

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 950982-WU
assisted rate case in Lake) ORDER NO. PSC-96-0507-FOF-WU
County by Century Estates) ISSUED: April 12, 1996
Utilities, Inc.)
_____)

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

ORDER GRANTING TEMPORARY RATES IN THE 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, except for the granting of temporary rates in the event of protest, is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Century Estates Utilities, Inc. (Century or Century Estates) is a Class C water-only utility in Lake County which provides service to a residential development of approximately 82 customers. The owner, Mr. Joseph Linartas, was issued a construction permit, Permit No. WW35-1009, on July 7, 1976, and construction was completed by April 25, 1977. According to a statement provided by Mr. Linartas, the development had few houses for many years, and water service was provided at no charge. Due to an increase in the number of customers and rising operating costs, approximately ten years ago, the utility decided that it could no longer provide service free of charge. The owner contacted similar utility companies in the area as to their charges and established an average rate. The owner believed that the average rate for other utilities would make service reasonable to water customers in Century Estates.

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FPSC-RECORDS/REPORTING

The Commission first became aware of Century's existence in 1991 as a result of a survey conducted by the Commission Staff. Century filed a completed Jurisdictional Information Form with the Commission on April 29, 1991. On February 1, 1994, our Division of Consumer Affairs received a complaint from a customer of the utility. The complaint stated that the bills received from the utility included only the amount due and did not include a meter reading or the time period being billed. Investigation into the complaint revealed that the utility had not been granted a certificate from the Commission. Although Century had been operating without a certificate since 1977, it appeared that Century made a good faith effort to comply with Commission Rules and Regulations in 1991 and the Commission did not proceed with show cause proceedings against the utility for operating without a certificate. On March 25, 1994, Century Estates filed an application for an original certificate pursuant to Section 367.045, Florida Statutes and was granted Certificate No. 564-W by Commission Order No. PSC-95-0187-FOF-WU, issued February 8, 1995.

On August 18, 1995, Century Estates applied for this staff-assisted rate case and has paid the appropriate filing fee. The official filing date of this staff-assisted rate case is October 6, 1995.

Our staff has audited the utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. The staff engineer has also conducted a field investigation of the utility's water plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant and operating costs.

Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District. Century Estates is not located within a Water Use Caution Area.

The test year is the historical test year ending August 31, 1995. The utility recorded test year revenues of \$10,205 and operating expenses of \$30,395. These amounts result in a test period operating loss of \$20,190 for the water system according to the utility books.

QUALITY OF SERVICE

A customer meeting was held February 8, 1996, in the utility's service area to receive quality of service testimony. There were approximately fifteen people in attendance at that meeting which represented eight customer connections. The utility was

represented at this meeting by the attendance of Joe Linartas, Sr. and his son (Joe Linartas, Jr.). Of those customers in attendance, six customers had comments concerning the quality of service. The primary concerns of these customers were low water pressure, brown sediment in the water, air in the water lines, and the ability to contact the utility in an emergency.

The overall quality of service provided by the utility is determined by an evaluation of three separate components of utility operations: (1) the quality of the utility's product (water service), (2) operational conditions of the utility's plant or facilities, and (3) customer satisfaction.

Sediment in the Water

Utilities in the state of Florida are required by the Department of Environmental Protection (DEP) to test for a total of 131 maximum contaminant levels (MCLs). These tests are performed within a nine-year cycle which is broken down into three-year periods. It is these tests that become the primary determinant of the quality of the utility's product. All of Century's chemical analysis are up to date and the results are satisfactory with the exception of one parameter (Toluene) which tested slightly above the MCL. Since this MCL was exceeded, additional samples to recheck this one parameter must be taken for four consecutive quarters. If the results are satisfactory for all four quarters, the analysis is considered satisfactory. The utility is in its fourth quarter of recheck samples for this one MCL and, so far, the results have been satisfactory. All other tests indicate the utility meets or exceeds safe drinking water standards.

There was nothing in the results of the chemical analysis that indicated the utility has a problem with brown sediment in the water. The utility owners do recognize and admit that, at times, there is a reddish brown discoloration to the water where a portion of the old main was left in service. When this discoloration is noted, the utility attempts to flush it out. In the past, the location of the flush valves has been such that a complete clearing of the discoloration was questionable. The utility has agreed to install an additional two-inch flush valve on the older portion of the distribution system. It is anticipated that this will allow the discoloration to be completely flushed from the system. In addition, the utility is willing to establish a regular flushing program to keep the discoloration from being a nuisance. We believe that the discoloration in the water will be resolved through the installation of the two-inch flush valve and a regular flushing program, and the utility is directed to install the two-inch flush valve.

Housekeeping and Maintenance

Housekeeping and maintenance at the plant appeared normal for a small system plant. Some more attention could be given to groundskeeping and upkeep of structures. The utility has already made some structural repairs and has purchased lumber and hardware for additional repairs. Due to the noted effort of the utility owners, it is determined that housekeeping and maintenance at the plant is satisfactory.

Low Water Pressure

Minimum water pressure required by rule is twenty (20) pounds per square inch (psi) and is enforced by the DEP. No deficiencies are listed against the existing water plant by the DEP concerning poor water pressure. In response to the customers' concerns, Mr. Linartas, Jr. walked the system with a plumber and checked the pressure in different areas of the system. They paid particular attention to the homes of the customers that were concerned about their water pressure. One reported consistency with the customers complaining of low pressure was that they all had old meters. The plumber noted that these meters were spinning slower than the newer meters and believed them to be sticking and/or dragging. Included in the pro forma portion of this rate case is a meter replacement program that will allow the utility to replace ten meters per year. In addition, the utility has agreed to increase the water pressure at the plant. This should help, if not eliminate, normal problems of low water pressure. Water pressure in a distribution system as small as the Century Estates system is very sensitive to demands created by heavy irrigation. Even though this utility is not in a water use caution area, treated water pumped has exceeded the maximum daily restriction in the Consumptive Use Permit enforced by the St. Johns River Water Management District. It is believed that the water pressure will improve when the customers of Century estates begin conserving under the new rates and when the older meters are replaced with newer ones.

Air in the Lines

Air in the lines is not a hazardous condition. There was a complaint registered with the DEP during last summer, 1995, concerning a white film in the water. The DEP tested for bacteria and investigated for signs of white film. They noted a cloud of microscopic bubbles in a glass of water when it was first drawn from the tap. However, the bubbles surface quickly and disappeared. The test for bacteria came back satisfactory and the complaint is considered resolved. Some aeration of the water is

normal. An excess of air could be caused by the air/water ratio in the hydropneumatic tank being too rich with pressurized air. This could contribute to oxidation of the interior walls of iron piping which may also be related to the reddish brown coloration in the water. If the air bubbles are caused by air/water ratio in the tank, the solution is to reduce the air volume. If the bubbles are a result of turbulence caused by the configuration of supply piping at the plant, the cost to reduce the air bubbles would be prohibitive for a small system like Century Estates. The utility shall provide our staff with an informal study concerning excessive air in the lines.

Ability to Contact the Utility

The utility does appear to be difficult to contact. There are two phone numbers where the utility owners can be reached, one in the office at Winter Park and the other at the plant. Both phone numbers are connected to answering machines which will take messages. However, talking to a machine during an emergency can be very frustrating, and a customer may always wonder if the message was received and when there will be a response. Mr. Linartas, Jr. has a beeper number where he can be reached 24 hours a day. This number has already been given to six customers on each street in the service area. Mr. Linartas, Jr. has also agreed that his beeper number will be posted on all future bills.

After reviewing the concerns of the customers, and our staff's results from their investigation, we find that the utility's quality of service will be satisfactory after the utility has completed the installation of a flush valve and provided staff with an informal study concerning excessive air in the lines.

RATE BASE

Our calculation of the appropriate rate base for the water system is depicted on Schedule No. 1. Our adjustments are itemized on Schedule No. 1A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this order. The major adjustments are discussed below.

Used and Useful

The water treatment plant is a simple closed system operation that accesses ground water by two wells. The total capacity of water production is 1,000 gallons per minute (gpm) with both wells in operation. The existing plant was designed to meet all future demands for water, including fire flow reserves. There are two

fire hydrants located within the service territory. In accordance with fire flow protection codes, the utility must have sufficient reserves to supply 500 gpm that must be sustainable over a four-hour period. The per customer share (at build out) of water supply, after the removal of fire flow reserves, is 4.2 gallons per minute per customer (gpmpc). While this volume of supply is above the 1.1 gpmpc minimum standard recommended by general waterworks design criteria, it is closer to what more recent studies report as normal per capita flow demand. Therefore, it is deemed more appropriate to calculate the used and useful percentage based on per capita design (4.2 gpmpc pro rata share at build-out) as opposed to per capita demand (estimated customer use based on AWWA minimum standard).

This philosophy of per capita design as opposed to per capita demand has been adapted to the approved formula which is used as an indicator to determine useful plant. By the approved formula, the water plant shall be considered 86.08% used and useful with the exception of Account Numbers 301 (Organization), 302 (Franchises), and 303 (Land and Land Rights) which shall be considered 100% used and useful.

The network of water mains is engineered and constructed to provide fire flow and to adequately serve the potential capacity of customers. In keeping with the approved formula, used to determine the starting point for a used and useful percentage, it was calculated that the distribution system is 71.67% used and useful. This percentage shall be applied to account numbers 331 (Transmission & Distribution Mains) and 333 (Services). Since meters are installed as new customers come on line, Account Number 334 (Meter and Meter Installations) shall be considered 100% used and useful.

Depreciable Plant in Service

The utility accesses ground water by two wells. The primary well is an eight-inch casing equipped with a 25 horsepower (hp) submersible pump and rated at 750 gallons per minute (gpm). The backup well is a six-inch casing equipped with a 10 hp submersible pump and is rated at 250 gpm. Disinfection is by liquid chlorine which is injected by a Chem Tech hypomechanical pump just prior to entry into the 10,000 gallon hydropneumatic tank.

The existing distribution system is comprised of 845 linear feet of 6-inch PVC, 3,255 linear feet of 4-inch PVC, and 625 linear feet of 2-inch PVC mains. Service laterals are one-inch and three-quarters-inch PVC. There are two fire hydrants installed in Century Estates which service the entire certificated territory.

The utility's books reflected a utility plant in service (UPIS) balance of \$104,100 at the end of the test year. An original cost study was completed by the staff engineer due to a lack of utility records. The engineer's cost estimate was performed by the use of available maps, partial invoice records, and visible facilities noted during the engineering field investigation. We have made an adjustment of \$27,239 to bring the utility's books to our calculation of utility plant in service.

An averaging adjustment of (\$320) was also made. Therefore, the appropriate average amount of test year plant in service is \$131,019.

Land

The utility's land was purchased in June 1983 as part of a 20-acre parcel by the utility's parent corporation, Business Promotions, Inc. Documentary stamps on this purchase support a total cost of \$99,000 or \$4,950 per acre.

Utility land consists of a lot, 112.18 feet by 100 feet, or 11,218 square feet as recorded by the company in Lake County on October 19, 1995. Utility land should be valued at an original cost of \$1,275 calculated as follows:

$$\begin{aligned} 11,218 \text{ sq. ft.} / 43,560 \text{ sq.ft.per acre} &= .25753 \text{ acres} \\ .25753 \text{ acres times } \$4,950/\text{acre} &= \$1,275 \text{ original cost} \end{aligned}$$

Non-Used and Useful Plant

As discussed above, the water treatment plant shall be considered 86.08% used and useful with the exception of Account Numbers 301 (Organization), 302 (Franchises), and 303 (Land and Land Rights) which shall be considered 100% used and useful. The water distribution system shall be considered 71.67% used and useful with the exception of Account Number 334 (Meter and Meter Installations) which shall be considered 100% used and useful. To determine the average amount of non-used and useful plant, the used and useful percentages are applied to average plant, average accumulated depreciation, average CIAC and average accumulated CIAC amortization. Since this utility is 100% contributed, there is no net adjustment as shown on schedule 1A.

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

The utility recorded no CIAC on their books at the end of the test year. All of the utility land and plant-in-service was expensed on the parent company's books (Business Promotions, Inc.)

federal income tax returns as cost of land (home) sales. The utility never collected any service availability charges from new residents.

Utility costs were not identifiable on the parent company's books as those costs are lumped together with the material and supplies used to build homes. Cost of home sales included a proration of utility costs including utility land. The owner of the utility provided the Commission with a signed company representation verifying all plant and land costs were expensed.

Rule 25-30.570 (1), Florida Administrative Code, provides for the imputation of CIAC when capital items are charged to the cost of land sales by developers. Because all plant and land was expensed to cost of land sales, we imputed CIAC of (\$132,614) which is the amount of utility plant and service and land from the original cost study. An averaging adjustment of \$320 was also made. Therefore, CIAC is calculated to be (\$132,294).

Accumulated Depreciation

The utility recorded accumulated depreciation of (\$33,380) on its books for the test year. We have calculated accumulated depreciation using a 2 1/2% depreciation rate from 1977 through March of 1984. After March 1984, we used depreciation rates set forth in Rule 25-30.140, Florida Administrative Code. Based on these calculations, accumulated depreciation was reduced by \$6,592. An averaging adjustment of \$2,226 was also made. Therefore, accumulated depreciation is (\$24,562).

Accumulated Amortization of CIAC

The utility recorded no accumulated amortization of CIAC at the end of the test year. We have calculated accumulated amortization using a 2 1/2% amortization rate from 1977 through March of 1984. After March 1984, we used amortization rates as set forth in Rule 25-30.140, Florida Administrative Code. Based on these calculations, we adjusted accumulated CIAC amortization by \$26,788. An averaging adjustment of (\$2,226) was also made. Therefore, accumulated CIAC amortization is \$24,562.

Working Capital Allowance: Consistent with Rule 25-30.443, Florida Administrative Code, we have used the one-eighth of operation and maintenance expense formula approach for calculating the working capital allowance. Applying that formula, we find that the working capital allowance is \$3,131.

Test Year Rate Base

Based on the foregoing, we find the test year rate base amount is \$3,131 for the water system.

COST OF CAPITAL

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

The capital structure of Century Estates Utilities, Inc., consists of common stock of \$100, negative retained earnings of \$49,669, a purported stockholder loan of \$123,163, and customer deposits of \$960. The purported stockholder loan is between Mr. Joseph Linartas, Sr., and Century Estates, and is an 8% open note. No interest has been paid on this loan, no schedule of interest payments or principle return exists and no debt instrument exists. Therefore, we have included the \$123,163 stockholder loan as common equity.

The utility books reflected \$1,065 in customer deposits. After receiving Commission certification in 1994, the utility charged a \$45.00 refundable deposit which actually consisted of a \$30.00 deposit and the authorized \$15.00 initial connection fee. We have reclassified \$105 from deposits to utility revenue to cover the initial connection fees which should have been included as revenue. Therefore, utility customer deposits are calculated to be \$960. The utility has paid no interest on the customer deposits since they first started collecting them in March 1993. The utility shall pay interest on all customer deposits of record from the date they came under Commission jurisdiction as outlined in Rule 25-30.311 (4) (a) and (b), Florida Administrative Code, which states:

(a) Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The utility shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the utility elects not to refund such a deposit after 23 months.

(b) The deposit interest shall be simple interest in all cases and settlement shall be made annually, either in cash or by credit on the current bill. This does not

prohibit any public utility paying a higher rate of interest than required by this rule. No customer depositor shall be entitled to receive interest on his deposit until and unless a customer relationship and the deposit have been in existence for a continuous period of six months, then he shall be entitled to receive interest from the day of the commencement of the customer relationship and the placement of deposit.

Based on the above, we have calculated customer deposits in the amount of \$960 at a cost of 6.0%.

The return on equity, when based on the leverage graph formula in Order No. PSC-95-0982-FOF-WS, is 10.18% with a range of 9.18% to 11.18%, and the overall rate of return is 10.13% with a range of 9.14% to 11.11%.

NET OPERATING INCOME

Our calculation of net operating income (loss) for the water system is depicted on Schedule No. 3. Our adjustments are itemized on Schedule No. 3A and Schedule No. 3B. 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:

Water System Revenues

The utility recorded water system revenues of \$10,205 during the test period. Two customers were not billed for water. One is the company's meter reader who receives free water in exchange for his services. The other customer is the builder of the service area's subdivision homes and he has no meter installed. A water meter for this customer, for monitoring purposes, shall be installed. Revenues for the test year were imputed for both of these customers. A revenue check using the billing analysis shows that the utility's test year revenue should be \$12,446. An adjustment of \$2,241 has been made to bring test year revenue to the proper amount.

A billing analysis showed overcharges to customers of \$647.22 from unauthorized late fees and miscalculations of customers bills. The utility has been provided with a breakdown of overcharges by customer. The utility shall cease implementing unauthorized late payment charges and refund all overcharges within 90 days of the effective date of the Commission Order. The refund shall cover

overcharges made after the utility came under Commission jurisdiction on February 8, 1995.

Test Period Operating Expenses

The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense (net of CIAC amortization), and taxes other than income taxes.

The utility recorded test year water system operating expenses of \$30,395. These expenses include operation and maintenance expenses of \$24,254, depreciation expense of \$5,335, and taxes other than income of \$806. We have made several adjustments to the utility's operating expenses. A summary of our adjustments are as follows:

Operation and Maintenance Expenses (adjustments shown on Schedule 3A under paragraph B):

- 1) (601) - Salaries & Wages - Employees - The utility recorded \$13,780 in this account for the test year. All required needs for plant operator staffing, plant maintenance, distribution repairs, meter reading, as well other related field and office personal requirements, are performed by the owners/employees of the parent company on a contractual basis. An adjustment of (\$13,780) has been made to reclassify this labor to contractual services.
- 2) (615) - Purchased Power - The utility recorded \$1,651 in this account during the test year. An adjustment of (\$465) was made to bring purchased power to the audited amount. Therefore, purchased power expense is \$1,186.
- 3) (618) - Chemicals - The utility recorded \$180 in the chemicals account for the test year. According to the operator's monthly report that is required by the DEP, the utility used a total of 108 gallons of liquid chlorine during the test year. The utility's chlorine expense has been reduced by \$3 to \$177 to show the proper amount of chlorine expense for the test year.
- 4) (620) - Materials and Supplies - The utility recorded \$2,348 in the materials and supplies account during the test year. During the test year, purchases for supplies to operate and maintain the plant were made at various hardware and building supply stores. However, only \$1,229 of these expenses were verified through receipts.

We have made adjustments to: a) remove \$1,119 of non-verifiable expenses, b) reclassify a \$350 electric buss bar repair and maintenance expense to account #630, and c) reclassify a \$252 valve replacement expense to account #630. Based on these total adjustments for this account of (\$1,721), test year expenses for materials and supplies are \$627.

- 5) (630) - Contractual Services - The utility recorded \$1,514 in this account during the test period. However, only \$1,339 of these expenses could be verified. We have made adjustments to: a) remove \$175 of non-verifiable expenses, b) include \$4,200 for water plant operator services, c) include \$9,568 for the parent company management contract, d) increase DEP required water testing expense by \$1,583 to cover all necessary testing, e) decrease the water meter reading expense by \$14, f) include a yearly meter change-out expense of \$650, and g) include repairs and maintenance expense of \$338.

Operator services are performed by Mr. Joseph Linartas Sr. who is a licensed Class C operator. Mr. Linartas makes routine visits to the plant site to fulfill the normal operational requirements, collects appropriate samples, makes log book entries, and signs the Monthly Operational Report (MOR) in accordance with DEP rules and regulations. For this service, an outside operator would normally charge \$350 per month. Therefore, we have included \$4,200 for operator services.

A management contract with the parent company (Business Promotions, Inc.) covers all administrative and management functions of the utility. Mr. Joseph Linartas Sr., as Chief Executive Officer (CEO) of the corporation, spends approximately 13 hours a week on administrative duties and has requested an hourly rate of \$8 per hour which we believe is reasonable. Therefore, we have included \$5,408 for these duties. Mr. Linartas Jr. serves as the utility manager, secretary, and maintenance person. On-site utility related duties include (but are not limited to) trim mowing around the plant, general maintenance of plant equipment, customer liaison in utility related concerns, resident contact during utility emergencies, contractor for more complex repairs, and in-house service repairs. Mr. Linartas Jr. spends approximately 10 hours per week to on-site utility duties. Therefore, we have included \$4,160 for these duties.

The utility recorded \$1,025 for water testing during the test year. State and local authorities require that several analyses be performed as scheduled with Florida Administrative Rule 17-22. The utility's monthly monitoring is a routine program that includes sampling and testing for Bacteria. This cost the utility \$480 per year. A review of all tests required by DEP are as follows:

<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
Microbiological	monthly	\$480/yr
Primary Inorganics	36 mos.	\$ 75/yr
Secondary Inorganics	36 mos.	\$ 65/yr
Asbestos	1/9 yrs.	\$ 25/yr
Nitrate & Nitrite	12 mos.	\$ 40/yr
Volatile Organics	qtr/1st yr/36 mos. Subsequent/Annual	\$450/yr
Pesticides & PCB	36 mos.	\$570/yr
Radionuclides		
Group I	36 mos.	\$100/yr
Group II	"	\$250/yr
Uregulated Organics	qtr/1st yr/9 yr.	\$275/yr
Group I	36 mos.	\$ 45/yr
Group II	36 mos.	\$ 83/yr
Group III		
Lead & Copper	Biannual/12 mos	<u>\$150/yr</u>
Total		<u>\$2,608/yr</u>

Therefore, an adjustment of \$1,583 has been made to include all necessary DEP required testing. This results in \$2,608 per year for analysis expenses for potable water testing.

The utility recorded \$164 for meter reading expense. One of the customers in Century Estates works for a utility company and has experience in reading meters. The owners worked out a deal with this customer to read the meters for free water service. This is an arrangement that may, or may not last. At any time in the future, the utility may need to contract someone else for meter reading service. Meter reading takes place on a bi-monthly schedule. A reasonable estimate for contracted meter reading service is \$25 per reading cycle. Therefore, we find that \$150 per year is considered reasonable for meter reading services, and reduce meter reading expense by \$14.

The manufacturer's recommended life of a 5/8" x 3/4" meter is 17 years which is above normal for meters exposed to Florida waters. About thirty percent (30%) of the meters in this utility's service area are either very near or exceed this estimated life. The utility shall begin a program of meter replacement for its 82 metered customers. This program shall have an amortization schedule of 8 years which allows the utility to replace ten (10) old meters with new meters, each year. The estimated cost to replace an old meter is \$65 per meter. The total expense for this program is \$650 per year, which is considered reasonable for a meter change-out program.

Repairs and maintenance expense include reclassifications of \$350 and \$252 from the materials and supplies account (#620) along with a \$411 charge for repairs to the pump house. We have amortized these expenses over a 3-year period and the expense for repairs and maintenance expense is \$338.

Based on all of the above, we have made total adjustments of \$16,150 to this account.

- 6) (640) - Rents - The utility shares office space with the parent company, Business Promotions, Inc. Based on the size of this utility, we find that a rent expense of \$1,500 per year is appropriate.
- 7) (650) - Transportation Expense - The utility recorded \$2,320 in this account during the test year. Both Mr. Linartas and his son live in Winter Park. The primary office and home base for the utility is also in Winter Park which is about 40 miles from the plant. If the

utility office was more local to the service territory, trips to the Winter Park/Orlando area would be somewhat common personnel, run errands, and pick up parts & supplies. The owners use their personal vehicles to make these trips which they estimate to be 450 miles per week. Travel compensation for Mr. Linartas, Senior (operator required to make three visits per week), has already been included in the allowance for contract operator services. Other mileage allowances must consider the reasonableness of living 40 miles from the plant.

It is estimated that 150 miles per week is a reasonable travel allowance for Mr. Linartas, Junior, to perform utility duties. This amount takes into account normal travel based on a more local residence and includes periodic trips to Orlando for reasons noted above. The reimbursement standard of twenty-nine cents per mile allowed by the State of Florida is considered prudent. Therefore, we have made an adjustment of (\$58) to transportation expense to include a reasonable transportation allowance of \$2,262 per year (150 miles x 52 weeks x \$.29).

- 8) (655) - Insurance Expense - The utility recorded \$310 of insurance expense in this account during the test year. This amount appears to be both reasonable and prudent for a utility this size, and no adjustment is made.
- 9) (665) - Regulatory Commission Expenses - The utility recorded \$459 in this account during the test year which was for regulatory assessment fees which belong in the taxes other than income account. Therefore, we have made adjustments of: a) \$125 ($\$500/4$) to allow for the rate case filing fee amortized over 4 years and b) (\$459) to reclassify the regulatory assessment fees to the taxes other than income account.
- 10) (675) - Miscellaneous Expenses - The utility recorded \$1,692 in this account for the test year. Adjustments were made to: a) include \$171 annual postage expense, b) include \$733 for the cost of an operating permit amortized over 3 years ($\$2,200/3$), and c) remove \$1,401 of non-verifiable expenses.

Total adjustments of (\$497) were made to this account, and test year miscellaneous expenses are calculated to be \$1,195, which includes \$291 for

telephone and pager expense, \$171 for postage, and \$733 for an operating permit amortized over 3 years.

Depreciation Expense

The utility recorded depreciation expense of \$5,335 for the test year. We have applied the prescribed depreciation rates and used and useful percentages to the appropriate test year plant-in-service account balances. This resulted in a depreciation expense of \$3,604 for the test year, and so we have reduced depreciation expense by \$1,731 to bring depreciation expense to the proper test year amount of \$3,604.

The utility recorded no amortization expense for the test year. We have determined test year CIAC amortization expense to be (\$3,604). An adjustment of (\$3,604) was made to bring amortization expense to the proper test year amount. Therefore, depreciation expense net of amortization of CIAC would be zero (\$3,604-\$3,604), since the utility is 100% contributed.

Taxes Other than Income

The utility did not record anything in the taxes other than income account during the test year. We have made adjustments to increase test year regulatory assessment fees by \$101 to match the test year revenue and decrease Lake County property taxes by \$117 to match the 1995 assessment. Therefore, we find that test year taxes other than income are \$790.

Increases in Operating Expenses for Ratesetting Purposes

Revenue has been adjusted by \$14,353 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn the approved return on investment. The expense for taxes other than income taxes has been increased by an additional \$646 to reflect the regulatory assessment fee of 4.5% on the approved increase in revenue.

Operating Expenses Summary

Based on all of the above adjustments, the utility's test year operating expenses for ratesetting purposes are found to be \$26,482 (\$646 added for taxes other than income taxes). The test year operating revenues for this utility are \$12,446, while the corresponding test year operating expenses are \$25,836. This results in a test year operating loss of (\$13,390).

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$26,799. This represents an annual increase in revenue of \$14,353 (115.32%). This will allow the utility the opportunity to recover its expenses and earn a 10.13% return on its investment. The calculations are as follows:

	<u>Water</u>
Adjusted Rate Base	\$ 3,131
Rate of Return	<u>x .1013</u>
Return on Investment	\$ 317
Adjusted Operation Expenses	25,046
Depreciation Expense (Net)	-0-
Taxes Other Than Income Taxes	<u>1,436</u>
Revenue Requirement	<u>\$ 26,799</u>
Annual Revenue Increase	\$ 14,353
Percentage Increase/(Decrease)	<u>115.32%</u>

The revenue requirements and resulting annual increases are shown on Schedules Nos. 3 and 3A.

RATES AND CHARGES

The utility's current residential tariff provides for a base facility and gallonage charge rate structure which is the preferred rate structure, because it is designed to provide for the equitable sharing by the rate payers 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 variable costs of providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

In addition, the base facility charge rate structure is an appropriate rate structure for this utility for conservation purposes, which is a statewide goal. The utility is under the jurisdiction of the St. Johns River Water Management District. Century Estates is not located in a Water Use Caution Area and the utility customers average monthly usage of 7,682 gallons is not viewed as excessive.

Based on the test year billing analysis, the utility provided water service to approximately 82 residential customers. Rates have been calculated based on test year customers and the consumption levels provided by the billing analysis. Schedules of the utility's existing rates and rate structure and the approved rates and rate structure are as follows:

BI-MONTHLY WATER RATES
Residential and General Service

<u>Base Facility Charge</u> <u>Meter Sizes:</u>	<u>Utility's</u> <u>Bi-Monthly</u> <u>Existing Rates</u>	<u>Commission's</u> <u>Bi-Monthly</u> <u>Approved Rates</u>
5/8" x 3/4	\$ 15.00*	\$ 27.62
3/4"	N/A	41.43
1"	N/A	69.04
1 1/2"	N/A	138.09
2"	N/A	220.94
3"	N/A	441.88
4"	N/A	690.44
6"	N/A	1,380.89

*Includes the first 6,000 gallons used

<u>Gallage Charge</u> Per 1,000 Gallons	\$ 1.10**	\$ 1.75
--------------------------------------------	-----------	---------

** After 6,000 gallons

Using the average 82 test-year residential water customers with an average water consumption of 7,682 gallons per month per customer, an average residential Bi-Monthly water bill comparison would be as follows:

	<u>Existing Bi-Monthly Bill</u>	<u>Approved Bi-Monthly Bill</u>	<u>Percent Increase</u>
Base Facility Charge	\$ 15.00	\$ 27.62	
Gallorage Charge	<u>\$ 10.30</u>	<u>\$ 26.89</u>	
Total	\$ 25.30	\$ 54.51	115.45%

In accordance with Rule 25-30.475, Florida Administrative Code, the rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's 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 may 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.

Service Availability Charges

Currently, the utility's tariff contains a meter installation fee of \$200, a customer connection (tap-in) fee of \$250, and a backflow preventer installation fee of \$150, all of which were approved in Commission Order No. PSC-95-0187-FOF-WU, issued February 8, 1995.

The utility's current contribution level is calculated to be 100.00%. All of the utility land and plant-in-service was expensed on the parent company's books (Business Promotions, Inc.) federal income tax returns as cost of land (home) sales. The utility never

collected any service availability charges from new residents. Cost of home sales included a proration of utility costs including utility land. The owner of the utility provided us with a signed company representation verifying all plant and land costs were expensed. Since the utility is at a 100% contribution level, we find it appropriate to eliminate all service availability charges at this time.

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 is \$131 annually. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The reduction in revenues will result in the rates shown on Schedule No. 4.

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 also shall 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.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water rates. 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 authorize the utility to collect the rates approved herein, on a temporary basis, subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of security for both the potential refund and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$9,921. This amount is based on the rate calculation which includes ad

valorem taxes. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with our Division of Water and Wastewater no later than 20 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 USOA. Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

Water and Sewer 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 the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, the utility shall be required to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

STREET LIGHTING

Utility bills include a separate line item charge for street lighting to customers who benefit from this service. Utility bills do not identify this service as a non-utility regulated charge.

The utility's bi-monthly billing may include a separate line item charge for street lighting if it is identified as a non-utility charge and a notation is made that non-payment of the street lighting charge is not justification for water service to be cut-off to customers of the water utility.

EFFECTIVE DATE

In accordance with Rule 25-30.475, Florida Administrative Code, the metered rates shall be effective for service rendered as of the stamped approval date on the revised tariff sheets provided customers have received notice. The service availability charges and miscellaneous service charges shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets provided customers have received notice. Tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision, that the proposed customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given within ten days after the date of the notice. In no event shall the rates be effective for services rendered prior to the stamped approval date.

CLOSING OF DOCKET

We have required that certain quality of service items be completed, that interest on customer deposits be paid, a water meter be installed, and a refund be completed. If no timely protest is received, upon expiration of the protest period, this docket shall remain open for an additional ninety days from the effective date of the Order so that our staff may verify these items have been completed. After staff verifies these items have been completed, and after the utility has submitted and has had approved revised tariff sheets reflecting the new rates, this docket shall be closed administratively. However, if the utility fails to timely complete these items, a show cause proceeding may be initiated.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Century Estates Utilities, Inc., for an increase in

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DOCKET NO. 950982-WU
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its water rates in Lake 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

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, 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 Records and Reporting at his office at 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 Century Estates Utilities, Inc., shall install a two-inch flush valve and provide our staff with an informal study concerning air in the lines as set out in the body of this Order. It is further

ORDERED that the utility shall begin a program of meter replacement for its 82 metered customers as set out in the body of this Order. It is further

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

ORDERED that the rates approved herein shall be effective for service rendered after the stamped approval date on the revised tariff pages, provided the customers have received notice. It is further

ORDERED that the service availability charges shall be eliminated at this time. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, Century Estates Utilities, Inc., shall

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submit and have approved a bond or letter of credit in the amount of \$9,921 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Century Estates Utilities, Inc., shall submit revised tariff sheets which shall be approved upon Staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that an appropriate customer notice has been submitted. It is further

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

ORDERED that Century Estates Utilities, Inc., shall install a meter for monitoring purposes as set out in the body of this order. It is further

ORDERED that Century Estates Utilities, Inc., shall pay the interest on customer deposits as set out in the body of this Order. It is further

ORDERED that Century Estates Utilities, 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 Century Estates Utilities, Inc., shall make the refunds for unauthorized late fees and miscalculations of customers bills as required by this order. It is further

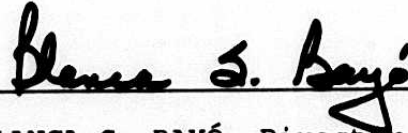
ORDERED that Century Estates Utilities, Inc., may include a separate line item charge for street lighting as long as it is identified as set out in the body of this order. It is further

ORDERED that upon expiration of the protest period, this docket shall remain open for a period of 90 days to allow staff to verify that Century Estates Utilities, Inc., has complied with the requirements of this order. Upon such verification, this docket shall be administratively closed. It is further

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ORDERED that if Century Estates Utilities, Inc., fails to comply with the requirements of this Order, a show cause proceeding may be initiated.

By ORDER of the Florida Public Service Commission, this 12th day of April, 1996.

A handwritten signature in black ink, reading "Blanca S. Bayó", is written over a solid horizontal line.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions taken herein, except for the granting of temporary rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7) (a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at her office at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 3, 1996. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or 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

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Records and Reporting within fifteen (15) days of 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 (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.

CENTURY ESTATES UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 1
 DOCKET NO. 950982-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 104,100	\$ 26,919 A	\$ 131,019
LAND/NON-DEPRECIABLE ASSETS	0	1,275 B	1,275
NON USED AND USEFUL PLANT	0	0 C	0
CIAC	0	(132,294) D	(132,294)
ACCUMULATED DEPRECIATION	(33,380)	8,818 E	(24,562)
AMORTIZATION OF CIAC	0	24,562 F	24,562
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,131 G</u>	<u>3,131</u>
WATER RATE BASE	\$ 70,720	\$ (67,589)	\$ 3,131

CENTURY ESTATES UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 1A
DOCKET NO. 950982-WU

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect commission's calculated utility plant.	\$ 27,239
2. To reflect averaging adjustment.	(320)
	<u>\$ 26,919</u>
B. <u>LAND - NON-DEPRECIABLE ASSETS</u>	
1. To reflect cost of utility land.	\$ <u>1,275</u>
C. <u>NON-USED AND USEFUL PLANT</u>	
1. To reflect non-used and useful plant.	\$ (27,806)
2. To reflect non-used and useful accumulated depreciation associated with non-used and useful plant.	4,085
3. To reflect average non-used and useful CIAC.	27,806
4. To reflect average non-used and useful CIAC amortization.	(4,085)
	<u>\$ 0</u>
D. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To bring CIAC to proper amount.	\$ (132,614)
2. To reflect an averaging adjustment.	320
	<u>\$ (132,294)</u>
E. <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect commission calculated accumulated depreciation.	\$ 6,592
2. To reflect averaging adjustment.	2,226
	<u>\$ 8,818</u>
F. <u>AMORTIZATION OF CIAC</u>	
1. To reflect commission calculated amortization of CIAC.	\$ 26,788
2. To reflect averaging adjustment.	(2,226)
	<u>\$ 24,562</u>
G. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses.	\$ <u>3,131</u>

CENTURY ESTATES UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 2
 DOCKET NO. 950982-WU

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%
COMMON EQUITY	73,594	(70,504)	3,090	98.71%	10.18%	10.05%
CUSTOMER DEPOSITS	0	960	40	1.29%	6.00%	0.08%
TOTAL	\$ 73,594	\$ (69,544)	\$ 3,131	100.00%		10.13%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.18%	11.18%
OVERALL RATE OF RETURN	9.14%	11.11%

CENTURY ESTATES UTILITIES, INC.
 SCHEDULE OF WATER OPERATING INCOME
 TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 3
 DOCKET NO. 950982-WU

	<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	\$ <u>10,205</u>	\$ <u>2,241 A</u>	\$ <u>12,446</u>	\$ <u>14,353 F</u>	\$ <u>26,799</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANC	\$ <u>24,254</u>	\$ <u>792 B</u>	\$ <u>25,046</u>	\$ <u>0</u>	\$ <u>25,046</u>
DEPRECIATION	<u>5,335</u>	<u>(1,731) C</u>	<u>3,604</u>	<u>0</u>	<u>3,604</u>
AMORTIZATION	<u>0</u>	<u>(3,604) D</u>	<u>(3,604)</u>	<u>0</u>	<u>(3,604)</u>
TAXES OTHER THAN INCOME	<u>806</u>	<u>(16) E</u>	<u>790</u>	<u>646 G</u>	<u>1,436</u>
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>30,395</u>	\$ <u>(4,559)</u>	\$ <u>25,836</u>	\$ <u>646</u>	\$ <u>26,482</u>
OPERATING INCOME/(LOSS)	\$ <u>(20,190)</u>		\$ <u>(13,390)</u>		\$ <u>317</u>
WATER RATE BASE	\$ <u>70,720</u>		\$ <u>3,131</u>		\$ <u>3,131</u>
RATE OF RETURN	<u>-28.55%</u>		<u>-427.69%</u>		<u>10.13%</u>

CENTURY ESTATES UTILITIES, INC.
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 3A
 DOCKET NO. 950982-WU

<u>A. OPERATING REVENUES</u>	<u>WATER</u>
1. To adjust revenue per utility books to revenue per billing analysis.	\$ <u>2,241</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
1. (601) Salaries and Wages - Employees	\$ <u>(13,780)</u>
a. To reclassify employee salaries to contractual services.	
2. (615) Purchased Power	\$ <u>(465)</u>
a. To correct balance for purchased power per audit.	
3. (618) Chemicals	\$ <u>(3)</u>
a. To include yearly chlorine expense.	
4. (620) Materials and Supplies	\$ (1,119)
a. To remove non-verifiable expenses.	(350)
b. To reclassify repair and maintenance expense to account # 630.	(252)
c. To reclassify repair and maintenance expense to account # 630.	<u>\$ (1,721)</u>
5. (630) Contractual Services	\$ (175)
a. To remove non-verifiable contractual services expense.	4,200
b. To allow for licensed operator services.	9,568
c. To include parent company contract labor.	1,583
d. To include DEP required water testing expenses.	(14)
e. To include bi-monthly meter reading expense.	650
f. To include meter change-out expense.	338
g. To amortize repair and maintenance expenses over 3 years.	<u>\$ 16,150</u>
6. (640) Rents	\$ <u>1,500</u>
a. To allow for rent at \$125 per month.	
7. (650) Transportation Expenses	\$ <u>(58)</u>
a. To include mileage expense (150 mi x 52 wks x \$.29).	
8. (665) Regulatory Commission Expenses	\$ 125
a. To reflect \$500 rate case filing fee amortized over 4 years.	(459)
b. To reclassify \$459 regulatory assessment fee to taxes other account.	<u>\$ (334)</u>
9. (675) Miscellaneous Expenses	\$ 171
a. To include annual postage expense.	733
b. To include operating permit amortized over 3 years.	(1,401)
c. To remove non-verifiable miscellaneous expenses..	<u>\$ (497)</u>
TOTAL O & M ADJUSTMENTS	
	<u>\$ 792</u>
<u>C. DEPRECIATION EXPENSE</u>	
1. To reflect commission's calculated test year depreciation expense net of non-used and useful depreciation expense.	\$ <u>(1,731)</u>
<u>D. AMORTIZATION EXPENSE (CIAC)</u>	
1. To reflect commission's calculated test year amortization expense.	\$ <u>(3,804)</u>
<u>E. TAXES OTHER THAN INCOME</u>	
1. To include correct test year regulatory assessment fee amount.	\$ 101
2. To adjust to 1995 Lake County property tax.	(117)
	<u>\$ (16)</u>
<u>F. OPERATING REVENUES</u>	
1. To reflect increase in revenue required to cover expenses and allow recommended rate of return.	\$ <u>14,353</u>
<u>G. TAXES OTHER THAN INCOME</u>	
1. To reflect regulatory assessment fee at 4.5% on increase in revenue.	\$ <u>648</u>

CENTURY ESTATES UTILITIES, INC.
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 3B
 DOCKET NO. 950982-WU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COM</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$ 13,780	\$ (13,780)[1]	\$ 0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,651	(465)[2]	1,186
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	180	(3)[3]	177
(620) MATERIALS AND SUPPLIES	2,348	(1,721)[4]	627
(630) CONTRACTUAL SERVICES	1,514	16,150 [5]	17,664
(640) RENTS	0	1,500 [6]	1,500
(650) TRANSPORTATION EXPENSE	2,320	(58)[7]	2,262
(655) INSURANCE EXPENSE	310	0	310
(665) REGULATORY COMMISSION EXPENSE	459	(334)[8]	125
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>1,692</u>	<u>(497)[9]</u>	<u>1,195</u>
	\$ 24,254	\$ 792	\$ 25,046

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CENTURY ESTATES UTILITIES, INC.
 SCHEDULE OF RATE CASE EXPENSE RATE
 REDUCTION AFTER FOUR YEARS
 TEST YEAR ENDING AUGUST 31, 1995

SCHEDULE NO. 4
 DOCKET NO. 950982-WU

BI-MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>COMMISSION APPROVED DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 27.62	\$ 0.13
3/4"	41.43	0.20
1"	69.04	0.34
1-1/2"	138.09	0.67
2"	220.94	1.08
3"	441.88	2.16
4"	690.44	3.37
6"	1,380.89	6.74
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.75	\$ 0.01