

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff-) DOCKET NO. 950966-WS
assisted rate case in Highlands) ORDER NO. PSC-96-0869-FOF-WS
County by Sebring Ridge) ISSUED: July 2, 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 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 actions discussed herein, except for our granting of temporary rates and our requirement that the utility maintain its books and records in accordance with the NARUC Uniform System of Accounts, are 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

Sebring Ridge Utilities, Inc. (Sebring Ridge or utility), is a Class C water and wastewater utility located in Highlands County. By Order No. 13564, issued August 3, 1984, in Docket No. 830049-WS, the Commission granted operating certificate nos. 334-W and 365-S to the utility. The existing rates at that time were grandfathered.

By Order No. 18961, issued March 7, 1988, in Docket No. 870776-WS, the Commission granted the utility a rate increase by application of a staff assisted rate case. The utility's rates have also been increased by price index and pass-through rate

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

adjustments. The utility's existing rates were approved by the application of the 1994 price index rate adjustment.

On August 15, 1995, the utility applied for this staff assisted rate case. Due to the condition of the utility's books, the staff audit was delayed and the utility requested waiver of the fifteen-month statutory requirement for completing this case. An engineering field investigation has been performed and an original cost study for plant values was completed due to lack of original cost documentation of plant additions since the last rate case.

Sebring Ridge is within the Southwest Florida Water Management District (SWFWMD). SWFWMD advises that the utility is in the Highlands Ridge Water Caution Area, which is a critical use area. This qualifies Sebring Ridge for conservation rates to assist in conservation efforts and to be in concert with statewide conservation efforts.

We have selected a historical test year ended December 31, 1994, for this rate case. During the test year, the utility provided water service to approximately 426 residential customers and two general service customers. It also provided stand-by water service to another jurisdictional utility, Crystal Lake Club. It provided wastewater service to approximately 47 residential customers and two general service customers. The customer base includes single family homes, a condominium with 246 units, and a bowling alley. The adjusted test year revenues for the utility are \$102,746 for water and \$40,699 for wastewater. The corresponding expenses are \$115,847 for water and \$63,766 for wastewater, resulting in a loss of \$13,101 for water and \$23,067 for wastewater.

QUALITY OF SERVICE

On the evening of April 2, 1996, a customer meeting was held at the City of Sebring Civic Center on 335 W. Center Street in Sebring, Florida, to allow customers to address quality of service and other issues related to the current rate case. Approximately 150 customers attended the meeting. Approximately fourteen customers testified. The customers voiced concerns about disorganized office management, the difficulty they have in contacting the utility when necessary, and the magnitude of the potential rate increase. Customers testified that the utility's office is chaotic and not run in a professional manner. No quality of service issues were raised. Two customers commented that the quality of service was good.

We find that the utility's record keeping practices are very poor. The utility is owned and operated as a family business which has been in existence for several years with the need for rate relief. The office is small with limited storage space, a condition which has been made worse over the last several months while the utility has kept files available for our staff's review. Recently, the utility purchased a computer, removed a large table, added a new file cabinet, and has begun reorganizing the office in the aftermath of this rate case. The utility has also consented to placing a beeper number on the monthly bills to allow customers a more ready contact during emergencies.

In addition to the customer concerns addressed at the customer meeting, a customer who resides in the Bluffs condominium wrote a letter addressing the expenses included in rates and opposed the percentage increase in rates. As stated in response to this customer, all areas that are related to the customer's concerns have been reviewed and adjustments have been made accordingly.

Sebring Ridge addressed customer concerns in writing and stated that it was never informed that customers had experienced problems in attempting to contact the utility. We have instructed the utility to post business hours and to provide telephone numbers for regular hours and after-hours on customer bills. The utility has agreed to comply.

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water and wastewater utility operations: 1) quality of the utility's product (both water and wastewater service); 2) operational conditions at both plant facilities; and 3) customer satisfaction.

The Department of Environmental Protection (DEP) is the office of primacy concerning the mechanics of water and wastewater treatment. The latest sanitary surveys of the water treatment plants performed by DEP occurred during April, 1995. The compliance inspection report for both water plants listed two plant-in-service violations and two recommendations. By follow-up correspondence, the utility was cited for the following deficiencies:

*Install a chlorine alarm system that can be detected outside the chlorine room in accordance with Rule 62-555.320, Florida Administrative Code.

*Increase operator coverage of the plants to five visits per week and one weekend visit in accordance with Rule 62-699, Florida Administrative Code.

Recommendations:

*Thorough inspection of all water tanks at intervals of not more than five years, cleaned, painted and/or repaired in accordance with American Water Works Association (AWWA) D101-53 (R1979).

*To initiate a preventative maintenance program of painting and cleaning in accordance with Rule 62-555.350, Florida Administrative Code.

The utility is currently up-to-date with its required testing and analysis and all chemical analysis results were satisfactory. The treated water provided by Sebring Ridge meets or exceeds all requirements for safe drinking water.

The latest compliance inspection of the wastewater treatment plant was performed by DEP on January 20, 1994. Although the compliance inspection reported some effluent discharge problems, no follow-up inspections or deficiency citations were noted in the records. During our engineering field investigation, it was noted that the Army surplus motor/blower assembly was reaching the end of its functional life. Justification for a new motor blower assembly was apparent. Therefore, a pro forma allowance has been included in this rate case as described within the body of this order, in order for the utility to replace the existing motor/blower assembly.

Operational conditions at both water plants and the wastewater plant are considered less than normal. Housekeeping of plant structures and equipment maintenance appear to have been deferred. To assist the utility in achieving compliance with DEP, certain other pro forma allowances have been included in this rate case, as described within the body of this order.

All things considered, we find that the utility's quality of service is not satisfactory. However, after the utility reaches compliance with DEP and satisfies all recommendations of both DEP and this Commission, we believe that the quality of service will be satisfactory. It is estimated that pro forma plant improvements will be completed within six months. Therefore, the quality of service provided by Sebring Ridge shall be considered satisfactory if the utility completes all pro forma plant improvements within six months after the issuance date of this order to comply with DEP citations and recommendations for improvement.

RATE BASE

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

Used and Useful

Water Treatment Plants

The rated capacity of the treatment plant at well site number one is 360,000 gallons per day (gpd) and at well site number two is 252,000 gpd. Since the two systems are interconnected, it is more appropriate that they be treated as one system while applying the used and useful formula. Combined, the capacity of the plants serving Sebring Ridge is 612,000 gpd. The peak month of the integrated system was May, 1995. The maximum day occurred in June, with 304,300 gpd. Over the past five years, the utility has averaged eleven equivalent residential connections (ERCs) per year in growth. In accordance with the approved formula, utilized to determine a reference point for useful plant, the integrated water treatment system is determined to be operating at 77.68% used and useful. Therefore, we find that the water treatment facility is 77.68% used and useful with the exception of Account Numbers 301 (Organization), 302 (Franchises), and 303 (Land and Land Rights), which are 100% used and useful.

The Phase I distribution system has an estimated 1,092 possible connections, while Phase II has 452 possible connections. The two systems are interconnected to form one distribution network. During the test year the utility averaged 629 ERCs. Using the approved formula which allows for a margin reserve, the distribution system computes to a 42.16% used and useful percentage. Therefore, the distribution system is 42.16% used and useful with the exception of Account Numbers 333 (Services), 334 (Meters and Meter Installations), and 339 (Other Plant and Miscellaneous Equipment), which are 100% used and useful.

Wastewater Treatment Plant

The rated capacity of the wastewater treatment plant is 60,000 gpd operating in the extended aeration mode of treatment. The highest five day average occurred in November, 1995, with flows of

45,400 gpd. By applying the used and useful formula, the calculated used and useful is 80.67%. Therefore, we find that the wastewater plant accounts are 80.67% used and useful with the exception of Account Numbers 351 (Organization), 352 (Franchises), and 353 (Land and Land Rights), which are 100% used and useful.

Wastewater Collection System

The collection system serves only Phase II, which has 452 possible connections. During the test year, the utility averaged 333 ERCs connected to the collection system. Using the approved formula which allows for a margin reserve, the collection system computes to 78.54% used and useful. Therefore, we find that the distribution system is 78.54% used and useful with the exception of Account Number 363 (Services), which is 100% used and useful.

Test Year Rate Base

By Order No. 18961, issued March 7, 1988, in Docket No. 870776-WS, the Commission approved the utility's rate base at July 31, 1987. The utility has voiced concerns that the contribution-in-aid-of-construction (CIAC) imputed in the prior rate case was overstated and the utility's investments were understated, causing lower rates and less than adequate revenues. We have reviewed the staff audit report and workpapers, the staff analyst's work papers and Order No. 18961 to determine the methodology used for imputing CIAC and to determine the utility's investment.

In the prior rate case, the utility was unable to provide original cost documentation for plant. An original cost study was performed to determine the cost of plant for water and wastewater at July 31, 1987. In addition, the utility did not provide sufficient documentation of CIAC. Following the guidelines of Rule 25-30.570, Florida Administrative Code, we have imputed CIAC for water and wastewater using the utility's 1985 tax return as a guide to determine the utility's capitalized plant, using the following method:

	<u>Water</u>	<u>Wastewater</u>
Plant per original cost study (includes land)	\$538,569	\$373,515
Capitalized plant per the utility's 1985 tax return	<u>(108,246)</u> \$430,723	<u>(12,000)</u> \$361,515
minus CWIP per tax return	<u>(116,288)</u> \$314,435	<u>(221,714)</u> \$139,801

Cash CIAC collected per utility	<u>(119,680)</u>	<u>(16,350)</u>
Imputed CIAC	\$194,755	\$123,451

We find that our imputation of CIAC and the utility's investment approved by Order No. 18961 are in compliance with Rule 25-30.570, Florida Administrative Code. Therefore, no changes are necessary for rate base balances approved in the prior rate case.

We have selected a historical test year ended December 31, 1994 for this rate case. The utility could not provide original cost documentation for plant additions for the period of August, 1987, through December 31, 1994. Therefore, an original cost study has been performed to determine the value of plant for this period of time. In addition, the utility's books have not been reconciled with the Commission's order for the prior rate case. The beginning point for this rate case consists of rate base components which were established by Order No. 18961. A discussion of each component follows:

Utility Plant in Service (UPIS)

By Order No. 18961, the Commission established depreciable plant of \$519,028 for water and \$327,799 for wastewater at July 31, 1987. Due to the lack of original cost documentation of plant additions from August 1987, through December 31, 1984, an original cost study was done to determine plant value at December 31, 1994. Plant additions as per the original cost study for this period are \$106,320 for water and \$55,122 for wastewater. Reclassification of plant costs are \$2,445 for water and \$1,097 for wastewater. The total additions are \$108,765 for water and \$56,219 for wastewater. Based on the utility's tax returns through December, 1994, the utility's capitalized additions are \$75,423. Following Commission practice, the difference between the total plant additions and the additions per the utility's tax return has been recognized as CIAC.

The utility requested pro forma plant additions and provided signed contracts for all plant additions. All pro forma costs have been reviewed and determined to be reasonable. UPIS has been increased by \$13,808 for water and by \$19,023 for wastewater to reflect pro forma plant. Pro forma cost for wastewater includes a replacement cost for a tank. The retirement cost for the old tank is \$1,500. Therefore, UPIS has been decreased by \$1,500 for wastewater to retire the old tank. An averaging adjustment has also been made of \$15,090 for water and \$9,307 for wastewater.

Based on the foregoing, we find that the appropriate average amount of test year plant in service is \$626,511 for water and \$392,234 for wastewater.

Non-Used and Useful Plant

Our staff engineer has determined the used and useful percentages for each plant account. Applying the non-used and useful percentages to average plant results in average non-used and useful plant of \$219,843 for water and \$63,103 for wastewater. The average non-used and depreciation is \$76,035 for water and \$19,768 for wastewater. Average non-used and useful CIAC is \$129,189 for water and \$32,287 for wastewater. The corresponding average non-used and useful amortization is \$44,106 for water and \$7,790 for wastewater.

Based on these adjustments, we find that net non-used and useful plant is \$58,725 for water and \$18,838 for wastewater.

Contribution in Aid of Construction (CIAC)

By Order No. 18961, the Commission established CIAC of \$314,435 for water and \$139,801 for wastewater. CIAC has been increased by \$2,000 for water and by \$4,000 for wastewater to reflect a reclassification from revenues. As addressed in UPIS, the difference in total plant additions per the original cost study plus plant reclassification and additions per the utility's tax returns through December, 1994, has been recognized as CIAC. That difference is \$89,561 ($\$108,765 + \$56,219 - \$75,423$). This amount has been allocated to each system based on the pro rata share of the total. CIAC has been increased by \$59,039 for water and \$30,522 for wastewater. CIAC has also been increased by \$8,800 for water and \$15,400 to reflect CIAC for the margin reserve. In addition, an averaging adjustment has been made of \$7,963 for water and \$2,548 for wastewater.

Based on the foregoing, we find that the appropriate average CIAC balances are \$376,311 for water and \$187,175 for wastewater.

Accumulated Depreciation

By Order No. 18961, the Commission established accumulated depreciated of \$109,265 for water and \$33,735 for wastewater at July 31, 1987. Accumulated depreciation has been increased by \$131,534 for water and by \$94,999 for wastewater to reflect accumulated depreciation at December 31, 1994. Accumulated depreciation for wastewater has been decreased by \$1,500 to reflect the retirement of a tank. In addition, an increase has been made of \$1,246 for water and \$1,029 for wastewater to reflect depreciation on pro forma plant. An averaging adjustment of \$10,407 for water and \$6,783 for wastewater has also been made.

Based on the foregoing, we find that the appropriate average accumulated depreciation balances are \$231,638 for water and \$121,480 for wastewater.

Accumulated Amortization of CIAC

By Order No. 18961, the Commission established amortization of CIAC of \$60,112 for water and \$10,733 for wastewater at July 31, 1987. An increase of \$70,815 for water and \$34,650 for wastewater has been made to reflect accumulated amortization through December 31, 1994. An increase of \$275 for water and \$564 for wastewater has also been made to reflect amortization of CIAC for the margin reserve. The averaging adjustment is \$5,250 for water and \$2,717 for wastewater.

Based on the foregoing, we find that the appropriate average accumulation balances are \$125,952 for water and \$43,230 for wastewater.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense formula approach for calculating working capital allowance. Applying that formula, and based on O&M of \$89,350 for water and \$44,469 for wastewater, we find that the working capital allowance is \$11,169 for water and \$5,559 for wastewater.

Rate Base Summary

Based on the foregoing, we find that the appropriate average test year rate base balances are \$116,899 for water and \$159,246 for wastewater.

COST OF CAPITAL

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

Return on Equity

The utility's capital structure includes equity of \$301,346, which represents 72.82% of total capital. Using the current leverage formula approved by Order No. PSC-95-0982-FOF-WS, issued

August 10, 1995, in Docket No. 950006-WS, the rate of return on common equity is 10.60%, with a range of 9.60% to 11.60%.

The utility's capital also includes a loan of \$1,500 from Fairmount Utilities the 2nd, Inc. (Fairmount). Sebring Ridge and Fairmount share the same owners. Therefore, this loan is from a related party. Based on the debt instrument provided for this loan, the interest rate is zero. Because a loan has been granted by a related party with no stated interest rate, we find it appropriate to assign the cost of equity for the cost of debt. The cost of equity is 10.60%. Therefore, we find that the assigned cost of debt for this loan is 10.60%.

In addition, the utility's capital structure includes loans of \$17,582 with a cost of 10.00%, \$12,459 with a cost of 11.50%, and \$90,990 with a cost of 11.25%.

Overall Rate of Return

The utility's capital structure has been reconciled with our approved rate base for water and wastewater. Multiplying the weighted cost by the pro rata share of each capital component results in an overall rate of return of 10.72% with a range of 9.99% to 11.45%.

NET OPERATING INCOME

Our calculation of net operating income is shown on Schedule No. 3 for the water systems and on Schedule No. 3A for the wastewater system. Our adjustments are itemized on Schedule No. 3B. Our analysis of O&M expense is shown on Schedule No. 3C for the water systems and on Schedule No. 3D for the wastewater system. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this order. The major adjustments are discussed below.

Test Year Revenues

Based on the test year billing analysis, the utility provided water service to approximately 426 residential customers and 2 general service customers. It provided wastewater service to approximately 47 residential customers and 2 general service customers. The utility recorded test year revenue of \$97,099 for water and \$43,578 for wastewater. This revenue included CIAC of \$2,000 for water and \$4,000 for wastewater. We have decreased test year revenues by \$2,000 for water and \$4,000 for wastewater to reclassify CIAC.

A historical test year ended December 31, 1994, has been selected for this rate case. The utility's existing rates became effective February 6, 1995, after the end of the test year. Therefore, we have calculated annualized revenue based on test year number of customers, consumption, and existing rates. The calculated annualized revenue is \$100,946 for water and \$40,699 for wastewater. Therefore, revenue has been increased by \$5,847 for water and by \$1,121 for wastewater to reflect test year annualized revenue. In addition, the utility provided standby water service to Crystal Lake Club, a jurisdictional utility, at a cost of \$150 per month and \$1,800 annually. The utility's recorded revenue did not include this revenue. We have increased water revenue by \$1,800 to include this revenue. The total adjustment for test year revenue is an increase of \$5,647 for water and a decrease of \$2,879 for wastewater.

Test Year Operating Expenses

The utility's recorded operating expenses include operation and maintenance expense, depreciation expense and taxes other than income expense. The utility's recorded expenses have been traced to supporting cost documentation and adjustments have been made for reclassification and reallocation to reflect the appropriate amount of annual operating expenses on a going forward basis. Expenses have also been adjusted to include pro forma expenses that were not recorded in the test year but required for operating the systems.

Test Year Revenues Summary

The utility's test year revenue is \$102,746 for water and \$40,699 for wastewater. The corresponding test year operating expenses are \$114,372 for water and \$63,164 for wastewater, not including our approved revenue increase and taxes. This results in a test year operating loss of \$11,626 for water and \$22,465 for wastewater.

Operation and Maintenance Expenses (O&M)

A summary of adjustments that were made to the utility's recorded expenses follows:

- 1) Salaries and Wages - Employees (601/701) - The utility recorded salaries of \$9,117 for water and \$3,341 for wastewater. These recorded amounts included salaries for the operations manager, the office manager, and several part-time maintenance persons. The utility has requested an annual salary of \$36,000 for the operations manager, \$20,800 annually for the office manager / secretary /

bookkeeper/billing clerk, and \$16,400 for a full-time maintenance person. The total employee salaries requested are \$73,200 annually.

This utility shares ownership and office space with Fairmount. Upon review of the duties performed by employees, we find that the operations manager's salary should be based on 20 hours per week, the office manager/secretary/bookkeeper/billing clerk's salary should be based on 40 hours per week, and the maintenance person's salary should be based on 20 hours per week. We have used hourly salaries from a 1981 survey of salaries for water utilities and indexed the hourly salaries forward to 1996 dollars. The indexed hourly rates are \$21.34 for the operations manager, \$10.87 for the office manager and \$7.19 for the maintenance person. Based on the foregoing, we shall approve an annual salary of \$22,194 for the operations manager and \$7,478 for the maintenance person. The utility requested an annual salary of \$20,800 at \$10.00 per hour for the office manager. We find that this hourly rate is in line with the indexed hourly rate. Therefore, we shall approve an annual salary of \$20,800 for the office manager. The total approved employee salaries are \$50,472. Seventy percent of this salary has been allocated to water and thirty percent to wastewater. Employee salaries have been increased by \$26,214 for water and by \$11,800 for wastewater to reflect the salaries approved herein.

- 2) Salaries and Wages - Officers (603/703) - The utility recorded an officers' salary of \$48,950 for water and \$18,050 for wastewater. The president of the corporation is responsible for the majority of all administrative duties. We find that the officers' salary should be based on 5 hours per week at \$25.62 per hour. We therefore approve an officers' salary of \$6,661 with an allocation of seventy percent to water and thirty percent to wastewater. This expense has been decreased by \$44,487 for water and by \$15,852 for wastewater to reflect the salary approved herein.
- 3) Employee Pensions and Benefits (604/704) - The utility recorded an expense of \$32 for water and \$12 for wastewater. This expense has been decreased by \$32 for water and \$12 for wastewater to remove a non-utility expense.

This expense has also been increased by \$1,741 for water and by \$565 for wastewater to reflect a reclassification of employee insurance expense from insurance expense. In addition, this expense has been decreased by \$256 for water and increased by \$71 for wastewater to reflect the appropriate annual amount for each system.

- 4) Sludge Removal Expense (711) - The utility recorded \$455 in this expense. It has been estimated that 2,000 gallons of sludge will be wasted per month with a cost of \$95 per hauling and \$1,140 annually. This expense has been increased by \$685 for wastewater to reflect the appropriate annual allowance.
- 5) Purchased Power Expense (615/715) - The utility recorded an expense of \$6,803 for water and \$5,091 for wastewater. This expense has been decreased by \$282 for water and by \$104 for wastewater to reclassify utility expense for the office to miscellaneous expense. In addition, this expense has been increased by \$1,439 for water and decreased by \$577 for wastewater to reflect the accrued total for the test year.
- 6) Chemicals (618/718) - The utility recorded an expense of \$1,026 for water and \$834 for wastewater in this expense. This expense has been decreased by \$292 for water and by \$108 for wastewater to reclassify plant. This expense has also been increased by \$266 for water and by \$779 for wastewater to reflect the appropriate annual allowance.
- 7) Materials and Supplies (620/720) - The utility recorded \$2,561 for water and \$928 for wastewater in this expense. This expense has been decreased by \$207 for water and by \$77 for wastewater to reclassify plant.
- 8) Contractual Services (630/730) - The utility recorded \$8,381 for water and \$6,831 for wastewater in this expense. This expense includes an expense for labor of \$2,607 for water and \$4,083 for wastewater. The utility requested an annual groundskeeping allowance of \$2,460 for the water plant and \$2,400 for the wastewater plant. We shall approve a groundskeeping allowance of \$200 per month and \$2,400 annually with 70% allocated to water and 30% to wastewater. This expense has been decreased by \$1,007 for water and by \$3,363 for wastewater to reflect the appropriate groundskeeping allowance.

The utility's contractual accountant provides services for monthly bookkeeping, quarterly payroll taxes, tangible and intangible tax preparation and state and federal tax preparation at a cost of \$3,020 annually. Based on our audit, we find that the utility's books and records are not in conformance with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA). The utility's accountant has provided us with an estimated cost of \$3,500 for setting up the utility's books to comply with NARUC and to reconcile the utility's books with the Commission's order. We have amortized this expense over four years, allowing \$875 annually. The utility recorded an accounting expense of \$4,633 for water and \$1,714 for wastewater. We shall approve an accounting expense of \$2,727 for water and \$1,168 for wastewater, thereby decreasing this expense by \$1,906 for water and by \$546 for wastewater.

The utility recorded contractual operator services expense of \$945 for wastewater only. As determined by the staff engineer, the annual operator allowance is \$4,368 for water and \$3,780 for wastewater. This expense has been increased by \$4,368 for water and by \$2,835 for wastewater to reflect the annual operator allowance.

The utility recorded DEP-required testing expense of \$1,141 for water and \$89 for wastewater. As determined by our engineer, the annual DEP required testing expense is \$3,888 for water and \$1,820 for wastewater. This expense has been increased by \$2,747 for water and by \$1,731 for wastewater to reflect DEP- required testing expenses. A schedule of testing expenses follows:

Water

<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
Bacteriological	monthly	\$720/yr
Primary Inorganics	36 mos.	\$170/yr
Secondary Inorganics	36 mos.	\$100/yr
Nitrate & Nitrite	12 mos.	\$ 80/yr
Volatile Organics	qt'ly/1st yr/36 mos. Subsequent/Annual	\$140/yr

Pesticides & PCB	qt 'ly/1st yr/36 mos.	\$434/yr
Radionuclides	qt 'ly/1st yr/36 mos.	\$184/yr
Unregulated Organics		
Group I	qt 'ly/1st yr/36 mos.	\$870/yr
Group II	36 mos.	\$390/yr
Lead & Copper	biannual	\$800/yr
TOTAL		<u>\$3,888/yr</u>

Wastewater

<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
Biochemical Oxygen Demand	monthly	\$240/yr
Total Suspended Solids	monthly	\$240/yr
Nitrate	monthly	\$540/yr
Sludge Analysis	quarterly	\$800/yr
TOTAL		<u>\$1,820/yr</u>

- 9) Rents (640/740) - The utility recorded a rent expense of \$2,523 for water and \$1,044 for wastewater. The utility's lease agreement provides for an annual amount of \$3,852. This expense has been increased by \$173 for water and by \$112 for wastewater to reflect a seventy percent allocation for water and thirty percent allocation for wastewater.
- 10) Transportation Expense (650/750) - The utility recorded an expense of \$1,775 for water and \$635 for wastewater. Due to the location of the utility, it has averaged approximately 55 miles per day for 260 work days and 30 miles per day for 104 weekend days totaling 17,420 miles annually for conducting utility business. We hereby approve a mileage cost of \$.29 per mile, which results in an annual allowance of \$5,052 per year. We find it appropriate to allocate seventy percent of this total to the utility, with seventy percent to water and thirty percent to wastewater. The additional thirty percent of the expense approved herein has been allocated to Fairmount. This expense has been increased by \$700 for water and by \$426 for wastewater.

- 11) Insurance Expense (655/755) - The utility recorded the cost for employee insurance of \$1,775 for water and \$565 for wastewater in this expense. This expense has been decreased by \$1,741 for water and \$565 for wastewater to reclassify employee insurance expense to employee pensions and benefits. This expense has also been increased by \$998 for water and by \$766 for wastewater to reflect the appropriate annual amount and allocation of liability insurance expense for each system. In addition, this expense has been decreased by \$402 for water and increased by \$21 for wastewater to reflect the appropriate annual amount and allocation of workers' compensation insurance for each system. A decrease of \$900 for water and \$412 for wastewater has been made to reflect the appropriate annual amount and allocation of automobile insurance.
- 12) Regulatory Commission Expense (665/765) - This expense has been increased by \$464 for water and wastewater each to reflect the utility's rate case expense amortized over four years.
- 13) Miscellaneous Expense (675/775) - The utility recorded \$8,411 for water and \$2,795 for wastewater in this expense. This expense has been decreased by \$2,261 for water and by \$597 for wastewater to reclassify plant and decreased by \$71 for water and by \$26 to remove a tax penalty.

The utility has requested several pro forma expenses for computer classes, painting a tank, cellular phone charges, backhoe repairs, and tractor rental. We have reviewed all pro forma requests and determined that the costs are reasonable and the services are needed. This expense has been increased by \$50 for water and wastewater each for computer classes, increased by \$2,660 for water to reflect the painting of a tank amortized over ten years, increased by \$660 for water and by \$276 for wastewater to reflect cellular phone charges, increased by \$350 for water and by \$150 for wastewater for backhoe repairs amortized over four years, and increased by \$700 for water and by \$300 for wastewater for tractor rental.

This expense has also been increased by \$1,400 for wastewater to reflect the cost for cleaning and maintaining retention ponds. In addition, this expense has been increased by \$2,275 for water to allow the

utility a meter replacement program of 35 meters per year at an estimated cost of \$65 each. This expense has been increased by \$650 for wastewater to reflect an operating permit cost amortized over five years. An increase of \$282 for water and \$104 for wastewater has been made to reflect a reclassification from purchased power expense, and a decrease of \$30 for water and \$116 for wastewater has been made to reflect the appropriate annual amount of office utilities expense for each system.

Operation and Maintenance Expenses (O&M) Summary

Based on the foregoing, total adjustments result in O&M expenses of \$89,350 for water and \$44,469 for wastewater.

Depreciation Expense

Test year depreciation expense has been calculated using the rates prescribed by Rule 25-30.40, Florida Administrative Code. Test year depreciation expense is \$21,146 for water and \$15,019 for wastewater, including depreciation on year end and pro forma plant. Applying the non-used and useful percentages times depreciation expense, non-used and useful depreciation expense is \$6,435 for water and \$2,499 for wastewater, including year end and pro forma plant. Test year depreciation expense net of non-used and useful depreciation is \$14,711 for water and \$12,520 for wastewater. The utility recorded depreciation expense of \$4,062 for water and \$1,503 for wastewater. This expense has been increased by \$10,649 for water and \$11,017 for wastewater to reflect test year depreciation expense net of non-used and useful depreciation.

Amortization of CIAC

Amortization of CIAC has a negative impact on depreciation expense. The utility's CIAC includes cash and imputed CIAC on lines. We have calculated amortization of CIAC using the composite depreciation rates for cash and using the corresponding depreciation rate for the lines. Test year amortization of CIAC is \$10,756 for water and \$5,820 for wastewater. Applying the non-used and useful percentages to the value of the contributed lines results in non-used and useful amortization of CIAC of \$3,359 for water and \$1,046 for wastewater. Test year amortization of CIAC net of non-used and useful amortization is \$7,397 for water and \$4,774 for wastewater. The utility did not record any amortization of CIAC on its books. This expense has been adjusted by a negative \$7,737 for water and by \$4,774 for wastewater to reflect the test year amortization of CIAC net of non-used and useful amortization.

Taxes Other than Income

The utility recorded \$11,644 for water and \$3,863 for wastewater in this expense. This expense has been increased by \$647 for water and by \$1,713 for wastewater to reflect the appropriate payroll taxes on recommended salaries. This expense has also been increased by \$33 for water and decreased by \$469 for wastewater to reflect regulatory assessment fees at 4.5% on test year revenue.

The utility did not record a property tax expense. This expense has been increased by \$3,174 for water and by \$2,832 for wastewater to reflect the property tax expense at the earliest discounted amount.

Income Tax Expense

This utility is an 1120 corporation and is subject to a tax liability. This expense has been increased by \$2,210 for water and by \$3,010 for wastewater to reflect the appropriate income tax expense.

Increase in Operating Revenues and Expenses

Operating Revenues

Revenue has been increased by \$25,296 for water and by \$41,399 for wastewater to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income

This expense has been increased by \$1,138 for water and by \$1,863 for wastewater to reflect regulatory assessment fees at 4.5% on the required increase in revenue.

Operating Expenses Summary

The application of the adjustments approved herein to the utility's recorded operating expenses results in operating expenses of \$115,510 for water and \$65,027 for wastewater.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find it appropriate to allow the utility an annual increase in revenue of \$25,296 (24.62%) for water and \$41,399 (101.72%) for wastewater. This will allow the utility to recover

its expenses and earn a 10.72% return on its investment. The calculations are as follow:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$116,899	\$159,246
Rate of Return	<u>x .1072</u>	<u>x .1072</u>
Return on Investment	\$ 12,532	\$ 17,071
Adjusted Operating Expense	89,350	44,469
Depreciation Expense (NET)	7,314	7,746
Taxes Other Than Income	16,636	9,802
Income Tax	<u>2,210</u>	<u>3,010</u>
Revenue Requirement	<u>\$128,042</u>	<u>\$ 82,098</u>

The revenue requirements are shown on Schedules Nos. 3 and 3-A.

RATES AND TARIFF CHARGES

Rates and Rate Structure

During the test year the utility provided water service to approximately 426 residential customers and 2 general service customers. It also provided stand-by water service to Crystal Lake Club Utility. Wastewater service was provided to approximately 47 residential customers and 2 general service customers. The 2 general service customers include a condominium with 246 units, and a bowling alley.

Based on information received from a customer residing in the Bluffs condominiums (Bluffs), the Bluffs installed irrigation wells around August, 1995. Therefore, utility consumption will be less for these customers. We have estimated a reduction in consumption of 15% and have adjusted test year consumption accordingly.

The utility's existing rate structure includes a base facility charge for residential customers and the bowling alley and a per unit charge for the condominiums. The utility's existing rate structure shall remain in effect. The rates approved herein have been calculated based on test year number of customers and consumption reduced by 15%. Stand-by water service for Crystal Lake Club Utility is provided through a 4 inch meter and this meter has been included in the calculation of the water rates. Schedules of the utility's existing rates and our approved rates are as follow:

MONTHLY RATES
Water

Residential and General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$ 7.38	\$ 9.17
3/4"	N/A	13.76
1"	18.47	22.93
1 1/2"	N/A	45.85
2"	N/A	73.36
3"	N/A	146.72
4"	N/A	229.25
6"	N/A	458.50
<u>Gallage Charge</u> Per 1,000 gallons	\$.86	\$ 1.25

Multi-residential Service

	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
Per unit	\$ 7.38	\$ 9.17
<u>Gallage Charge</u> Per 1,000 gallons	\$.86	\$ 1.25

Monthly Stand-by Water Charge
Crystal Lake Club Utility

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
4"	\$ 150.00	\$ 229.25
<u>Gallage Charge</u> Per 1,000 gallons	\$ 1.00	\$ 1.25

MONTHLY RATES
Wastewater

Residential Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission Approved</u> <u>Rates</u>
All Sizes	\$ 9.08	\$ 12.33
<u>Gallonge Charge</u> Per 1,000 gallons (10,000 gal. max)	\$.49	\$ 2.67

General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission Approved</u> <u>Rates</u>
5/8" x 3/4"	\$ 9.08	\$ 12.33
3/4"	N/A	18.50
1"	22.74	30.83
1 1/2"	N/A	61.65
2"	N/A	98.64
3"	N/A	197.28
4"	N/A	308.25
6"	N/A	616.50
<u>Gallonge Charge</u> Per 1,000 gallons	\$.59	\$ 3.20

Multi-residential Service

	<u>Existing Rates</u>	<u>Commission Approved</u> <u>Rates</u>
Per unit	\$ 9.08	\$ 12.33
<u>Gallonge Charge</u> Per 1,000 gallons	\$.59	\$ 3.20

We estimate that the average water usage for an individually metered residential customer will be approximately 6,082 gallons per month. A schedule of an average bill for a 5/8 inch x 3/4 inch meter using existing rates and our approved rates follows:

Average bill using approved rates and consumption	- \$16.77
Average bill using existing rates and consumption	- <u>(13.53)</u>
Increase in bill	- \$ 3.24
Percentage increase in bill	- 23.95% (\$3.24/\$13.53)

We estimate that the average number of gallons of wastewater billed for individually metered residential customers will be approximately 4,535 gallons per month. A schedule of an average bill using existing rates and our approved rates follows:

Average bill using approved rates and consumption	- \$24.44
Average bill using existing rates and consumption	- <u>(11.69)</u>
Increase in bill	- \$12.75
Percentage increase in bill	- 109.07% (\$12.75/\$11.69)

The rates approved herein are designed to produce revenue of \$128,042 for water and \$82,098 for wastewater. The utility shall retain its existing rate structure, which includes a base facility gallonage charge for residential and general service customers and a per unit charge for multi-residential customers. 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. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given no less than ten days after the date of the notice.

Customer Deposits

Rule 25-30.311, Florida Administrative Code, authorizes the calculation of customer deposits on an average monthly bill for a two-month period. A schedule of the utility's existing and our approved customer deposits follows:

Water
Residential

<u>Meter Size</u>	<u>Existing</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$ 25.00	\$ 33.00
All over 5/8" x 3/4"	N/A	2 x average bill

Wastewater
Residential

<u>Meter Size</u>	<u>Existing</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$ 25.00	\$ 50.00
All over 5/8" x 3/4"	N/A	2 x average bill

The approved deposits 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. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Miscellaneous Service Charges

The utility's existing miscellaneous service charges were approved by Order No. 18961, issued March 7, 1988, in Docket No. 870776-WS. We hereby authorize the utility to collect charges that are consistent with Staff Advisory Bulletin No. 13 and Commission practice. The approved miscellaneous service charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the ratepaying body as a whole. Schedules of the utility's existing charges and our approved charges follow:

	<u>Water</u> <u>Existing Charges</u>	<u>Commission Approved</u> <u>Charges</u>
	<u>Existing</u>	
Initial Connection	\$10.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$20.00	\$15.00
Premises Visit (in lieu of disconnection)	\$15.00	\$10.00

	<u>Wastewater</u> <u>Existing Charges</u>	<u>Commission Approved</u> <u>Charges</u>
	<u>Existing</u>	
Initial Connection	\$10.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$20.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$15.00	\$10.00

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

A definition of each charge is provided below for clarification:

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

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

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

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

The miscellaneous service charges 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(1), Florida Administrative Code. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given no less than ten days after the date of the notice.

Service Availability Charges

The utility's existing service availability charges were approved by Order No. 18961, issued March 7, 1988, in Docket No. 870776-WS. The utility's current contribution level is 58.30% for water and 40.42% for wastewater. Because the utility's water and wastewater facilities can accommodate additional connections, we have calculated service availability charges for water and wastewater based on existing capacity and historical growth. The charges calculated herein will not cause the utility to exceed the 75% maximum level pursuant to Rule 25-30.580, Florida Administrative Code. Schedules of the utility's existing charges and our approved charges are as follow:

Water

<u>Plant Capacity Charge</u>	<u>Existing Charge</u>
Residential - per ERC (295 GPD)	\$ 75.00
All others - per gallon	.25
	<u>Commission Approved Charge</u>
<u>Plant Capacity Charge</u>	\$100.00
Residential - per ERC (350 GPD)	.29
All others - per gallon	
<u>Main Extension Charge per ERC</u>	
Residential - per ERC (350 GPD)	\$300.00
All others - per gallon	.86

Meter Installation Charges

<u>Meter Sizes</u>	<u>Existing Charges</u>	<u>Commission Approved Charge</u>
5/8" x 3/4"	\$50.00	\$122.00
All over 5/8" x 3/4"	Actual Cost	Actual Cost

Wastewater

<u>Plant Capacity Charge</u>	<u>Existing Charge</u>
Residential - per ERC (295 GPD)	\$275.00
All others - per gallon	.93
<u>Main Extension Charge</u>	
Residential - per ERC (295 GPD)	\$225.00
All others - per gallon	.76
	<u>Commission Approved Charge</u>
<u>Plant Capacity Charge</u>	\$315.00
Residential - per ERC (350 GPD)	.90
All others - per gallon	
<u>Main Extension Charge</u>	
Residential - per ERC (350 GPD)	\$385.00
All others - per gallon	1.10

The charges approved herein 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.

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 the revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which is \$486 for water and wastewater each. The reduction in revenues will result in the rate decreases as shown on Schedule Nos. 4 and 4-A.

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 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 for 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 and wastewater 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 timely protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein as temporary rates. The rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of the security for potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$46,079. Alternatively, the utility may 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 rate increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as 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 the Division of Water and Wastewater no later than twenty days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

BOOKS AND RECORDS

As previously noted, several customers testified at the customer meeting that the utility office is chaotic and run in an unprofessional manner. As stated earlier, a review of the audit indicates that the utility's books and records have not been maintained in conformance with NARUC USOA. Rule 25-30.115, Florida Administrative Code, requires jurisdictional utilities to maintain their books and records in conformance with NARUC USOA. The utility's tax accountant has provided us with an estimated cost of \$3,500 for reconciling the utility's books with this order and setting up the utility books to conform with NARUC USOA. We have included this expense amortized over four years in operation and maintenance expense, as addressed elsewhere in the body of this order. Allowing this expense for accounting service provides the utility with the expertise to convert and maintain its books and records in conformance with NARUC USOA. Therefore, the utility is hereby required to maintain its books and records in conformance with NARUC USOA. The utility shall be required to submit a statement from its accountant by March 31, 1997, along with its 1996 annual report, stating that its books are in conformance with NARUC USOA.

As also addressed elsewhere in the body of this order, pro forma plant improvements have been included in rate base for setting rates. In addition, a pro forma expense for painting a tank is included in O&M expense. All pro forma plant and the painting is scheduled to be completed in approximately six months. Therefore, this docket shall remain open for six months from the issuance date of this order to allow our staff to verify the completion of all pro forma plant improvements. Upon expiration of the protest period, if all pro forma plant improvements have been completed within the six month time frame, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sebring Ridge Utilities, Inc.'s, application for increased water and wastewater rates 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 incorporated herein by reference. It is further

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

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

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

ORDERED that prior to its implementation of the rates and charges approved herein, Sebring Ridge Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$46,079 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, Sebring Ridge 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 customer notice is adequate. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Sebring Ridge Utilities, Inc., is authorized to collect the rates approved on a temporary basis, subject to refund, in accordance with Rule 25-30.360, Florida Administrative Code, provided that Sebring Ridge 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 the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. Sebring Ridge Utilities, Inc., 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 Sebring Ridge Utilities, Inc., shall maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts. It is further

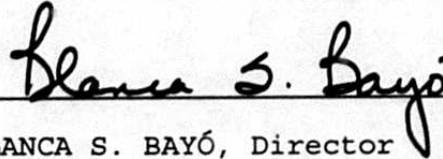
ORDERED that Sebring Ridge Utilities, Inc., shall submit a statement from its accountant by March 31, 1997, along with its 1996 annual report, stating that its books are in conformance with the NARUC Uniform System of Accounts. It is further

ORDERED that the provisions of this order, except for the granting of temporary rates in the event of protest and the requirement to maintain the utility's books and records in conformance with the NARUC Uniform System of Accounts, 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, Division of Records and Reporting, 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, upon expiration of the protest period, if no timely protest is received from a substantially affected person, this docket shall be closed administratively six months from the issuance date of this order, upon the utility's filing and our staff's approval of the revised tariff sheets and the customer notice, and upon our staff's verification of the completion of pro forma plant improvements.

ORDER NO. PSC-96-0869-FOF-WS
DOCKET NO. 950966-WS
PAGE 31

By ORDER of the Florida Public Service Commission, this 2nd
day of July, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RGC

Commissioner Joe Garcia dissented from the Commission's
decision in this docket.

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 actions proposed herein, except for our granting of temporary rates and our requirement that the utility maintain its books and records in accordance with the NARUC Uniform System of Accounts, 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 actions proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 23, 1996. In the absence of such a petition, this order shall become effective on the date subsequent

ORDER NO. PSC-96-0869-FOF-WS
DOCKET NO. 950966-WS
PAGE 32

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 Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
 DOCKET NO. 950966-WS

	<u>BALANCE PER ORDER NO. 18961</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 519,028	\$ 107,483 A	\$ 626,511
LAND/NON-DEPRECIABLE ASSETS	19,941	0	19,941
NON USED AND USEFUL PLANT	0	(58,725)B	(58,725)
CWIP	0	0	0
CIAC	(314,435)	(61,876)C	(376,311)
ACCUMULATED DEPRECIATION	(109,265)	(122,373)D	(231,638)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	60,112	65,840 E	125,952
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,169 F</u>	<u>11,169</u>
WATER RATE BASE	\$ 175,381	\$ (58,482)	\$ 116,899

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
 DOCKET NO. 950966-WS

	BALANCE PER ORDER NO. 18961	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 327,799	\$ 64,435 A	\$ 392,234
LAND/NON-DEPRECIABLE ASSETS	45,716	0	45,716
NON USED AND USEFUL PLANT	0	(18,838)B	(18,838)
CWIP	0	0	0
CIAC	(139,801)	(47,374)C	(187,175)
ACCUMULATED DEPRECIATION	(33,735)	(87,745)D	(121,480)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	10,733	32,497 E	43,230
WORKING CAPITAL ALLOWANCE	0	5,559 F	5,559
WASTEWATER RATE BASE	\$ 210,712	\$ (51,466)	\$ 159,246

SEBRING RIDGE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1994
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
DOCKET NO. 950966-WS

<u>A. UTILITY PLANT IN SERVICE</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. Additions from 8/87-12/31/94 per the original cost study.	\$ 106,320	\$ 55,122
2. Reclassification from O & M expense.	2,445	1,097
3. Proforma plant	13,808	19,023
4. Retirement of tank	0	(1,500)
5. Averaging adjustment	(15,090)	(9,307)
	<u>\$ 107,483</u>	<u>\$ 64,435</u>
<u>B. NON USED AND USEFUL PLANT</u>		
1. Average non used and useful plant.	\$ (219,843)	\$ (63,103)
2. Average non used and useful accumulated depreciation	76,035	19,768
3. Average non used and useful CIAC	129,189	32,287
4. Average non used an useful amortization	(44,106)	(7,790)
	<u>\$ (58,725)</u>	<u>\$ (18,838)</u>
<u>C. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>		
1. Reclassification from revenues	\$ (2,000)	\$ (4,000)
2. Imputed CIAC from 8/87-12/94	(59,039)	(30,522)
3. CIAC for margin reserve	(8,800)	(15,400)
4. Averaging adjustment	7,963	2,548
	<u>\$ (61,876)</u>	<u>\$ (47,374)</u>
<u>D. ACCUMULATED DEPRECIATION</u>		
1. Accumulated depreciation through 12/31/94	\$ (131,534)	\$ (94,999)
2. Accumulated depreciation on proforma plant	(1,246)	(1,029)
3. Adjustment for retirement of tank	0	1,500
4. To reflect averaging adjustment	10,407	6,783
	<u>\$ (122,373)</u>	<u>\$ (87,745)</u>
<u>E. AMORTIZATION OF CIAC</u>		
1. Amortization through 12/31/94	\$ 70,815	\$ 34,650
2. Amortization for margin reserve	275	564
3. Averaging adjustment	(5,250)	(2,717)
	<u>\$ 65,840</u>	<u>\$ 32,497</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expense	\$ 11,169	\$ 5,559

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 950966-WS

	<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	\$ 17,582	\$ (5,846)	\$ 11,736	4.25%	10.00%	0.42%
LONG TERM DEBT	2,459	(830)	1,629	0.59%	11.50%	0.07%
LONG TERM DEBT	1,500	(506)	994	0.36%	10.60%	0.04%
LONG TERM DEBT	90,990	(30,293)	60,697	21.98%	11.25%	2.47%
COMMON EQUITY	301,346	(100,257)	201,089	72.82%	10.60%	7.72%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 413,877	\$ (137,732)	\$ 276,145	100.00%		10.72%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.60%	11.60%
OVERALL RATE OF RETURN	9.99%	11.45%

SEBRING RIDGE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1994
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
DOCKET NO. 950966-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>97,099</u>	\$ <u>5,647 A</u>	\$ <u>102,746</u>	\$ <u>25,296 G</u>	\$ <u>128,042</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	97,137	(7,787) B	89,350	0	89,350
DEPRECIATION (NET)	4,062	10,649 C	14,711	0	14,711
AMORTIZATION(CIAC)	0	(7,397) D	(7,397)	0	(7,397)
TAXES OTHER THAN INCOME	11,644	3,854 E	15,498	1,138 H	16,636
INCOME TAXES	<u>0</u>	<u>2,210 F</u>	<u>2,210</u>	<u>0</u>	<u>2,210</u>
TOTAL OPERATING EXPENSES	\$ <u>112,843</u>	\$ <u>1,529</u>	\$ <u>114,372</u>	\$ <u>1,138</u>	\$ <u>115,510</u>
OPERATING INCOME/(LOSS)	\$ <u>(15,744)</u>		\$ <u>(11,626)</u>		\$ <u>12,532</u>
WATER RATE BASE	\$ <u>175,381</u>		\$ <u>116,899</u>		\$ <u>116,899</u>
RATE OF RETURN	<u>-8.98%</u>		<u>-9.95%</u>		<u>10.72%</u>

SEBRING RIDGE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1994
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
DOCKET NO. 950966-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM
OPERATING REVENUES	\$ 43,578	\$ (2,879) A	\$ 40,699	\$ 41,399 G	\$ 82,098
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	42,869	1,600 B	44,469	0	44,469
DEPRECIATION (NET)	1,503	11,017 C	12,520	0	12,520
AMORTIZATION(CIAC)	0	(4,774) D	(4,774)	0	(4,774)
TAXES OTHER THAN INCOME	3,863	4,076 E	7,939	1,863 H	9,802
INCOME TAXES	0	3,010 F	3,010	0	3,010
TOTAL OPERATING EXPENSES	\$ 48,235	\$ 14,929	\$ 63,164	\$ 1,863	\$ 65,027
OPERATING INCOME/(LOSS)	\$ (4,657)		\$ (22,465)		\$ 17,071
WASTEWATER RATE BASE	\$ 210,712		\$ 159,246		\$ 159,246
RATE OF RETURN	<u>-2.21%</u>		<u>-14.11%</u>		<u>10.72%</u>

SEBRING RIDGE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1994
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B
DOCKET NO. 950966-WS

A. OPERATING REVENUES	<u>WATER</u>	<u>WASTEWATER</u>
1. Reclassification to CIAC	\$ (2,000)	\$ (4,000)
2. Revenue from stand-by water service	1,800	0
3. To reflect annualized revenue based on existing rates	5,847	1,121
	<u>\$ 5,647</u>	<u>\$ (2,879)</u>
B. OPERATION AND MAINTENANCE EXPENSES		
1. <u>Salaries and Wages – Employees</u>		
a. Annual salary for operations manager, office manager, and maintenance person	\$ 26,214	\$ 11,800
2. <u>Salaries and Wages – Officers</u>		
a. Annual salary for an officer	\$ (44,487)	\$ (15,852)
3. <u>Employee Pensions and Benefits</u>		
a. Removal of non utility expense	\$ (32)	\$ (12)
b. Reclassification from insurance expense	1,741	565
c. Appropriate annual amount and allocation for each system	(256)	71
	<u>\$ 1,453</u>	<u>\$ 624</u>
4. <u>Sludge Removal Expense</u>		
a. Annual expense	\$ 0	\$ 685
5. <u>Purchased Power</u>		
a. Reclassification of office utilities to miscellaneous expense	\$ (282)	\$ (104)
b. Accrued test year total	1,439	(577)
	<u>\$ 1,157</u>	<u>\$ (681)</u>
6. <u>Chemicals</u>		
a. Reclassification to plant	\$ (292)	\$ (108)
b. Appropriate annual amount	266	779
	<u>\$ (26)</u>	<u>\$ 671</u>
7. <u>Material and Supplies</u>		
a. Reclassification to plant	\$ (207)	\$ (77)
8. <u>Contractual Services</u>		
a. Grounds keeping allowance	\$ (1,007)	\$ (3,363)
b. Annual DEP required testing expense	2,747	1,731
c. Contractual accounting services	(1,906)	(546)
d. Annual operator services	4,368	2,835
	<u>\$ 4,202</u>	<u>\$ 657</u>
9. <u>Rent</u>		
a. Annual rent per lease agreement	\$ 173	\$ 112
10. <u>Transportation Expense</u>		
a. Annual transportation expense	\$ 700	\$ 426

SEBRING RIDGE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1994
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B
DOCKET NO. 950966-WS

	<u>WATER</u>	<u>WASTEWATER</u>
11. <u>Insurance Expense</u>		
a. Reclassification to employee benefits	\$ (1,741)	\$ (565)
b. Allocation for liability insurance for each system	998	766
c. Allocation for worker's compensation insurance	(402)	21
d. Allocation for automobile insurance	(900)	(412)
	<u>\$ (2,045)</u>	<u>\$ (190)</u>
12. <u>Regulatory Commission Expense</u>		
a. Rate case expense amortized over four years	<u>\$ 464</u>	<u>\$ 464</u>
13. <u>Miscellaneous Expense</u>		
a. Reclassification to plant	\$ (2,261)	\$ (597)
b. Removal of a tax penalty	(71)	(26)
c. Proforma cost for computer class	50	50
d. Proforma cost for painting tank amortized over ten years	2,660	0
e. Annual cost for cleaning and maintaining retention ponds	0	1,400
f. Proforma cost for cellular phone service	660	276
h. Operating permit cost amortized over five years	0	650
i. Repair of backhoe amortized over four years	350	150
j. Annual tractor rental	700	300
k. Reclassification from purchased power	282	104
l. Accrued office utilities expense	(30)	(116)
m. Meter replacement program	2,275	0
n. Annual cost for alarm monitoring system	0	770
	<u>\$ 4,615</u>	<u>\$ 2,961</u>
TOTAL O & M	<u>\$ (7,787)</u>	<u>\$ 1,600</u>
C. <u>DEPRECIATION EXPENSE</u>		
1. Test year depreciation expense	\$ 21,146	\$ 15,019
2. Non used and useful depreciation	(6,435)	(2,499)
	<u>\$ 14,711</u>	<u>\$ 12,520</u>
D. <u>AMORTIZATION OF CIAC</u>		
1. Test year amortization of CIAC	\$ (10,756)	\$ (5,820)
Non used and useful amortization	3,359	1,046
	<u>\$ (7,397)</u>	<u>\$ (4,774)</u>
E. <u>TAXES OTHER THAN INCOME</u>		
1. Payroll taxes on recommended salaries	\$ 647	\$ 1,713
2. Regulatory assessment fees on test year revenue	33	(469)
3. Property taxes	3,174	2,832
	<u>\$ 3,854</u>	<u>\$ 4,076</u>
F. <u>INCOME TAXES</u>		
1. Calculated expense	<u>\$ 2,210</u>	<u>\$ 3,010</u>
G. <u>OPERATING REVENUES</u>		
1. To reflect increase in revenue to cover expenses and allow recommended return on investment	<u>\$ 25,296</u>	<u>\$ 41,399</u>
H. <u>TAXES OTHER THAN INCOME</u>		
1. To reflect additional regulatory assessment of 4.5% on increase in revenue	<u>\$ 1,138</u>	<u>\$ 1,863</u>

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C
 DOCKET NO. 950966-WS

	<u>TOTAL PER UTIL.</u>	<u>STAFF ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES – EMPLOYEES	\$ 9,117	\$ 26,214 [1]	\$ 35,331
(603) SALARIES AND WAGES – OFFICERS	48,950	(44,487)[2]	4,463
(604) EMPLOYEE PENSIONS AND BENEFITS	32	1,453 [3]	1,485
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	6,803	1,157 [5]	7,960
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,026	(26)[6]	1,000
(620) MATERIALS AND SUPPLIES	2,561	(207)[7]	2,354
(630) CONTRACTUAL SERVICES	8,381	4,202 [8]	12,583
(640) RENTS	2,523	173 [9]	2,696
(650) TRANSPORTATION EXPENSE	1,775	700 [10]	2,475
(655) INSURANCE EXPENSE	7,558	(2,045)[11]	5,513
(665) REGULATORY COMMISSION EXPENSE	0	464 [12]	464
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	8,411	4,615 [13]	13,026
	\$ 97,137	\$ (7,787)	\$ 89,350

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D
 DOCKET NO. 950966-WS

	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER COMM.
(701) SALARIES AND WAGES – EMPLOYEES	\$ 3,341	\$ 11,800 [1]	\$ 15,141
(703) SALARIES AND WAGES – OFFICERS	18,050	(15,852)[2]	2,198
(704) EMPLOYEE PENSIONS AND BENEFITS	12	624 [3]	636
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	455	685 [4]	1,140
(715) PURCHASED POWER	5,091	(681)[5]	4,410
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	834	671 [6]	1,505
(720) MATERIALS AND SUPPLIES	928	(77)[7]	851
(730) CONTRACTUAL SERVICES	6,831	657 [8]	7,488
(740) RENTS	1,044	112 [9]	1,156
(750) TRANSPORTATION EXPENSE	635	426 [10]	1,061
(755) INSURANCE EXPENSE	2,853	(190)[11]	2,663
(765) REGULATORY COMMISSION EXPENSES	0	464 [12]	464
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	2,795	2,961 [13]	5,756
	<u>\$ 42,869</u>	<u>\$ 1,600</u>	<u>\$ 44,469</u>

ORDER NO. PSC-96-0869-FOF-WS
 DOCKET NO. 950966-WS
 PAGE 43

RECOMMENDED RATE REDUCTION SCHEDULE

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 4
 DOCKET NO. 950966-WS

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

MONTHLY WATER RATES

<u>RESIDENTIAL, MULTI-RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY COMM. APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 9.17	\$ 0.03
3/4"	13.75	0.05
1"	22.92	0.09
1-1/2"	45.84	0.17
2"	73.34	0.28
3"	146.67	0.56
4"	229.18	0.87
6"	458.36	1.74
<u>GALLONAGE CHARGE</u> PER 1,000 GALLONS	\$ 1.25	\$ 0.00

ORDER NO. PSC-96-0869-FOF-WS
 DOCKET NO. 950966-WS
 PAGE 44

RECOMMENDED RATE REDUCTION SCHEDULE

SEBRING RIDGE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 4A
 DOCKET NO. 950966-WS

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

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL, MULTI-RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY COMM. APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 12.33	\$ 0.07
3/4"	18.50	0.11
1"	30.83	0.18
1-1/2"	61.66	0.36
2"	98.65	0.58
3"	197.30	1.17
4"	308.28	1.82
6"	616.56	3.65
<u>GALLONAGE CHARGE (RS)</u> PER 1,000 GALLONS	\$ 2.67	\$ 0.02
<u>GALLONAGE CHARGE (GS)</u> PER 1,000 GALLONS	\$ 3.20	\$ 0.02