

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation of) DOCKET NO. 960814-WS
possible overearnings in Manatee) ORDER NO. PSC-96-1126-FOF-WS
County by KEITH & CLARA STARKEY) ISSUED: September 5, 1996
D/B/A HEATHER HILLS ESTATES)
_____)

The following Commissioners participated in the disposition of this matter:

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

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 a protest, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

On October 10, 1995, the Manatee County Board of County Commissioners adopted Resolution No. R-95-109, pursuant to Section 367.171, Florida Statutes, subjecting privately owned water and wastewater utilities in Manatee County to the provisions of Chapter 367, Florida Statutes. We acknowledged its resolution in Order No. PSC-95-1393-FOF-WS, issued on November 9, 1995.

Keith & Clara Starkey d/b/a Heather Hills Estates (Heather Hills or utility) was established in 1967 to serve water and wastewater customers within Heather Hills Estates in Manatee County, Florida. The utility serves 355 water customers and 354 wastewater customers. The golf course water customer has a septic tank for wastewater service.

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FPSC-RECORDS/REPORTING

Prior to our receiving jurisdiction, Heather Hills maintained consolidated books of the utility and park. It has since separated its books and keeps separate utility records according to the National Association of Regulatory Commissioners (NARUC) system of accounts.

The utility filed its application for a grandfather certificate on December 7, 1995. Water Certificate No. 577-W and Wastewater Certificate No. 498-S were granted to the utility by Commission Order PSC-96-0434-FOF-WS, issued on March 28, 1996.

During our consideration of the grandfather certificate application at the March 5, 1996 agenda conference, two customers of Heather Hills expressed their concern about possible overearnings by the utility, and dissatisfaction with the existing minimum gallonage charge for water and wastewater. Our review of the utility's 1995 annual report revealed possible overearnings. We then opened an investigation of possible overearnings by the utility. We reviewed the utility's books and records and conducted an engineering field investigation. A review of the utility's operating expenses, maps, files, and rate application was also performed to obtain information about the physical plant and operating costs.

The test year for this overearnings investigation is the historical test year ending December 31, 1995. The utility has test year water operating revenues of \$43,228 and operating income of \$2,490, and wastewater operating revenues of \$61,280, resulting in an operating income of \$2,362 for wastewater.

Water use in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District (SWFWMD). The utility is a consecutive system, purchasing water for resale, which is considered non-jurisdictional by the SWFWMD.

QUALITY OF SERVICE

A review of the Manatee County Health Department's records has revealed that the water facilities are in compliance with the appropriate environmental regulations. A review of the Department of Environmental Protection (DEP) records has revealed that the wastewater facilities are in compliance with the appropriate environmental regulations.

Heather Hills purchases water and wastewater service for resale from Manatee County. Thus, there are no water or wastewater treatment plant facilities to evaluate. In consideration of the above, we find the utility's quality of service to be satisfactory.

RATE BASE

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

Used and Useful

Heather Hills is a reseller of water and wastewater service obtained from Manatee County. Based on the calculations shown on Attachments A and B to this Order, we find the water distribution system and wastewater collection system to be 100% used and useful. Since there is no water or wastewater treatment plant, no treatment plant used and useful percentage is applicable.

Depreciable Plant-in-Service

The utility recorded utility plant-in-service balances of \$49,523 for water and \$49,524 for wastewater in its 1995 annual report. These totals reflect the 1976 purchase price of \$93,300 along with a \$5,747 paving cost incurred after the purchase. We calculated utility plant by using the original cost and adding utility plant additions confirmed by our audit. We made an adjustment of (\$4,147) to water plant and \$22,988 to wastewater plant to adjust the utility figures to our calculated utility plant. Averaging adjustments of (\$250) for water and (\$250) for wastewater were also made. Therefore, we find the appropriate average amount of test year plant-in-service to be \$45,126 for water and \$72,262 for wastewater.

Land

The utility owns no land but has easements for the water distribution and wastewater collection lines. The 1995 utility annual report did not record any value to these easements. The Manatee County valuation for the easements totals \$660. Since

Manatee County values property at 85% of actual value, we grossed up the County valuation to \$778 to attain actual value and split the cost evenly between water and wastewater. We find the value of water easements to be \$389 and the value of wastewater easements to be \$389.

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

The utility did not record any CIAC balance at the end of the test year. The utility tariff showed a \$75 meter installation fee for new residents. A review of the utility's cash receipts journal showed that the utility collected \$900 for twelve meter installation charges since the 1976 purchase. Thus, we imputed \$25,725 for the 343 hook-ups made prior to the 1976 purchase and made a total adjustment of (\$26,625) to water system CIAC.

Accumulated Amortization of CIAC

The utility did not record any accumulated amortization balances on its 1995 annual report. We calculated amortization of CIAC by calculating a yearly composite rate. An adjustment of \$21,675 was made to water accumulated amortization to bring the utility balance to our calculated amount. Thus, we find the average water accumulated amortization to be \$21,675.

Accumulated Depreciation

The utility recorded accumulated depreciation of (\$34,667) for water and (\$34,667) for wastewater in its 1995 annual report. The utility based its depreciation expense on the owner's purchase price, not the original cost of the systems. We used a 2 1/2% depreciation rate starting with the original cost study in 1967 through March of 1984 when the NARUC system of accounts was initiated. We calculated accumulated depreciation from that date forward, using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. We made adjustments of (\$4,848) to water and (\$19,617) to wastewater to bring the utility's figures to our calculated amount. We also made averaging adjustments of \$965 for water and \$1,150 for wastewater. Accordingly, we find accumulated depreciation balances to be (\$38,550) for water and (\$53,134) for wastewater.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we utilized the formula method to calculate working capital. The formula method calculation results in a figure that is one-eighth of operation and maintenance expense. In a later section of this Order, we find that the appropriate operation and maintenance expense is \$36,054 for water and \$53,206 for wastewater. Therefore, we have included one-eighth of those amounts, \$4,507 for water and \$6,651 for wastewater, in the rate base as the utility's working capital allowance.

Test Year Rate Base

Based on the foregoing, we find the test year rate base amount is \$6,522 for water and \$26,168 for wastewater.

ACQUISITION ADJUSTMENT

We calculated the acquisition adjustment resulting from the 1976 purchase of Heather Hills Estates as follows:

Purchase Price (5/14/76):	\$ 93,300
Commission Calculated Rate Base: (as of 5/14/76)	\$ <u>66,734</u>
Positive Acquisition Adjustment:	\$ <u>26,566</u>

In the absence of extraordinary circumstances, it has been our policy that a purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in the purchase of this utility do not appear to be extraordinary. Therefore, we find that a positive acquisition adjustment shall not be included in the calculation of rate base.

CAPITAL STRUCTURE

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2 attached to this Order. 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 utility's 1995 annual report showed an equity balance of \$29,712. Based on our audit and original cost study, the utility's capital structure consists of \$47,067 of equity with no long-term debt or customer deposits. We adjusted the equity balance by \$17,355 to reflect the appropriate amount. A prorata adjustment was also made to reconcile the capital structure with rate base.

Based on the leverage formula approved by Order No. PSC-96-0729-FOF-WS, effective June 22, 1996, the utility's allowable return on equity shall be 10.18%. We also find the overall rate of return shall be 10.18%, with a range of reasonableness from 9.18% to 11.18%.

NET OPERATING INCOME

Our calculation of net operating income for the water and wastewater system is depicted on Schedules No. 3 and 3A, respectively. Our adjustments are itemized on 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:

Test Year Operating Revenue

The utility recorded test year water revenues of \$38,117 and wastewater revenues of \$57,175. The utility kept its books on a cash basis. We made an adjustment of \$3,656 to water revenue and \$1,266 to wastewater revenue to switch the books from a cash basis to an accrual basis. We also imputed revenue in the amount of \$1,455 for water and \$2,839 for wastewater to include water and wastewater service provided to the recreation center (center). The center is not metered and the utility does not bill the center for water and wastewater service. The utility shall install a water meter for the center so unaccounted for water can be monitored. Based upon our billing analysis, we have determined that test year revenues shall be \$43,228 for water and \$61,280 for wastewater. We have made an adjustment of \$5,111 to water and \$4,105 to wastewater to bring test year revenue to the proper amount.

Test Year Operating Expenses

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

The utility recorded operating expenses of \$36,869 for water and \$44,438 for wastewater. The components of these expenses included operation and maintenance expenses, depreciation expense, CIAC amortization expense, taxes other than income taxes and income taxes. These accounts are summarized as follows:

Operation and Maintenance (O & M) Expenses

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year canceled checks for verification of the appropriate account, amount, and for reasonableness. The utility charged \$32,721 to water O & M and \$38,836 to wastewater O & M during the test year. Our adjustments are itemized on Schedules Nos. 3C and 3D for water and wastewater, respectively. 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:

- 1) Salaries and Wages - Officers - The utility recorded \$11,750 for officers salaries and wages in the water O & M account in the 1995 annual report.

The owner repairs and maintains the systems and we allocated a \$2,600 yearly salary for these duties. No officer salary was recorded for the owner for administrative duties of the utility. We find 3 hours a week reasonable for administrative duties necessary to operate a utility of this size. Thus, we find an administrator salary of \$4,056 appropriate.

According to the utility's annual report, the owner's wife was allocated an annual salary of \$9,150. She executes all office duties, billing and accounting. Additional recordkeeping and reporting are now necessary to meet regulatory requirements. We find a salary of \$10,350 appropriate for the office duties, billing and accounting needed to operate the utility.

We allocated the officer salaries and wages expense between water O & M and wastewater O & M based on the amount of estimated time the owner and his wife spent on each system, 75% for water and 25% for wastewater. We find water officer salaries and wages of \$12,755 and wastewater officer salaries and wages of \$4,252 appropriate for this utility.

2) Purchased Water and Purchased Wastewater - Pursuant to a January 9, 1967 agreement between the utility and the county, the utility purchases water and wastewater service from Manatee County. The utility recorded \$17,774 for purchased water and \$38,236 for purchased wastewater for the test year ending December 31, 1995. Manatee County increased its water and wastewater rates on October 1, 1995. We annualized the purchased water and purchased wastewater costs using the actual gallonage purchased for 1995 and the number of utility connections. An adjustment of \$1,359 was made to purchased water and an adjustment of \$6,770 was made to purchased wastewater treatment. We find purchased water expense of \$19,133 and purchased wastewater expense of \$45,006 reasonable.

3) Materials and Supplies - The utility recorded no materials and supplies expense in this account for either water or wastewater during the test year. We reclassified an office supply expense of \$570 from water miscellaneous expenses and allocated 50% to water materials and supplies and 50% to wastewater materials and supplies. Based on this reclassification and allocating the materials and supplies expense and wastewater materials and supplies expense were each adjusted by \$285.

4) Contractual Services - The utility did not record any water or wastewater contractual services expense in this account during the test year. We made adjustments to water contractual services to: a) reclassify a \$551 repairs and maintenance expense from account No. 675; b) reclassify a \$145 meter reading expense from account No. 675; c) reclassify \$248 (50%) of legal expenses from account No. 675; d) reclassify \$239 (50%) of accounting expense from account 675; e) include \$565 of DEP required water testing expense; and f) increase accounting expense by \$261 for additional regulatory requirements.

DEP enforces rulings from the Environmental Protection Agency (EPA). The DEP considers this utility to be a consecutive system, and as such, must meet the requirements of Section 62-550.540, Florida Administrative Code (FAC). Accordingly, we find an annual DEP required test expense of \$565 for water appropriate.

We made adjustments to the wastewater contractual services account to: a) include repairs and maintenance expense of \$1,000; b) reclassify \$247 (50%) of legal expenses from account No. 675; c) reclassify \$240 (50%) of accounting expense from account 675; and d) increase annual accounting expense by \$260 for additional regulatory requirements.

Based on the above, the total adjustments for contractual services are \$2,009 for water contractual services and \$1,747 for wastewater contractual services, respectively.

5) Rents - The utility recorded no rent expense in the water or wastewater rent account during the test year. We calculated rent expense by contacting the Manatee County Economic Development Council to determine office space costs in the utility area. The office area consists of 650 square feet (sq/ft) with the utility allocation being 32.8% or 213.2 sq/ft. The average cost per sq/ft for office space in the utility area is \$12.50 sq/ft. Our calculation results in our finding that office rental expense of \$2,665 per year is reasonable, and is allocated 50% to water rent expense and 50% to wastewater rent expense.

6) Transportation Expenses - The utility recorded no transportation expense in the water or wastewater account. We included a pro forma transportation expense of \$261 for water and \$261 for wastewater based on our estimate of 150 miles of travel per month times \$.29 per mile which we find is reasonable and prudent for this utility.

7) Insurance Expense - No insurance expense was included in the water or wastewater insurance account for the test year. We reclassified \$370 of insurance expense from account no. 675 to account no. 655. The total annual insurance premium for the recreation building is \$1,129. The office's share of that expense is \$79 (6.99% of \$1,129). The utility's allocation is \$26 (32.8% of \$79). We made an adjustment of (\$344) to account No. 655 to disallow the non-utility portion of the recorded insurance expense and also made an adjustment of (\$13) to reclassify 50% of the insurance expense to wastewater insurance expense. We find \$13 for water and \$13 for wastewater insurance expense reasonable.

8) Regulatory Commission Expense - The utility recorded \$400 of water and \$600 of wastewater regulatory commission expense during the test year. These costs were for the Public Service Commission filing fee for the grandfather certificate application and shall be capitalized in accordance with the NARUC uniform system of accounts. We made adjustments to reclassify \$400 from account No. 665 to account No. 302 (Water Franchises) and reclassify \$100 from account No. 765 to account No. 302 (Water Franchises) and \$500 from account No. 765 to account No. 352 (Wastewater Franchises). Since all costs were removed from this account, there are no water or wastewater regulatory commission expenses.

9) Bad Debt Expense - The utility did not record any water or wastewater bad debt expense for the test year. Our audit revealed \$323 in accounts over 120 days old which we viewed as uncollectible. Thus, we find water bad debt expense of \$139 and wastewater bad debt expense of \$184 to be reasonable.

10) Miscellaneous Expense - The utility recorded \$2,797 of water miscellaneous expenses and no wastewater miscellaneous expenses. We made adjustments to water miscellaneous expenses to: reclassify \$551 of repairs and maintenance expense to account No. 630; reclassify a \$145 meter reading expense to account No. 630; reclassify \$248 of legal fees to account No. 630 and \$247 of legal fees to account No. 730; reclassify \$239 of accounting expense to account No. 630 and \$240 of accounting expense to account No. 730; reclassify \$370 of insurance expense to account No. 655; reclassify \$285 of office supplies expense to account No. 620 and \$285 of office supplies expense to account No. 720; reclassify \$93 (50%) of telephone expense from account No. 675 to account No. 775; and \$33 (50%), our calculated office electric expense.

We made adjustments to wastewater miscellaneous expenses to: reclassify \$93 (50%) of telephone expense from account No. 675; and included \$33 (50%) of our calculated office electric expense. In summary, we adjusted water miscellaneous expenses by \$127 and wastewater miscellaneous expenses by \$126.

Operation and Maintenance Expenses (O & M) Summary

Total O & M adjustments are \$3,333 for water and \$14,370 for wastewater. Thus, we find appropriate O & M expenses of \$36,054 for water and \$53,206 for wastewater.

Depreciation Expense (Net of Amortization of CIAC)

The utility recorded \$1,238 of water and \$1,238 of wastewater depreciation expense during the test year. The utility based its depreciation expense on the purchase price of the utility rather than on the original cost and additions of utility plant. We calculated test year depreciation expense using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We made a \$690 adjustment to water depreciation expense and \$1,062 adjustment to wastewater depreciation expense. We find that the appropriate depreciation expenses, net of CIAC, are \$796 for water and \$2,300 for wastewater.

Test Year Taxes Other Than Income Taxes

The utility recorded \$734 of water and \$1,101 of wastewater taxes other than income. These amounts were for real estate taxes recorded by the utility. Our audit revealed that the utility portion of the real estate taxes total \$18, for easements owned by the utility. We made adjustments to water taxes other than income to: remove \$725 of non-utility real estate taxes; include \$1,945 in regulatory assessment fees in the test year revenue; and include \$1,934 of payroll taxes on salaries.

We made adjustments to wastewater taxes other than income to: remove \$1,092 of non-utility real estate taxes; include \$2,758 in regulatory assessment fees in test year revenue; and include \$645 of payroll taxes on salaries.

Based on the above, we find the appropriate amount for taxes other than income for the test year to be \$3,888 for water and \$3,412 for wastewater, respectively.

Test Year Income Taxes

The utility recorded \$2,176 of water income tax expense and \$3,263 of wastewater income tax in its 1995 annual report. This utility is operated as a sole proprietorship and is not subject to corporate income taxes. Thus, we made adjustments to remove \$2,176 of water income tax and \$3,263 of wastewater income tax. Therefore, we made no allowance for income tax for the water or wastewater systems.

Operating Revenues

We decreased revenues by \$1,912 for water and increased them by \$316 for wastewater to reflect the decrease in water revenue and increase in wastewater revenue required to cover expenses and allow the utility the opportunity appropriate rate of return on its investment.

Taxes Other Than Income Taxes

This expense has been decreased by \$86 for water and increased by \$14 for wastewater. These amounts reflect the regulatory assessment fee of 4.5% on the decrease in water revenue and increase in wastewater revenue.

Operating Expenses Summary

Based on the foregoing adjustments, we find operating expenses of \$40,652 for water and \$58,932 for wastewater to be reasonable.

REVENUE REQUIREMENT

Based upon the utility's books and records and the adjustments made herein, we find that the appropriate revenue requirement, approved herein, will result in a decrease in annual water revenue of \$1,912 (4.42%) and an increase in annual wastewater revenue of \$316 (.52%). These revenue requirements will allow the utility to recover its expenses and have the opportunity to earn a 10.18% return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$ 6,522	\$ 26,168
Rate of Return	x .1018	x .1018
Return on Investment	\$ 664	\$ 2,664
Adjusted Operation Expenses	36,054	53,206
Depreciation Expense (Net)	796	2,300
Taxes Other Than Income Taxes	<u>3,802</u>	<u>3,426</u>
Revenue Requirement	\$ 41,316	\$ 61,596
Annual Revenue Change	\$ (1,912)	\$ 316
Percentage Increase/(Decrease)	(4.42%)	.52%

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

OVEREARNINGS INVESTIGATION

Our initial review of the utility's 1995 annual report revealed an overall rate of return of 36.18%. Our final analysis shows that the utility is overearning by approximately \$1,826 on the water system but not overearning on the wastewater system. The water system overearnings result in an economic impact per customer of 43 cents per month.

In lieu of ordering a reduction in water rates, we order the utility to initiate a meter replacement program negating any water system overearnings. The manufacturer's recommended life of a 5/8 inch x 3/4 inch meter is 17 years. Approximately 98% of the meters in this utility's service area exceed this estimated life. This program shall allow the utility to replace approximately twenty-four (24) old meters with new meters each year. The estimated cost to replace an old meter is \$75 per meter. The total expense for this program is approximately \$1,800 per year, considered reasonable for a meter change-out program. We find that this expense is necessary to properly monitor the water flows of the customers and the utility. We also find it is proper to include this expense in this overearnings investigation as we have done in the past (Docket No. 950170-WS, Investigation of possible overearnings of Marion Utilities, Order No. PSC-95-1193-FOF-WS, issued September 22, 1995). We find that such a program will produce a long term benefit to both the utility and the customers.

As mentioned in the case background, two customers of the utility attended the March 5, 1996 agenda conference when we considered and approved a grandfather certificate for the utility. The customers expressed their concern over possible overearnings of the utility and their dissatisfaction with the existing rate structure which has a minimum gallonage charge for water and wastewater. However, with the meter replacement program, the utility will not be overearning on either the water or wastewater system. We are implementing a revenue neutral rate structure change employing the standard base facility and gallonage charge to eliminate the minimum gallonage charge for water and wastewater as discussed below.

RATES AND CHARGES AND RATE STRUCTURE

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn a 10.18% return on its investment.

Quarterly Service Rates

The utility's present water rate structure consists of a base facility charge, a usage charge (9,000 gallons minimum per quarter), an administrative/maintenance charge, and a gallonage charge for water in excess of 9,000 gallons per quarter. The utility's present wastewater rate structure consists of a base facility charge, a usage charge of 85% of 9,000 gallons per quarter, an administrative/maintenance charge and a gallonage charge for wastewater in excess of 9,000 gallons per quarter.

This Commission has entered into a Memorandum of Understanding with the Florida Water Management Districts, which recognizes that a cooperative effort is necessary to implement an effective, state-wide water conservation policy. As previously stated, water use in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District (SWFWMD). Since this utility is a consecutive system and is thus considered non-jurisdictional by the SWFWMD, no particular restrictions that promote conservation are necessary at this time. Residential consumption averages approximately 1,906 gallons per month, which is not considered excessive.

We revised the utility's present rate structure to a standard base facility/gallonage charge rate structure, by the elimination of the minimum usage charge and the administrative/maintenance charge. The minimum usage charge is replaced with a straight gallonage charge with no minimum. All prudent administrative/maintenance costs of the utility will be included in the base facility charge or gallonage charge instead of a separate charge. We calculated wastewater usage based on 85% of the water usage, which is the same method Manatee County uses to charge Heather Hills.

We calculated a base facility/gallonage charge for water and wastewater customers based on test year data. Our revised rate structure results in a revenue neutral rate structure change, therefore, test year revenues are being used to calculate the new

rate structure. Some customers will experience a decrease in their quarterly bills and other customers will experience an increase in their quarterly bills. However, the utility's total annual revenue will remain unchanged. The base facility/gallongage charge rate structure is the preferred rate structure because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the costs of providing service through the gallongage charge and also pay their share of the fixed costs of providing service through the base facility charge. Schedules of the utility's existing rates and our approved rates follow.

WATER RATES
RESIDENTIAL AND GENERAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>	
	<u>Existing Quarterly Rate</u>	<u>Approved Quarterly Rate</u>
5/8" x 3/4"	\$ 7.54	\$ 21.39
3/4"	N/A	32.10
1"	7.54	53.52
1-1/2"	N/A	107.01
2"	N/A	171.24
3"	N/A	342.45
4"	N/A	535.08
6"	N/A	1,070.16
 <u>Usage Charge</u>		
First 9,000 gallons	\$ 9.05	N/A
<u>Administrative Charge</u>	\$ 13.76	N/A
<u>Gallongage Charge</u>	\$.16 *	\$ 1.37 **

* per 100 gallons in excess of 9,000 gallons per quarter.
 ** per 1,000 gallons of water used, NO MINIMUM

WASTEWATER RATES
RESIDENTIAL AND GENERAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>	
	<u>Existing Quarterly Rate</u>	<u>Approved Quarterly Rate</u>
5/8" x 3/4"	\$ 18.47	\$ 27.06
3/4"	N/A	40.59
1"	18.47	67.65
1-1/2"	N/A	135.33
2"	N/A	216.51
3"	N/A	433.02
4"	N/A	676.59
6"	N/A	1,353.18
 <u>Usage Charge</u>		
First 9,000 gallons	\$ 20.26	N/A
 <u>Administrative Charge</u>		
	\$ 6.88	N/A
 <u>Gallonage Charge</u>		
	\$.31 *	\$ 2.88 **

* per 100 gallons in excess of 9,000 gallons per quarter.
 ** per 1,000 gallons of wastewater used, based on 85% of water usage.

With the elimination of the 9,000 minimum gallon charge per quarter, approximately 60% of residential customers will experience a decrease in their quarterly water bills. Using the 353 test year residential water customers with an average use of 5,718.98 gallons/quarter per customer, an average residential quarterly water bill comparison is as follows:

	<u>Average Quarterly Bill Existing Rates</u>	<u>Average Quarterly Bill Approved Rates</u>	<u>Percent Decrease</u>
Base Facility Charge	\$ 7.54	\$ 21.39	
Usage Charge			
(9,000 gallon minimum)	\$ 9.05	N/A	
Administrative Charge	\$13.76	N/A	
Gallonage Charge	\$ 0.00	\$ 7.84	
Total	\$30.35	\$ 29.23	(3.69%)

With the elimination of the wastewater minimum gallon charge, approximately 60% of wastewater residential customers will also experience a decrease in their quarterly bills. Using the 353 test year customers with an average water usage of 5,718.98 gallons/quarter per customer, an average residential quarterly wastewater bill comparison based on 85% of water usage is as follows:

	<u>Average</u> <u>Quarterly Bill</u> <u>Using</u> <u>Existing</u> <u>Rates</u>	<u>Average</u> <u>Quarterly Bill</u> <u>Using</u> <u>Approved</u> <u>Rates</u>	<u>Percent</u> <u>Decrease</u>
Base Facility Charge	\$18.47	\$ 27.06	
Usage Charge (Based on 85% of 9,000 gallons)	\$20.26	N/A	
Administrative Charge	\$ 6.88	N/A	
Gallonge Charge	<u>\$ 0.00</u>	<u>\$ 14.00</u>	
Total	\$45.61	\$ 41.06	(9.98%)

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

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.

Based on the foregoing, it is

ORDERED, by the Florida Public Service Commission 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 by a substantially affected party in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director 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 Keith & Clary Starkey d/b/a Heather Hills Estates shall charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Keith & Clary Starkey d/b/a Heather Hills Estates shall install a water meter for the recreation center as set forth in the body of this Order. It is further

ORDERED that Keith & Clary Starkey d/b/a Heather Hills Estates shall initiate a water meter replacement program as set forth in the body of this order. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

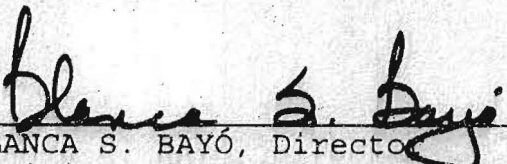
ORDERED that prior to its implementation of the rates and charges approved herein, Keith & Clary Starkey d/b/a Heather Hills Estates shall submit and have approved a proposed notice to its customers of the new rates and charges and the reason therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Keith & Clary Starkey d/b/a Heather Hills Estates 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 that no timely protest is filed, this docket shall be closed.

ORDER NO. PSC-96-1126-FOF-WS
DOCKET NO. 960814-WS
PAGE 19

By ORDER of the Florida Public Service Commission, this 5th
day of September, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the granting of temporary rates in the event of a protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 26, 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.

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DOCKET NO. 960814-WS
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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.

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 49,523	\$ (4,397) A	\$ 45,126
LAND AND LAND RIGHTS	0	389 B	389
NON-USED AND USEFUL PLANT	0	0	0
CIAC	0	(26,625) C	(26,625)
ACCUMULATED DEPRECIATION	(34,667)	(3,883) D	(38,550)
AMORTIZATION OF CIAC	0	21,675 E	21,675
WORKING CAPITAL ALLOWANCE	0	4,507 F	4,507
WATER RATE BASE	\$ 14,856	\$ (8,334)	\$ 6,522

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 49,524	\$ 22,738 A	\$ 72,262
LAND AND LAND RIGHTS	0	389 B	389
NON-USED AND USEFUL PLANT	0	0	0
CIAC	0	0 C	0
ACCUMULATED DEPRECIATION	(34,667)	(18,467) D	(53,134)
AMORTIZATION OF CIAC	0	0 E	0
WORKING CAPITAL ALLOWANCE	0	6,651 F	6,651
WASTEWATER RATE BASE	\$ 14,857	\$ 11,311	\$ 26,168

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To adjust utility balance to commission approved balance.	\$ (4,147)	\$ 22,988
2. To reflect averaging adjustment.	(250)	(250)
	<u>\$ (4,397)</u>	<u>\$ 22,738</u>
B. <u>LAND & LAND RIGHTS</u>		
1. To include land rights for distribution and collection systems.	<u>\$ 389</u>	<u>\$ 389</u>
C. <u>CIAC</u>		
1. To impute CIAC on 355 hookups @ \$75/each.	\$ (26,625)	\$ 0
2. To reflect averaging adjustment.	0	0
	<u>\$ (26,625)</u>	<u>\$ 0</u>
D. <u>ACCUMULATED DEPRECIATION</u>		
1. To adjust utility balance to commission approved balance.	\$ (4,848)	\$ (19,617)
2. To reflect averaging adjustment.	965	1,150
	<u>\$ (3,883)</u>	<u>\$ (18,467)</u>
E. <u>AMORTIZATION OF CIAC</u>		
1. To include commission approved CIAC amortization.	\$ 21,675	\$ 0
2. To reflect averaging adjustment.	0	0
	<u>\$ 21,675</u>	<u>\$ 0</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses.	<u>\$ 4,507</u>	<u>\$ 6,651</u>

HEATHER HILLS ESTATES, INC
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	ADJUSTMENT TO RECONCILE TO RATE BASE	ADJUSTED BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$ 29,712	\$ 17,355	\$ 47,067	\$ (14,378)	\$ 32,690	100.00%	10.18%	10.18%
LONG-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
TOTAL	\$ 29,712	\$ 17,355	\$ 47,067	\$ (14,378)	\$ 32,690	0.00%		10.18%

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

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

	<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	\$ 38,117	\$ 5,111 A	\$ 43,228	\$ (1,912) F	\$ 41,316
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	32,721	3,333 B	36,054	0	36,054
DEPRECIATION (NET)	1,238	(442) C	796	0	796
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	734	3,154 D	3,888	(86) G	3,802
INCOME TAXES	2,176	(2,176) E	0	0	0
TOTAL OPERATING EXPENSES	\$ 36,869	\$ 3,869	\$ 40,738	\$ (86)	\$ 40,652
OPERATING INCOME/(LOSS)	\$ 1,248		\$ 2,490		\$ 664
WATER RATE BASE	\$ 14,856		\$ 6,522		\$ 6,522
RATE OF RETURN	8.40%		38.18%		10.18%

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

	<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	\$ 57,175	\$ 4,105 A	\$ 61,280	\$ 316 F	\$ 61,596
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	38,836	14,370 B	53,206	0	53,206
DEPRECIATION (NET)	1,238	1,062 C	2,300	0	2,300
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,101	2,311 D	3,412	14 G	3,426
INCOME TAXES	3,263	(3,263) E	0	0	0
TOTAL OPERATING EXPENSES	\$ 44,438	\$ 14,480	\$ 58,918	\$ 14	\$ 58,932
OPERATING INCOME/(LOSS)	\$ 12,737		\$ 2,362		\$ 2,664
WASTEWATER RATE BASE	\$ 14,857		\$ 26,168		\$ 26,168
RATE OF RETURN	85.73%		9.03%		10.18%

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 1 of 2)
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVEREARNINGS

A. OPERATING REVENUES	WATER	WASTEWATER
1. To switch revenues from a cash basis to an accrual basis.	\$ 3,656	\$ 1,266
2. To impute revenue for the recreation building.	1,455	2,839
	<u>\$ 5,111</u>	<u>\$ 4,105</u>
B. OPERATION AND MAINTENANCE EXPENSES		
1. Salaries & Wages - Officers		
a. To include commission approved officer salaries and wages allocated 67% to water and 33% to wastewater.	\$ 1,005	\$ 4,252
2. Purchased Water and Wastewater		
a. To annualize cost of purchased water and wastewater.	\$ 1,359	\$ 6,770
3. Materials and Supplies		
a. To reclassify office supply expense from account No. 675 to account No. 620 and account No. 720.	\$ 285	\$ 285
4. Contractual Services		
a. To reclassify repairs and maintenance expense from account No. 675 and include engineer recommended repair and maintenance expense for wastewater.	\$ 551	\$ 1,000
b. To include meter reading expense.	145	0
c. To reclassify legal expense from account No. 675.	248	247
d. To reclassify accounting expense from account No. 675.	239	240
e. To include DEP required water testing.	565	0
f. To increase accounting expense to commission approved amount.	261	280
	<u>\$ 2,009</u>	<u>\$ 1,747</u>
5. Rents		
a. To include commission approved office rent expense.	\$ 1,332	\$ 1,332
6. Transportation Expenses		
a. To allow pro forma transportation expense.	\$ 261	\$ 261
7. Insurance Expense		
a. To reclassify insurance expense from account No. 675.	\$ 370	\$ 0
b. To disallow non-utility portion of insurance.	(344)	0
c. To reclassify 50% of insurance cost to account No. 755.	(13)	13
	<u>\$ 13</u>	<u>\$ 13</u>
8. Regulatory Commission Expense		
a. To reclassify and capitalize grandfather certificate filing fee.	\$ (400)	\$ (600)
9. Bad Debt Expense		
a. To include commission audited bad debt expense.	\$ 139	\$ 184
10. Miscellaneous Expenses		
a. To reclassify repair & maintenance expense to account No. 63	\$ (551)	\$ 0
b. To reclassify meter reading to account No. 630.	(145)	0
c. To reclassify legal expense to account No. 630 & account No. 730.	(495)	0
d. To reclassify acctg expense to account No. 630 & account No. 730.	(479)	0
e. To reclassify insurance expense to account No. 655.	(370)	0
f. To reclassify office supplies expense to account No. 620 and account No. 720.	(570)	0
g. To reclassify 50% of telephone expense from account No. 675.	(93)	93
h. To include commission approved office electric expense.	33	33
	<u>\$ (2,670)</u>	<u>\$ 126</u>
TOTAL O & M ADJUSTMENTS	\$ 3,333	\$ 14,370

HEATHER HILLS ESTATES, INC.
TEST YEAR ENDING DECEMBER 31, 1995
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 2 of 2)
DOCKET NO. 960814-WS
INVESTIGATION OF POSSIBLE
OVEREARNINGS

C. DEPRECIATION EXPENSE

1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	\$ 690	\$ 1,062
2. To offset depreciation expense by commission approved amortization expense.	(1,132)	0
	<u>\$ (\$442)</u>	<u>\$ 1,062</u>

D. TAXES OTHER THAN INCOME

1. To remove non-utility real estate taxes.	\$ (725)	\$ (1,092)
2. To annualize RAF's to match test year revenue.	1,945	2,758
3. To include payroll taxes on officer's salaries.	1,934	645
	<u>\$ 3,154</u>	<u>\$ 2,311</u>

E. INCOME TAXES

1. To remove income taxes for proprietorship.	\$ (2,176)	\$ (3,263)
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F. OPERATING REVENUES

1. To reflect commission approved increase/(decrease) in revenue.	\$ (1,912)	\$ 316
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G. TAXES OTHER THAN INCOME

1. To reflect increase or (decrease) in regulatory assessment fees associated with recommended revenue requirement.	\$ (86)	\$ 14
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HEATHER HILLS ESTATES, INC.
TEST YEAR ENDING DECEMBER 31, 1995
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE

SCHEDULE NO. 3C
DOCKET NO. 960814-WS
INVESTIGATION OF POSSIBLE
OVEREARNINGS

	<u>TOTAL</u> <u>PER UTIL.</u>	<u>COMM.</u> <u>ADJUST.</u>	<u>TOTAL</u> <u>PER COMM.</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
(603) SALARIES AND WAGES - OFFICERS	11,750	1,005 [1]	12,755
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	17,774	1,359 [2]	19,133
(615) PURCHASED POWER	0	0	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	0	285 [3]	285
(630) CONTRACTUAL SERVICES	0	2,009 [4]	2,009
(640) RENTS	0	1,332 [5]	1,332
(650) TRANSPORTATION EXPENSE	0	261 [6]	261
(655) INSURANCE EXPENSE	0	13 [7]	13
(665) REGULATORY COMMISSION EXPENSE	400	(400) [8]	0
(670) BAD DEBT EXPENSE	0	139 [9]	139
(675) MISCELLANEOUS EXPENSES	2,797	(2,670) [10]	127
	<u>\$ 32,721</u>	<u>\$ 3,333</u>	<u>\$ 36,054</u>

HEATHER HILLS ESTATES, INC.
 TEST YEAR ENDING DECEMBER 31, 1995
 ANALYSIS OF WASTEWATER OPERATION
 AND MAINTENANCE EXPENSE

SCHEDULE NO. 3D
 DOCKET NO. 960814-WS
 INVESTIGATION OF POSSIBLE
 OVERTURNINGS

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(701) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
(703) SALARIES AND WAGES - OFFICERS	0	4,252 [1]	4,252
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	38,236	6,770 [2]	45,006
(711) SLUDGE REMOVAL EXPENSE	0	0	0
(715) PURCHASED POWER	0	0	0
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	0	0
(720) MATERIALS AND SUPPLIES	0	285 [3]	285
(730) CONTRACTUAL SERVICES	0	1,747 [4]	1,747
(740) RENTS	0	1,332 [5]	1,332
(750) TRANSPORTATION EXPENSE	0	261 [6]	261
(755) INSURANCE EXPENSE	0	13 [7]	13
(765) REGULATORY COMMISSION EXPENSES	600	(600)[8]	0
(770) BAD DEBT EXPENSE	0	184 [9]	184
(775) MISCELLANEOUS EXPENSES	0	126 [10]	126
	<u>\$ 38,836</u>	<u>\$ 14,370</u>	<u>\$ 53,206</u>

WATER DISTRIBUTION SYSTEM

Attachment B 1 of 2
USED AND USEFUL DATA

Docket No. 960814-WS Utility HEATHER HILLS ESTATES Date MAY 1996

1) Capacity 306 ERC's (Number of potential customers without expansion)

2) Number of TEST YEAR Connections 306 ERC's day

a) Begin Test Year 306 ERC's

b) End Test Year 306 ERC's

c) Average Test Year 306 ERC's

3) Margin Reserve 0 ERC's

*Not to exceed 20% of present customers

a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 0 ERC's

c) Construction Time for Additional Capacity 1.5 Years

(a) x (b) = 0 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} - \underline{100} \% \text{ Used and Useful}$$

GERALD D. EDWARDS Engineer

WASTEWATER COLLECTION SYSTEM

USED AND USEFUL DATA

Docket No. 960814-WS Utility HEATHER HILLS ESTATES Date MAY 1996

- 1) Capacity 306 ERC's (Number of potential customers without expansion)
 - 2) Number of TEST YEAR Connections 306 ERC's day
 - a) Begin Test Year 306 ERC's
 - b) End Test Year 306 ERC's
 - c) Average Test Year 306 ERC's
 - 3) Margin Reserve 0 ERC's
 - a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 0 ERC's
 - c) Construction Time for Additional Capacity 1.5 Years
- (a) x (b) = 0 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} - \underline{100} \% \text{ Used and Useful}$$

GERALD D. EDWARDS Engineer