75 percent of actual cost of the on-site and off-site lines.

We determined the approved water service availability charges by calculating the estimated growth in ERCs and expected demand for water service to the year 1999. Based on the information that was provided by the utility, we determined that the utility's current design capacity is 1.8 million gallons per day and that the average five-day peak demand is 238,000 gallons per day. We then calculated the projected contributions-in-aid-of-construction (CIAC) by using an estimated growth in connections of 23 per year up to the year 1999. This estimated growth in connections was determined by averaging the utility's prior growth in connections for the past five years. Furthermore, by applying the recommended charges to the future ERCs, we determined that the utility would reach a contribution level of 72.04% in the year 1999, as shown on Schedule No. 7. This contribution level is within the guidelines pursuant to Rule 25-30.580, Florida Administrative Code. These calculations show that for each future customer to pay its fair share of the cost for water service, the customer shall pay \$850 per ERC or \$2.43 per gallon for the plant capacity charge.

Additionally, the utility has submitted a cost justification for their meter installation charge, double check valve backflow preventor installation charge for potentially hazardous cross-connections, and reduced pressure backflow preventor installation charge for potentially higher hazard cross-connections. After reviewing this cost justification, we find these charges just and reasonable and shall be approved. Pursuant to Rule 62-555.360(4), Florida Administrative Code, the double check valve backflow

preventor device and the reduced pressure backflow prevention device are deemed acceptable by the Department of Environment Protection (DEP) for eliminating cross-connection.

We find it may be beneficial for the utility to submit, for the Commission's approval, an optional payment plan for customers that are required by Rule 62-555.360(3), Florida Administrative Code, to install an appropriate backflow preventor device that eliminates cross-connection. If submitted by the utility, this payment plan shall offer all customers, that are required to install the appropriate backflow preventor device, the option of paying for this installation charge in installment payments.

Therefore, the utility shall be authorized to collect the proposed water service availability charges as filed. However, the wastewater tariffs as filed shall be denied. The appropriate service availability charges are shown on Schedule No. 6. If the utility files revised wastewater tariff sheets within thirty days of the effective date of this Order, which are consistent with this Commission's vote, staff shall be given administrative authority to approve the revised wastewater tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. The service availability charges for both water and wastewater shall become effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

If a protest is not received within 21 days of issuance of this proposed agency action order, this Order shall become final. This docket shall be closed at the conclusion of the protest period, if no protest is filed, and upon staff's approval of revised tariff sheets. Further, in the event of no protests, the escrow account shall be released.

Based on the foregoing, it is

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

ORDER NO. PSC-95-1437-FOF-WS
DOCKET NO. 941280-WS
PAGE 21

ORDERED that Betmar Utilities, Inc. is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that Betmar Utilities, Inc., shall provide proof that the customers have received notice within 10 days of the date of notice. It is further

ORDERED that prior to its implementation of the rates approved herein, Betmar Utilities, Inc. shall submit and have approved a proposed customer notice to its customers of the increased rates and reasons therefore. 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 pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the proposed customer notice is adequate. 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 Betmar Utilities, Inc. is authorized to charge the water service availability charges as set forth in the body of this Order. It is further

ORDERED that Betmar Utilities, Inc.'s wastewater service availability charges as reflected in the tariffs as filed are hereby denied. If Betmar Utilities, Inc. files revised tariff sheets within thirty days of the effective date of this Order, consistent with the Commission's vote herein, staff shall be given administrative authority to approve the revised wastewater tariffs upon staff's verification that the tariffs are consistent with the Commission's decision. It is further

ORDER NO. PSC-95-1437-FOF-WS
DOCKET NO. 941280-WS
PAGE 22

ORDERED that the service availability charges for both water and wastewater shall become effective for service rendered on or after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice. It is further

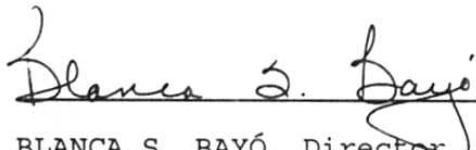
ORDERED that all provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings Below. It is further

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

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket should be closed.

By ORDER of the Florida Public Service Commission, this 27th day of November, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

TV

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.

The action proposed herein 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 18, 1995.

In the absence of such a petition, this order shall become effective on the day 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 this order becomes final and effective on the date described above, any party substantially 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.

BETMAR UTILITIES, INC. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 12/31/94			SCHEDULE NO. 1-A DOCKET NO. 941280-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 591,708	\$ 0	\$ 591,708	(\$ 997)	590,711	
2 LAND	27,302	0	27,302	0	27,302	
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0	
4 ACCUMULATED DEPRECIATION	(226,050)	0	(226,050)	(200)	(226,250)	
5 CIAC	(316,592)	0	(316,592)	0	(316,592)	
6 AMORTIZATION OF CIAC	147,624	0	147,624	0	147,624	
7 ACQUISITION ADJUSTMENTS - NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	16,616	5,417	22,033	(4,650)	17,383	
RATE BASE	\$ 240,808	\$ 5,417	\$ 246,025	(\$ 5,847)	240,178	

BETMAR UTILITIES, INC. SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/94			SCHEDULE NO. 1-B DOCKET NO. 941280-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 468,326	\$ 0	\$ 468,326	\$ 997	469,323	
2 LAND	3,460	0	3,460	0	3,460	
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0	
4 ACCUMULATED DEPRECIATION	(186,409)	0	(186,409)	200	(186,209)	
5 CIAC	(356,800)	0	(356,800)	0	(356,800)	
6 AMORTIZATION OF CIAC	185,637	0	185,637	0	185,637	
7 ACQUISITION ADJUSTMENTS - NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	22,314	2,751	25,065	(1,352)	23,713	
RATE BASE	\$ 136,528	\$ 2,751	\$ 139,279	(155)	139,124	

BETMAR UTILITIES, INC. ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 12/31/94		SCHEDULE NO. 1-C DOCKET NO. 941280-WS PAGE 1 OF 1		
EXPLANATION	WATER	WASTEWATER		
(1) PLANT IN SERVICE				
a) Adjustment to allocate one-half of golf cart to sewer plant.	\$ <u> (997)</u>	\$ <u> 997</u>		
(2) ACCUMULATED DEPRECIATION				
a) Adjustment to allocate one-half of accumulated depreciation for golf cart from water to wastewater.	\$ <u> (200)</u>	\$ <u> 200</u>		
(3) WORKING CAPITAL ALLOWANCE				
Adjustment to correspond with recommended test year O&M expenses.	\$ <u> (4,650)</u>	\$ <u> (1,352)</u>		

BETMAR UTILITIES, INC.
CAPITAL STRUCTURE
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 2
DOCKET NO. 941280-WS

ORDER NO. PSC-95-1437-FOF-WS
DOCKET NO. 941280-WS
PAGE 27

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY							
1 LONG TERM DEBT	\$ 153,314	\$ 0	(\$ 8,397)	144,917	37.61%	12.00%	4.51%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY	249,713	0	(13,677)	236,036	61.26%	10.44%	6.40%
5 CUSTOMER DEPOSITS	4,353	0	0	4,353	1.13%	7.00%	0.08%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	0	0	0	0	0.00%	0.00%	0.00%
8 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
9 TOTAL CAPITAL	\$ <u>407,380</u>	\$ 0	<u>(\$ 22,074)</u>	<u>385,306</u>	<u>100.00%</u>		<u>10.99%</u>
PER COMMISSION							
10 LONG TERM DEBT	\$ 153,314	\$ 0	(\$ 16,133)	137,181	36.17%	10.75%	3.89%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
13 COMMON EQUITY	249,713	15,584	(27,916)	237,381	62.58%	10.83%	6.78%
14 CUSTOMER DEPOSITS	4,353	945	(557)	4,741	1.25%	6.00%	0.07%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WTD COST	0	0	0	0	0.00%	0.00%	0.00%
16 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
17 TOTAL CAPITAL	\$ <u>407,380</u>	\$ <u>16,529</u>	<u>(\$ 44,607)</u>	<u>379,303</u>	<u>100.00%</u>		<u>10.74%</u>
RANGE OF REASONABLENESS					LOW	HIGH	
RETURN ON EQUITY (ROE)					<u>9.83%</u>	<u>11.83%</u>	
OVERALL RATE OF RETURN					<u>10.12%</u>	<u>11.37%</u>	

BETMAR UTILITIES, INC.
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 3-A
 DOCKET NO. 941280-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 144,560	\$ 96,874	\$ 241,434	\$(68,756)	\$ 172,678	\$ 25,708	198,386
OPERATING EXPENSES:						14.89%	
2 OPERATION AND MAINTENANCE	\$ 132,931	\$ 43,337	\$ 176,268	\$(37,202)	\$ 139,066	\$	139,066
3 DEPRECIATION	11,853	(2,207)	9,646	(87)	9,579		9,579
4 AMORTIZATION	10,864	(10,864)	0	0	0		0
5 TAXES OTHER THAN INCOME	16,403	8,423	24,826	(5,846)	18,980	1,157	20,137
6 INCOME TAXES	0	3,667	3,667	(2,822)	(845)	4,645	3,800
7 TOTAL OPERATING EXPENSES	\$ 172,051	\$ 42,356	\$ 214,407	\$(45,937)	\$ 168,780	\$ 5,802	172,582
8 OPERATING INCOME	\$ (27,491)	\$ 54,518	\$ 27,027	\$(22,819)	\$ 5,888	\$ 19,908	25,804
9 RATE BASE	\$ 240,808	\$	\$ 246,025	\$	\$ 240,178	\$	\$ 240,178
RATE OF RETURN	-11.43%		10.99%		2.46%		10.74%

BETMAR UTILITIES, INC. STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/94				SCHEDULE NO. 3-B DOCKET NO. 941280-WS			
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 195,910	\$ 67,693	\$ 263,603	\$(64,587)	\$ 199,016	\$ 33,322	232,338
OPERATING EXPENSES						16.74%	
2 OPERATION AND MAINTENANCE	\$ 178,514	\$ 22,005	\$ 200,519	\$(10,813)	\$ 189,706	\$	189,706
3 DEPRECIATION	2,455	4,046	6,501	67	6,568		6,568
4 AMORTIZATION	16,351	(1,665)	14,686	(14,686)	0		0
5 TAXES OTHER THAN INCOME	18,805	5,613	24,516	(7,101)	17,417	1,500	18,916
6 INCOME TAXES	0	2,076	2,076	1,744	(3,820)	6,021	2,201
7 TOTAL OPERATING EXPENSES	\$ 216,225	\$ 32,075	\$ 248,300	\$(30,790)	\$ 209,871	\$ 7,520	217,391
8 OPERATING INCOME	\$ (20,315)	\$ 35,618	\$ 15,303	\$(33,797)	\$(10,855)	\$ 25,802	14,947
9 RATE BASE	\$ 136,528		\$ 139,279		\$ 139,124		\$ 139,124
RATE OF RETURN	-14.68%		10.99%		-7.80%		10.74%

BETMAR UTILITIES, INC.
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 3-C
DOCKET NO. 941280-WS
PAGE 1 OF 2

EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES		
a) To reverse the utility's proposed revenue increase.	\$ (68,756)	\$ (65,289)
b) To reflect the appropriate revenues as authorized by tariff.		702
	<u>\$ (68,756)</u>	<u>\$ (64,587)</u>
(2) OPERATION AND MAINTENANCE EXPENSES		
a) Adjustment per Audit Exception 3 (AE).	\$ (2,511)	\$ 1,003
b) Adjustment to disallow a portion of current rate case expense.	(4,239)	(4,239)
c) Adjustment to disallow expense for new employee.	(18,720)	0
d) Adjustment to remove insurance expense for disallowed manager.	(1,665)	(1,665)
e) Adjustment to remove a portion of administrative salaries.	(10,067)	(5,912)
f) Adjustment to remove a portion of legal fees.	(3,173)	(2,115)
	<u>\$ (37,202)</u>	<u>\$ (10,813)</u>
(3) DEPRECIATION		
a) Adjustment to reallocate depreciation expense pertaining to golf cart from water to wastewater per Audit Disclosure 6 (AD).	\$ (67)	\$ 67
(4) AMORTIZATION		
a) Adjustment to remove amortization of loss on retirement of wastewater facilities.	\$ 0	\$ (14,686)
(5) TAXES OTHER THAN INCOME		
a) Adjustment to reallocate taxes other per AD 4.	\$ 1,634	\$ (1,634)
b) Adjustment of RAFs to coincide with COMMISSION's adjusted revenues.	(3,094)	(2,906)
c) Adjustment to remove payroll taxes associated with disallowed salaries.	(4,386)	(2,561)
	<u>\$ (5,846)</u>	<u>\$ (7,101)</u>
(6) INCOME TAXES		
a) Adjustment to show income taxes consistent with adjusted test year year income	\$ (2,822)	\$ 1,744
(7) OPERATING REVENUES		
a) To reflect recommended revenue increase.	<u>\$ 25,708</u>	<u>\$ 33,322</u>
(8) TAXES OTHER THAN INCOME		
a) To reflect taxes other than income pertaining to recommended revenues.	<u>\$ 1,157</u>	<u>\$ 1,500</u>
(9) INCOME TAXES		
a) Income taxes related to adjusted revenues	<u>\$ 4,645</u>	<u>\$ (3,820)</u>

UTILITY: BETMAR UTILITIES, INC.
 DOCKET NO. 941280-WS
 TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 4
 Page 1 of 2

RATE SCHEDULE

WATER

Monthly Rates

	<u>Rates Prior to Filing</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
<u>Residential and General Service</u>				
Base Facility Charge:				
Meter Size:				
5/8" x 3/4"	\$4.91	\$5.03	\$8.73	\$5.82
3/4"	\$7.20	\$7.37	\$12.80	\$8.73
1"	\$11.74	\$12.02	\$21.83	\$14.55
1-1/2"	\$23.15	\$23.70	\$43.65	\$29.10
2"	\$36.84	\$37.71	\$69.84	\$46.56
3"	\$73.31	\$75.04	\$130.95	\$93.12
4"	\$114.35	\$117.05	\$218.25	\$145.50
6"	n/a	\$234.10	\$436.50	\$291.00
Gallonage Charge, per 1,000 Gallons	\$1.97	\$2.02	\$1.83	\$2.18

Typical Residential Bills

<u>5/8" x 3/4" meter</u>				
3,000 Gallons	\$10.82	\$11.09	\$14.22	\$12.36
5,000 Gallons	\$14.76	\$15.13	\$17.88	\$16.72
10,000 Gallons	\$24.61	\$25.23	\$27.03	\$27.62

UTILITY: BETMAR UTILITIES, INC.
 DOCKET NO. 941280-WS
 TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 4
 Page 2 of 2

RATE SCHEDULE

WASTEWATER

Monthly Rates

	<u>Rates Prior to Filing</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
<u>Residential Service</u>				
Base Facility Charge: All Meter Sizes	\$6.92	\$7.78	\$11.06	\$8.72
Gallonage Charge Per 1,000 gallons (6,000 gallon cap)	\$4.94	\$5.55	\$5.62	\$5.60
<u>General Service</u>				
Base Facility Charge: Meter Size:				
5/8" x 3/4"	\$6.92	\$7.78	\$11.06	\$8.72
3/4"	\$10.38	\$11.66	\$16.59	\$13.08
1"	\$17.30	\$19.44	\$27.65	\$21.80
1-1/2"	\$34.58	\$38.86	\$55.30	\$43.60
2"	\$55.35	\$62.20	\$88.48	\$69.76
3"	\$110.67	\$124.36	\$165.90	\$139.52
4"	\$172.93	\$194.32	\$276.50	\$218.00
6"	n/a	\$388.64	\$553.00	\$436.00
Gallonage Charge, per 1,000 Gallons	\$5.92	\$6.65	\$6.75	\$6.59

Typical Residential Bills

<u>5/8" x 3/4" meter</u>				
3,000 Gallons	\$21.74	\$24.43	\$27.92	\$25.52
5,000 Gallons	\$31.62	\$35.53	\$39.16	\$36.72
10,000 Gallons	\$36.56	\$41.08	\$44.78	\$42.32

ORDER NO. PSC-95-1437-FOF-WS
DOCKET NO. 941280-WS
PAGE 33

UTILITY: BETMAR UTILITIES, INC.
DOCKET NO. 941280-WS
TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 5
Page 1 of 2

RATE SCHEDULE

Schedule of Rate Decrease After Expiration of
Amortization Period for Rate Case Expense

Water

Monthly Rates

	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
<u>Residential and General Service</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$5.82	\$0.22
3/4"	\$8.73	\$0.33
1"	\$14.55	\$0.54
1-1/2"	\$29.10	\$1.09
2"	\$46.56	\$1.74
3"	\$93.12	\$3.49
4"	\$145.50	\$5.45
6"	\$291.00	\$10.89
Gallorage Charge, per 1,000 gallons	\$2.18	\$0.08

UTILITY: BETMAR UTILITIES, INC.
 DOCKET NO. 941280-WS
 TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 5
 Page 2 of 2

RATE SCHEDULE

**Schedule of Rate Decrease After Expiration of
 Amortization Period for Rate Case Expense**

Wastewater

Monthly Rates

<u>Residential Service</u>	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
Base Facility Charge: All Meter Sizes	\$8.72	\$0.28
Gallorage Charge Per 1,000 gallons (6,000 gallon cap)	\$5.60	\$0.18
 <u>General Service</u>		
Base Facility Charge: Meter Size:		
5/8"x3/4"	\$8.72	\$0.28
3/4"	\$13.08	\$0.41
1"	\$21.80	\$0.69
1-1/2"	\$43.60	\$1.38
2"	\$69.76	\$2.20
3"	\$139.52	\$4.41
4"	\$218.00	\$6.89
6"	\$436.00	\$13.78
Gallorage Charge, per 1,000 gallons	\$6.59	\$0.21

Betmar Utilities, Inc.
 Docket No. 941280-WS
 Service Availability Charges - Water

Schedule No. 6
 Page 1 of 2

	<u>Present</u>	<u>Company Proposed</u>	<u>Commission Approved</u>
<u>Plant Capacity Charge:</u>			
Residential per ERC (350 gpd) -	\$ n/a	\$ 850.00	\$ 850.00
All others per gallon -	\$ n/a	\$ 2.43	\$ 2.43
<u>Main Extension Charge:</u>			
Residential -	110% of actual Main Ext. Costs	On-site and Off-site to be contributed	On-site and off-site to be contributed
All others -	110% of actual Main Ext. Costs	On-site and Off-site to be contributed	On-site and off-site to be contributed
<u>Meter Installation: (per connection)</u>			
5/8" x 3/4"	\$ 100.00	\$ 125.00	\$ 125.00
1"	\$ 120.00	\$ 145.00	\$ 145.00
1-1/2"	\$ 230.00*	\$ 230.00	\$ 230.00
2"	\$ 320.00*	\$ 320.00	\$ 320.00
Over 2"	Actual* Cost	Actual** Cost	Actual** Cost
<u>Double Check Valve Back Flow Preventor Installation Charge (Low Hazard):</u>			
5/8" x 3/4"	None	\$ 150.00	\$ 150.00.
1"	None	Actual Cost**	Actual Cost**
1-1/2"	Actual Cost*	Actual Cost**	Actual Cost**
2"	Actual Cost*	Actual Cost**	Actual Cost**
Over 2"	Actual Cost*	Actual Cost**	Actual Cost**
<u>Reduced Pressure Back Flow Preventor Installation Charge (High Hazard):</u>			
5/8" x 3/4"	None	\$ 190.00	\$ 190.00
1"	None	Actual Cost**	Actual Cost**
1-1/2"	Actual Cost*	Actual Cost**	Actual Cost**
2"	Actual Cost*	Actual Cost**	Actual Cost**
Over 2"	Actual Cost*	Actual Cost**	Actual Cost**
* Meter Installation plus actual cost of backflow device			
** Customer will be notified of the cost of the meter and the backflow device prior to installation			
<u>Plant Review Charge:</u>	Actual Cost	Actual Cost	No Change
<u>Inspection Charge:</u>	Actual Cost	Actual Cost	No Change

Betmar Utilities, Inc.
 Docket No. 941280-WS
 Service Availability Charges - Wastewater

Schedule No. 6
 Page 2 of 2

	<u>Present</u>	<u>Company Proposed</u>	<u>Commission Approved</u>
<u>Plant Capacity Charge:</u>			
Residential per ERC (350 gpd) -	\$ 0.00	\$ 0.00	\$ 0.00
All others per gallon -	\$ 0.00	\$ 0.00	\$ 0.00
<u>Main Extension Charge:</u>			
Residential -	110% of actual Main Ext. Costs	\$ 0.00	\$ 0.00
All others -	110% of actual Main Ext. Costs	\$ 0.00	\$ 0.00

(In those areas where the utility has an investment in the lines that have been installed)

Residential -	Donate on-site and off-site lines	Donate on-site and off-site lines	75% of actual on-site and off-site lines
All others -	Donate on-site and off-site lines	Donate on-site and off-site lines	75% of actual on-site and off-site lines

(In those areas where the utility has not installed the lines)

<u>Plant Review Charge:</u>	Actual Cost	Actual Cost	No Change
<u>Inspection Charge:</u>	Actual Cost	Actual Cost	No Change

Company Name: Betmar Utilities, Inc.
 Docket No.: 941280-WS
 File Name: Bet_SA1.wk3

Water Operation

Schedule No. 7

ORDER NO. PSC-95-1437-FOF-WS
 DOCKET NO. 941280-WS
 PAGE 37

Plant Capacity Charge:	\$850
Meter Installation Chrg	\$125

	Current Year					
	1994	1995	1996	1997	1998	1999
Capacity	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Demand	238,000	241,174	244,348	247,522	250,696	253,870
% Used	13.22%	13.40%	13.57%	13.75%	13.93%	14.10%
Growth		23	23	23	23	23
Utility Plant	618,013	620,888	623,763	626,838	629,513	632,388
Accumulated Depreciation	(226,250)	(249,699)	(273,262)	(296,939)	(320,729)	(344,634)
Net Plant	<u>391,763</u>	<u>371,189</u>	<u>350,501</u>	<u>329,699</u>	<u>308,784</u>	<u>287,754</u>
CIAC	316,592	339,017	361,442	383,867	406,292	428,717
Accumulated Amortization	(147,624)	(160,675)	(174,474)	(189,231)	(204,876)	(221,410)
Net CIAC	<u>168,968</u>	<u>178,412</u>	<u>186,968</u>	<u>194,636</u>	<u>201,416</u>	<u>207,307</u>
Net Investment	<u>222,795</u>	<u>192,777</u>	<u>163,533</u>	<u>135,063</u>	<u>107,368</u>	<u>80,447</u>
CIAC Ratio	43.13%	48.06%	53.34%	59.03%	65.23%	72.04%