

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

DOCKET NO. 980778-SU
ORDER NO. PSC-99-2116-PAA-SU
ISSUED: October 25, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.

TABLE OF CONTENTS

I.	BACKGROUND	3
II.	QUALITY OF SERVICE	5
	A. Quality of Utility's Product	5
	B. Operational Condition of Utility's Plant or Facility	5
	C. Customer Satisfaction	6
III.	RATE BASE	7
	A. Used and Useful Plant	7
	B. Margin Reserve	7
	C. Acquisition Adjustment	8
	D. Average Test Year Rate Base	9
	1. Plant in Service (UPIS)	9
	2. Land	10
	3. Non-Used and Useful Plant	11
	4. Contributions in Aid of Construction	11
	5. Accumulated Depreciation	11
	6. Accumulated Amortization of CIAC	11
	7. Working Capital Allowance	11
	8. Rate Base Summary	12
IV.	COST OF CAPITAL	12
V.	NET OPERATING INCOME	13
	A. Test Year Operating Revenues	13

DOCUMENT NUMBER-DATE

13069 OCT 25 99

FPSC-RECORDS/REPORTING

B.	Operating Expenses	13
1.	Operation and Maintenance (O&M) Expenses	14
a.	(701) Salaries and Wages - Employees	14
b.	(703) Salaries and Wages - Officers	14
c.	(711) Sludge Removal	15
d.	(715) Purchased Power	15
e.	(718) Chemicals	15
f.	(730) Contractual Services (Billing)	15
g.	(731) Contractual Services (Profess.)	15
h.	(735) Contractual Services (Testing)	16
i.	(735) Contractual Services (Other)	17
j.	(736) Contractual Services (Repair and Maintenance	17
k.	(740) Rents	17
l.	(750) Transportation Expense	17
m.	(765) Regulatory Commission Expense	18
n.	(775) Miscellaneous Expense	18
o.	O&M Expenses Summary	19
2.	Depreciation Expense (Net of Amortization of CIAC)	19
3.	Taxes Other Than Income Taxes	19
4.	Operating Revenues	20
5.	Taxes Other Than Income Taxes (For Revenue Increase)	20
6.	Income Taxes	20
7.	Operating Expenses Summary	20
C.	Revenue Requirement	20
VI.	RATES AND CHARGES	21
A.	Conservation Rate Structure	21
B.	Residential Gallonage Cap	22
C.	Repression Adjustment	23
D.	Wastewater Rates	24
VII.	STATUTORY RATE REDUCTION	26
VIII.	CUSTOMER DEPOSITS	27
IX.	MISCELLANEOUS SERVICE CHARGES	27
X.	ESCROW OF RATES ASSOCIATED WITH PRO FORMA PLANT	29
XI.	NARUC USOA COMPLIANCE	30
XII.	TEMPORARY RATES	31

XIII. CLOSING OF DOCKET 33

<u>SCHEDULES</u>	<u>DESCRIPTION</u>	
1	Wastewater Rate Base	39
1-A	Adjustments to Rate Base	40
2	Capital Structure	41
3	Wastewater Operating Income	42
3-A	Adjustments to Operating Income	43
3-B	Wastewater O&M Expenses	45
4	Wastewater Rate Case Expense Reduction	46

<u>ATTACHMENTS</u>	<u>DESCRIPTION</u>	
A	Used and Useful Wastewater Treatment Plant	47
B	Used and Useful Wastewater Collection System	48

FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST,
 DECLINING TO INITIATE SHOW CAUSE PROCEEDING, AND REQUIRING
 CONFORMANCE WITH NARUC SYSTEM OF ACCOUNTS

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER GRANTING INCREASED RATES
 AND CHARGES AND REQUIRING REPORTS AND ESCROWING OF FUNDS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions, except for: (1) the granting of temporary rates; (2) declining to initiate show cause proceeding; and (3) the requirement to maintain records in conformance with National Association of Regulatory Utility Commissioners' Uniform System of Accounts, discussed herein 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.

I. BACKGROUND

Crooked Lake Park Sewerage Company, Inc. (Crooked Lake or utility) is a Class C wastewater utility located in Polk County. On December 13, 1957, Polk County granted a franchise to Park Water Company to operate a water and wastewater system. In 1978 the wastewater treatment plant and collection system was sold to Warner Southern College and the name was changed to Crooked Lake Park

Sewer Company. The current owner purchased this utility on September 30, 1988 under the name Crooked Lake Park Sewerage Company. Polk County came under the Commission's jurisdiction on July 11, 1996. By Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, we granted the utility Certificate No. 517-S for wastewater.

On June 23, 1998, the utility filed an application for a staff-assisted rate case (SARC) and paid the appropriate filing fee. We have selected a historical test year ended July 31, 1998. We have audited the utility's records for compliance with our rules and orders and determined all components necessary for rate setting. Our engineer has also conducted a field investigation of the utility's plant and service area. We have also reviewed the utility's operation expenses, maps, files and rate application.

In its original application, the utility requested the recovery of cost for improvements for its collection system and relocation of two percolation ponds as required by the Department of Environmental Protection (DEP). However, the utility experienced problems in acquiring a loan for funding the improvements. By letter dated October 20, 1998, Crooked Lake waived the 15-month statutory time frame for completing this rate case to allow additional time for acquiring the loan and bids for plant improvements. However, the utility continued to experience difficulty in acquiring a loan for plant improvements and requested a six-month extension by letter dated November 6, 1998 and a 30-day extension by letters dated February 24, 1999, and April 6, 1999, respectively. Finally, in the letter dated April 6, 1999, the utility stated that it would not include any cost associated with the possible relocation of the percolation ponds in this docket. If DEP insists that the percolation ponds be relocated, the utility states that it will file a petition for a limited proceeding at that time. However, the utility seeks pro forma costs for the collection system required to alleviate some of the inflow and infiltration problems in the calculation of rates.

The utility provides wastewater service to: approximately 308 residential customers; a master metered mobile home park, which has 97 units behind the master meter; a restaurant; and a bank. The utility's adjusted test year revenues are \$59,648 with adjusted expenses of \$92,084, which results in an adjusted test year loss of \$32,436.

On June 23, 1999, a customer meeting was held in the utility's service area to allow customers the opportunity to address the utility's application for this rate case. Eighteen customers attended the meeting. The major concerns addressed were sewage overflows and dissatisfaction with the projected percentage increase in rates. The sewage overflows and the reasons for the increase are addressed below.

II. QUALITY OF SERVICE

A customer meeting was held June 23, 1999, in the service area of Crooked Lake. Our staff investigated the apparent quality of service issues raised by the customers at that meeting. In reviewing quality of service, we evaluated the following three separate components of water and wastewater utility operations:

- (1) Quality of Utility's Product;
- (2) Operational Conditions of Utility's Plant or Facility; and
- (3) Customer Satisfaction for Services Rendered.

A. Quality of Utility's Product

In Polk County, the wastewater program is regulated by the Southwest Florida District of the DEP. The product of a wastewater treatment plant is determined by the results of required testing and analysis of the wastewater. According to the DEP, the utility is currently up to date with all of its testing requirements, and the results of those tests are satisfactory. By all indications, the utility is properly treating its effluent and the quality of the product is satisfactory.

B. Operational Condition of Utility's Plant or Facility

The quality of the utility's plant-in-service is generally reflected in lab tests of the effluent. In this case, the DEP finds the quality of the utility's effluent being discharged as satisfactory, but, has several outstanding citations against the utility for plant-in-service violations. On March 25, 1998, DEP issued Warning Letter No. WL980009DW53SWD to the utility which cited the utility for:

- A) Effluent being discharged off utility property;
- B) Failure to use its south percolation pond;
- C) Overflow of raw wastewater from plant tanks;

- D) Failure to report its discharge violations to the Department; and
- E) Influent flows exceeding permitted capacity.

The utility's operating permit expired on July 31, 1999. Before the operating permit for Crooked Lake can be reissued, the utility must satisfy all of the current violations and bring the plant up to current regulatory standards. This means that the utility will need to upgrade the capacity of the percolation ponds and construct the new ponds a minimum of 100 feet from the wet edge of the pond to any adjacent property in accordance with Chapter 62-610.521(6), Florida Administrative Code. In addition, the DEP continues to address the utility's need for additional capacity at the plant. The utility hired Hartman and Associates, Inc. (Hartman) as a consultant. Hartman believes that the high volume of flows experienced at the plant is due to excessive infiltration, and that once the infiltration problems are under control, the need for additional plant capacity will be resolved. The matter is still under investigation.

C. Customer Satisfaction

The customer meeting was held at 6:30 p.m., on June 2, 1999, at Southern Warner College. The utility serves 311 customers, which is estimated to be 353 equivalent residential connections (ERCs). Eighteen individuals attended the customer meeting. Six voiced their concerns about the staff-assisted rate case. Two quality of service complaints were brought to staff's attention. Ms. Meadows lives next to the treatment plant, and when the ponds overflowed, her property was flooded. For several weeks thereafter, her yard was mushy while it was drying out. Ms. Stroud stated that she has a gurgling sound in her drain pipes while using the washing machine that results in some backups in her bathtub.

We believe that both situations may be a result of the infiltration problem that has resulted in the violation discussed above. When the utility corrects its infiltration problems, these two complaints should be rectified.

All things considered, we find that the utility's quality of service is unsatisfactory. The utility must make DEP mandated improvements. The utility shall be granted sufficient pro-forma plant allowance in this rate case to correct the infiltration problem, and shall be given 180 days from the effective date of this Order to have all scheduled work completed to correct the current infiltration problems.

III. RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is shown on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. 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.

A. Used and Useful Plant

The wastewater treatment plant has a permitted capacity of 60,000 gallons per day (gpd). However, the average daily flow for the months of August 1997, December 1997, January 1998, February 1998, and March 1998 exceeded the plant's capacity.

In a more recent review of the utility's flows, the average daily flow for the months of September 1998, October 1998, January 1999, and February 1999 also contained maximum daily flows that exceeded the plant capacity. Apparently, these excessive flows caused the ponds to overflow, resulting in citations by the DEP. Hartman believes that the violations concerning the percolation ponds are due to infiltration trouble spots. The DEP does not agree, the ponds were allowed under a "grandfather" clause when the utility was experiencing typical flows around 35,000 gpd. With the current number of connections (311), the ponds are failing and need to be upgraded to current standards. By the approved formula method, used as an indicator of used and useful plant, we find that the utility is 100 percent used and useful without the consideration for margin reserve (See Attachment "A"). Therefore, the wastewater treatment plant is 100 percent used and useful.

Collection mains in the Crooked Lake service area are available to 468 platted lots, which is calculated to be 406 ERCs. The utility currently serves 308 residential customers and three general service customers, which is calculated to be 353 ERCs. Because the collection system is totally contributed, a calculation of useful plant is not necessary, and the collection system is 100 percent used and useful. (See Attachment "B").

B. Margin Reserve

Margin Reserve is the concept whereby we recognize certain costs incurred by the utility in providing extra capacity sufficient to meet short term growth. Short term growth during

planning and construction phases should continue without impairing the utility's ability to provide safe and adequate service to existing customers. Recognizing that plant facilities cannot be added on a day to day basis, the Margin Reserve concept provides a reasonable avenue for the utility to serve new customers during the planning, permitting, and construction period. The construction period varies from utility to utility with Class C utilities typically requiring additional time to complete construction.

The Crooked Lake wastewater treatment plant is 100 percent used and useful with or without a margin reserve. We find that the wastewater collection system is contributed and therefore it shall be considered 100 percent used and useful without consideration for margin reserve. In both calculations, a margin reserve is not applicable.

C. Acquisition Adjustment

An acquisition adjustment occurs when the purchase price differs from the original cost. The current owner purchased this utility for \$20,000 on September 30, 1988. When the utility was purchased, the prior owner did not provide original cost documentation for plant to the current owner. As addressed below, in instances where original cost documentation for plant cannot be provided, an original cost study is completed to determine plant value. In addition, the utility's current owner was not provided with contributions-in-aid-of-construction (CIAC) balances at the date of purchase. Following the guidelines of Rule 25-30.570(1), Florida Administrative Code, CIAC has been imputed based on the cost of the collection system as determined by the original cost study. Using the original cost study, we calculate rate base to be \$28,949 at September 30, 1988. The calculation is as follows:

Plant in Service at 9/30/88	\$ 161,297
Accum. Deprec. at 9/30/88	<u>(88,416)</u>
Net Plant at 9/30/88	<u>\$ 72,881</u>
CIAC at 9/30/88	\$(101,536)
Amort. of CIAC at 9/30/88	<u>51,409</u>
	<u>\$(50,129)</u>
Net Plant	\$ 72,881
Net CIAC	<u>(50,129)</u>
Depreciable Rate Base at 9/30/88	22,752
Land	<u>6,197</u>
Rate Base at 9/30/88	<u>\$ 28,949</u>

In the absence of extraordinary circumstances, it has been our practice that the purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this case do not appear to be extraordinary. Therefore, an acquisition adjustment shall not be used in the determination of the utility's rate base at the date of purchase.

D. Average Test Year Rate Base

As stated above, on June 23, 1998, the utility filed the application for this staff-assisted rate case. We have never established rate base for this utility. The appropriate components of Crooked Lake's rate base include depreciable plant in service, land, non-used and useful plant, CIAC, accumulated depreciation, accumulated amortization of CIAC, and a working capital allowance.

1. Plant in Service (UPIS): As addressed above, the utility's current owner purchased this utility on September 30, 1988, and the prior owner did not provide original cost documentation for plant. Therefore, an original cost study was done to determine plant value prior to September, 1988. Providing plant additions from 1960 through 1988, the original cost study shows plant value to be \$161,295. Therefore, UPIS has been increased by \$161,295 to reflect plant value determined by the original cost study.

The utility recorded \$42,391 in UPIS. This amount is for plant additions for the period October, 1988 through July 31, 1998. Plant has been increased by \$9,549 to reflect organization costs incurred during the certification case in Docket No. 961478-SU.

As previously noted, DEP has required the utility to upgrade its collection system to alleviate some of its inflow and infiltration problems. The utility's consultant, Hartman, provided services to assist the utility with the DEP required rehabilitation of its collection system. However, the utility did not record the capital costs on its books for this service.

Hartman has now provided copies of invoices listing the costs for the rehabilitation of the collection system of \$13,170 and for the relocation of the percolation pond of \$8,168. The utility has decided not to include any cost associated with the possible relocation of the percolation ponds in this docket and states that it will file a petition for a limited proceeding at a later date if DEP insists that the percolation ponds must be relocated. Therefore, we have not included the unrecorded cost of \$8,168 for

the percolation pond in plant for this case. Since the percolation ponds have not been relocated, the \$8,168 shall be recorded on the utility's books as construction work in progress (CWIP) until all of the required improvements have been completed and are in service. The unrecorded cost for the rehabilitation of the collection system of \$13,170 appears reasonable and UPIS has been increased by this amount.

The utility submitted an estimated cost of \$126,665 for collection system improvements that are required by DEP. Signed contracts for plant improvements have not been provided by the utility. However, the plant improvements are required by DEP and the costs appear to be reasonable. Since signed contracts have not been provided, the revenue increase associated with this pro forma plant shall be placed in escrow until all improvements have been made. The amount to be escrowed is addressed later in this Order. Therefore, we have increased UPIS by \$126,665 to reflect pro forma plant improvements for the collection system.

UPIS has also been decreased by \$8,981 to reflect the averaging adjustment. The total adjustment for this account is an increase of \$301,698.

2. Land: Based on copies of warranty deeds, the utility owns the land on which its assets are located. Also, pursuant to a copy of Polk County's Board of Commissioner's minutes dated July 12, 1983, land value for Crooked Lake was established as \$6,197 in a rate increase procedure. A review of the utility's 1996 income tax returns also shows land value for the utility of \$6,197. The utility did not record a land value on its books. This account has been increased by \$6,197 to reflect land value as determined by Polk County and as listed on the utility's tax return.

3. Non-Used and Useful Plant: As discussed above, the utility's wastewater treatment plant is 100 percent used and useful. Also, the utility's wastewater collection system is contributed and is 100 percent used and useful. Therefore, there is no non-used and useful plant.

4. Contributions in Aid of Construction: The utility did not record any CIAC on its books. Rule 25-30.570, Florida Administrative Code, states:

If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent

substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

Pursuant to the original cost study, and following the guidelines of Rule 25-30.570, Florida Administrative Code, we have imputed CIAC of \$101,536, which represents the value of the utility's collection system. In addition, Polk County approved a \$600 per connection service availability charge for the utility. When we granted the utility's certificate, this charge was approved. However, we divided the service availability charge into a plant capacity charge of \$450 and a main extension charge of \$150 for a total of \$600. Pursuant to the staff audit, the utility collected service availability charges totaling \$16,800. Total CIAC at July 31, 1998 is \$118,336. This account has been adjusted by \$118,336 to reflect year-end CIAC. An averaging adjustment of \$300 has been made to reflect average CIAC of \$118,036.

5. Accumulated Depreciation: The utility did not record accumulated depreciation on its books. Using the prescribed rates in Rule 25-30.140, Florida Administrative Code, we calculate accumulated depreciation to be \$157,342 at July 31, 1998. Depreciation on unrecorded and pro forma plant is \$4,531. The averaging adjustment is \$4,134. Therefore, average accumulated depreciation is adjusted by \$157,739 to reflect the above calculations.

6. Accumulated Amortization of CIAC: The utility did not record any accumulated amortization of CIAC on its books. Amortization of CIAC has been calculated using the same prescribed rates used for depreciation for the utility's wastewater collection system. The amortization of CIAC is calculated to be \$80,893 at July 31, 1998. This account has been decreased by \$1,586 to reflect an averaging adjustment. Therefore, average accumulated amortization of CIAC is \$79,307.

7. Working Capital Allowance: Consistent with Rule 25-30.433, Florida Administrative Code, we have used the one-eighth of operation and maintenance (O&M) expense formula approach for calculating working capital allowance. Applying that formula, the

working capital allowance is \$9,618 (based on O&M expenses of \$76,946).

8. Rate Base Summary: Based on the foregoing, the appropriate average test year rate base for the utility is \$163,436. Rate base is shown on Schedule No. 1, and adjustments are shown on Schedule No. 1A.

IV. COST OF CAPITAL

Pursuant to the requirements of DEP, the utility is currently rehabilitating its collection system. On August 13, 1999 the utility borrowed \$200,000 from the utility owner's trust, at a cost of 11.00 percent, to fund the improvements. This loan from the owner's trust is not an arm's length transaction and the cost appears high compared to the current prime rate. In instances where utilities have borrowed money from an affiliate, we have assigned a cost of debt that is more in line with the prime rate. The prime rate is currently 8.25 percent. We find that the cost of debt for the \$200,000 loan shall be prime +1 percent, for a cost of debt of 9.25 percent. The loan of \$200,000 represents 89.08 percent of the utility's total capital structure with a cost of 9.25 percent.

The utility's capital structure also includes \$24,525 of common equity. Because DEP's required pro forma plant is included in rate base, we have adjusted the utility's capital structure to include the \$200,000 loan with a cost of 9.25 percent.

After adjusting the utility capital structure to include the \$200,000 loan, the utility's common equity of \$24,525 represents 10.92 percent of the utility's total capital. Following the guidelines of the existing leverage graph approved in Order No. PSC-99-1224-PAA-WS, issued July 21, 1999, and recognizing that the equity ratio is less than 40 percent, the return on equity is calculated to be 10.12 percent with a range of 9.12 - 11.12 percent.

We have reconciled the utility's capital structure with the approved rate base. Applying the cost of each capital component times the pro rata share of each component results in an approved overall rate of return of 9.35 percent with a range of 9.24 - 9.45 percent. The return of equity and overall rate of return are shown on Schedule No. 2.

V. NET OPERATING INCOME

Our calculation of net operating income is shown on Schedule No. 3, and our adjustments are itemized on Schedule No. 3-A. 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.

A. Test Year Operating Revenues

During the test year, the utility borrowed money from a mobile home park (which was a customer and a related company), and repaid the loan with a credit for two months of wastewater service bills. However, the credit was never recorded as payment on the utility's books. The utility billed the mobile home park \$1,076.70 per month (\$11.10 x 97 units) for wastewater service; therefore, revenue has been increased by \$2,153 to reflect accrued test year revenue for December, 1997 and January, 1998.

Also, in March 1999, the utility discovered that a bank located in the utility's certificated area and connected to the utility's system had never been billed as a customer. The utility also provided metered water usage for the bank for determining the amount the utility should bill the bank. However, before the back billing amount could be determined, a staff engineer revisited the utility's service area. During the physical inspection of the bank's connection, the staff engineer spoke with the contractor who installed the bank's collection line, manhole, and service lateral that connects the bank to the utility's service and verified that the bank is a customer of Crooked Lake. Using tariffed rates for a general service customer for a 12-month period for the bank, we have increased revenue by \$1,058 to include revenue for the bank. Therefore, the total adjustment for revenues is an increase of \$3,211.

Test year revenues are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

B. Operating Expenses

The utility recorded operating expenses of \$49,131 for the test year. The utility's recorded expenses include O&M expense and taxes other than income only. We have adjusted operating expenses to include the appropriate annual amounts for operation and

maintenance expenses, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes. The utility's test year operating expenses have been reviewed, and invoices and other supporting documentation have been examined. Adjustments have been made to reflect unrecorded test year expenses and to reflect allowances for plant operations on a going forward basis.

1. Operation and Maintenance (O&M) Expenses: The utility charged \$42,975 to O&M expenses during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

a. (701) Salaries and Wages - Employees - The utility recorded employee salaries and wages of \$4,987 in the test year for a maintenance person who also serves as the weekend operator. This person is directly involved with plant operations and maintenance projects whereby he performs a portion of normal daily repairs. He oversees general matters related to utility operations, such as, picking up parts, general repairs, reading flow data and recording chlorine levels. He performs routine maintenance that is not covered under the agreement with the contract operator. He also serves as a liaison between the customers and the utility, checking on complaints, and signing invoices related to maintenance repairs. It is estimated that this person averages 20 hours per week on utility duties. We find that an annual salary of \$6,000 for maintenance is warranted. Therefore, we have increased this expense by \$1,013 to reflect an annual salary of \$6,000 for this position.

b. (703) Salaries and Wages - Officers - The utility recorded an officer's salary and wage of \$2,934 for the test year. This recorded salary is for the utility's president. The president of the utility, supervises utility operations, acts as point of contact for regulatory agencies, is the point of contact between maintenance and accounting, oversees financial matters, oversees projects performed by both in-house personnel and/or contracted services companies, and does some of the maintenance himself. It is estimated that the president averages 10 to 12 hours per week conducting utility business. The utility's president requested an annual salary of \$18,000. This amount appears reasonable for the number of hours spent conducting utility business and the duties performed. Therefore, we have increased the expense by \$15,066 to reflect an annual salary of \$18,000 for the president.

c. (711) Sludge Removal - The utility recorded sludge removal expense of \$1,181 for the test year. This expense has been increased by \$3,515 to reflect a reclassification from Account No. 735 - Contractual Services.

d. (715) Purchased Power - The utility recorded purchased power expense of \$6,762 during the test year. This expense has been increased by \$155 to reflect annual purchased power expense of \$6,917 per the audit.

e. (718) Chemicals - The utility recorded chemical expenses of \$601 for the test year. We have increased the expense by \$1,291 to reflect annual chemical expense of \$1,892.

f. (730) Contractual Services (Billing) - Park Water Company provides water and billing services to the utility. The billing charge is \$1.50 per customer per month. The utility's customers of record include 308 residential customers, a master metered mobile home park, a restaurant and a bank for a total of 311 customers. The utility recorded \$5,420 in this expense for the test year. This expense has been increased by \$178 to reflect the annual billing expense of \$5,598 (311 x 12 x \$1.50).

g. (731) Contractual Services (Professional) - The utility recorded \$5,600 in this expense. It includes \$600 for accounting services, \$4,000 for consultant fees and \$1,000 for legal services associated with an application for a file and suspend rate case that was later withdrawn.

The utility's recorded accounting expense of \$600 provides minimal accounting services at \$150 per quarter. Pursuant to our staff's audit, the utility's books are not in conformance with the National Association of Regulatory Utility Commissioner's (NARUC) Uniform System of Accounts (USOA). The recorded accounting expense will not provide the services needed to set up and maintain the utility's books to conform with the NARUC USOA.

The utility has provided a signed contract for outside accounting services. This contract provides a one-time start up cost of \$1,200 for converting the utility's books and records to conform with the NARUC USOA and converting the utility's accounting from cash to accrual. This contract also provides a one-time cost of \$1,600 for reconciling the utility's books and records with our final Order due for this case. The total one time start up cost is

\$2,800, and amortizing this amount over 5 years, we have allowed a recovery of \$560 annually.

The outside accountant will also prepare annual reports, prepare regulatory assessment fee forms, prepare annual federal and state corporate income returns, prepare quarterly payroll tax returns, prepare annual payroll returns and perform monthly accounting duties at a cost of \$2,850 annually. This annual allowance appears to be reasonable. Therefore, we have increased the \$600 accounting expense by \$2,810 to reflect an annual accounting allowance of \$3,410 (\$560 plus \$2,850).

The recorded \$4,000 consultant fee includes payments for contractual services for various services. The payments were not distributed to the appropriate accounts. However, the consultant has provided a list and invoices for all services provided and all expenses for the contractual services provided have been accounted for in this case and included in the appropriate accounts. Because the \$4,000 payments have been accounted for in the appropriate accounts, we have decreased this expense by \$4,000.

The recorded legal fee of \$1,000 is non-recurring and has been amortized over five years allowing the utility to recover \$200 annually. Therefore, we have decreased this expense by \$800. The total adjustment for professional contractual services is a decrease of \$1,990.

h. (735) Contractual Services (Testing) - The utility recorded wastewater testing expenses of \$892 for the test year. Each utility must adhere to specific testing conditions prescribed within its operating permit. These testing requirements are tailored to each utility as required by Florida Administrative Code and enforced by DEP. The tests and the frequency at which those tests must be repeated for this utility are:

<u>Rules</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-19 F.A.C.	Biochemical Oxygen Demand (include Nitrate, fecal)	monthly	\$450/yr
62-19 F.A.C.	Total Suspended Solids	monthly	\$180/yr
62-19 F.A.C.	Groundwater Monitoring	quarterly	\$980/yr
62-19 F.A.C.	Primary & Secondary on Effluent	yearly	\$410/yr
62-19 F.A.C.	Sludge Analysis	yearly	<u>\$345/yr</u> <u>\$2,365/yr</u>

Based on the above, we have increased testing costs and this expense by \$1,473 to reflect the annualized cost of \$2,365 for DEP required testing.

i. (735) Contractual Services (Other) - The utility recorded \$5,005 in this expense. This total includes \$1,490 for grounds keeping and \$3,515 for sludge removal. This expense has been decreased by \$3,515 to reflect a reclassification to Account No.711.

The utility's operator services are provided by Sun Glow Laboratory. The services provided includes operation, some maintenance, testing and laboratory analysis. The utility is charged \$500 per month for basic operator services. This amount includes \$77.50 for testing. Testing expenses have already been accounted for, and reducing for this amount, we calculate operator services to be \$422.50 per month, or \$5,070 annually. The utility did not record an expense for the operator. Therefore, we have increased this expense by \$5,070 to reflect the annual operator allowance. The total adjustment for this expense is an increase of \$1,555.

j. (736) Contractual Services (Repairs and Maintenance) - The utility recorded repair and maintenance expenses of \$5,347 during the test year. Based on a review of the repair and maintenance expenses for the test year, we have determined that the appropriate amount for repairs and maintenance should be \$3,602 annually on a going forward basis. Therefore, we have decreased this expense by \$1,745 to reflect the appropriate amount.

k. (740) Rents - The utility recorded no rent expense for the test year. The utility's office is located in the personal residence of the utility's president. He has one room of his home set aside as office space and shares the space with another related company. This office has the necessary office equipment and supplies. The utility requested an allowance for the office rent. We find that \$100 per month is appropriate, and have allowed an annual allowance of \$1,200 for the office rent. Therefore, we have increased this expense by \$1,200 to reflect annual rent.

l. (750) Transportation Expense - The utility's books reflected \$135 of transportation expense for the test year. The utility's president has two vehicles. The first one is used to attend meetings with regulatory personnel, attend regulatory meetings at the local district office in Tampa, run errands,

coordinate service contracts, handle utility banking, transport records to the accountants, and make tours of the service area on a regular basis. Due to the rural location of the utility, it is estimated that 1,000 miles per month is a reasonable travel allowance. The reimbursement standard of 29 cents per mile used by the State of Florida is considered prudent. The second vehicle is used by the maintenance person to transport parts, tools, and equipment used in routine daily tasks and repairs. It is estimated that 400 miles per month is a reasonable travel allowance. The reimbursement standard of 29 cents per mile used by the State of Florida is also considered prudent. Therefore, the total transportation expense for these two vehicles is \$4,872 (1,400 miles x \$0.29 x 12), and we have increased the transportation expense by \$4,737.

m. (765)Regulatory Commission Expense - The utility recorded no regulatory commission expense for the test year. This expense has been increased by \$2,175 to reflect the filing fee of \$1,000 for the staff-assisted rate case and the consulting fee for the rate case application of \$7,701 amortized over four years as required by Section 367.0816, Florida Statutes.

n. (775) Miscellaneous Expense - The utility recorded \$146 in this expense. The utility's president uses a cell phone that allows him to receive customer calls 24 hours a day. The monthly cost is approximately \$40.00 per month and \$480 annually. Since the utility does not have a salaried employee to handle customer calls, we find that the cellular phone benefits the customers and replaces the need to hire a person to receive phone calls. This expense has been increased by \$334 to reflect an annual allowance of \$480 for a cellular phone.

Park Water Company provides billing services for the utility and bills a flat rate to the utility's customers. Because we are changing the rate structure to a base facility gallonage charge rate structure, the utility has requested increased costs for billing services from Park Water Company to accommodate the change in the rate structure. Park Water Company provided a proposal to the utility stating that its computer would have to be upgraded in order to handle the utility's bills using the base facility gallonage charge. The proposed cost is \$4,500. We find this amount is reasonable and the cost should be amortized over five years allowing the utility to recover \$900 annually. Therefore, we have increased this cost by \$900.

During the test year and in the certification case under Docket No. 961478-SU, the utility paid consulting fees to Hartman for services associated with DEP compliance. The costs were not recorded. However, copies of invoices have been provided for services rendered and the total cost for this service is \$7,801. This cost is non-recurring. It has been amortized over five years allowing the recovery of \$1,560 annually. This expense has been increased by \$1,560 to reflect a non-recurring expense amortized over five years.

Hartman also prepared annual reports for the years 1996 and 1997 for the utility at a cost of \$11,320. Copies of invoices have been provided. This expense is non-recurring and has been amortized over five years, allowing for an increase of \$2,264 annually.

This expense has also been increased by \$90 to reflect an unrecorded miscellaneous expense and it has been increased by \$200 to reflect an operating permit cost of \$1,000 amortized over five years.

Based on all the above, the total adjustment for this expense is an increase of \$5,348.

o. O&M Expenses Summary - Total O&M adjustments are an increase of \$33,971, for total O&M expenses of \$76,946. Operation and maintenance expenses are shown on Schedule No. 3B.

2. Depreciation Expense (Net of Amortization of CIAC): The utility recorded no depreciation expense on its books for the test year. Using the rates prescribed in Rule 25-30.140, Florida Administrative Code, we calculated test year depreciation expense of \$13,143. Test year amortization of CIAC is \$4,595. Therefore, net depreciation expense is \$8,548.

3. Taxes Other Than Income Taxes: The utility recorded taxes other than income of \$6,156 for the test year. This amount includes \$3,245 for regulatory assessment fees, \$2,595 payroll taxes, and \$316 miscellaneous tax. This expense has been decreased by \$628 to remove penalty and interest from regulatory assessment fees, increased by \$67 to reflect regulatory assessment on annualized revenue for the test year, increased by \$686 to reflect unrecorded property taxes, and increased by \$309 to reflect payroll taxes on the approved salaries. The total adjustment is an increase of \$434, allowing \$6,590 annually.

4. Operating Revenues: Revenues have been adjusted by \$49,967 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn the approved rate of return on investment.

5. Taxes Other Than Income Taxes (For Revenue Increase): This expense has been increased by \$2,249 to reflect the regulatory assessment fee of 4.5 percent on the approved increase in revenue.

6. Income Taxes: The utility is an 1120 corporation. A review of its federal income tax return shows previous years' net operating losses carryforward of \$39,259. Based on this loss carryforward position, the utility will not incur any income tax expense. Therefore, we have allowed no income tax expense for the utility.

7. Operating Expenses Summary: The application of our adjustments to the utility's test year operating expenses results in operating expenses of \$94,333.

Operating expenses are shown on Schedule No. 3. Adjustments are shown on Schedule No. 3A.

C. Revenue Requirement

The utility shall be allowed an annual increase in revenue of \$49,967 (83.77 percent). This will allow the utility the opportunity to recover its expenses and earn the approved 9.35 percent return on its investment. Our calculations are as follows:

	<u>Wastewater</u>
Adjusted Rate Base	\$163,436
Rate of Return	<u>x .0935</u>
Return on Investment	\$ 15,282
Adjusted Operation Expenses	76,946
Depreciation Expense (Net)	8,548
Taxes Other Than Income Taxes	<u>8,839</u>
Revenue Requirement	<u>\$109,615</u>
Annual Revenue Increase	\$ 49,967
Percentage Increase/(Decrease)	<u>83.77%</u>

This increase will allow the utility the opportunity to recover its expenses and earn a 9.35 percent return on its investment. The revenue requirement and resulting annual increase are shown on Schedule No. 3.

VI. RATES AND CHARGES

A. Conservation Rate Structure

Crooked Lake is located in a water use caution area (WUCA). The Southwest Florida Water Management District (SWFWMD) declared portions of Polk and Highlands Counties a WUCA in 1989. The utility's facilities consist of one wastewater treatment plant and one wastewater collection system. Water service is provided by Park Water Company, a utility which we also regulate.

Currently, all 308 residential customers are being charged a flat rate of \$11.10. The utility's current rate structure for wastewater was originally established by Polk County and approved by the Commission when the utility was granted a certificate to operate in 1998.

Whenever possible, we convert wastewater-only utilities with flat rate structures to a base facility/gallongage charge structure in order to promote state conservation goals and to eliminate subsidization of those who use excessive amounts of water by those who do not. Therefore, we shall change the utility's rate structure to a base facility/uniform gallongage charge rate structure.

As mentioned previously, Park Water Company provides metered water service to Crooked Lake's customers. Park Water Company does the billing for Crooked Lake and customers are assessed a monthly billing fee of \$1.50. Since meters have already been installed, the conversion to a base facility and uniform gallongage charge rate structure should be relatively easy. To determine whether the conversion to a base facility and uniform gallongage charge rate structure would be cost effective for the utility, we reviewed the additional costs required for changing Crooked Lake's rate structure to a base facility/uniform gallongage charge rate structure.

According to the data submitted by the utility, it will cost approximately \$16,000 for Park Water Company to upgrade its computer system to allow for billing based on this new rate

structure. Of this amount, Crooked Lake would be responsible for paying \$4,500 or 28 percent of the total cost to Park Water Company. The \$4,500 has been amortized over five years allowing \$900 annually in the calculation of the utility's rates. This will increase the \$1.50 monthly billing services to \$1.74 for a 16 percent increase. We find that the additional costs associated with changing to this new rate structure are reasonable.

Further, this case presents an excellent opportunity for promoting conservation because under the base facility/gallorage charge rate structure, wastewater customers with low monthly water usage would benefit, while customers with high monthly water use would have higher wastewater bills. Thus, the high water users have a greater incentive to conserve, because customers are able to reduce their total bill by reducing their consumption. Since this utility is located in a WUCA, the possible benefits derived from implementing a conservation oriented rate structure will justify the \$.24 per month per customer added billing service costs associated with implementing metered rates.

Based on the reasons stated above, the utility's current rate structure shall be changed from a flat rate to a base facility and uniform gallorage charge rate structure.

B. Residential Gallorage Cap

The rates for wastewater service shall include a base charge for all residential customers regardless of meter size with a cap of 8,000 gallons of usage per month on which the gallorage charge may be billed. There is no cap on usage for general service wastewater bills. The differential in the gallorage charge for residential and general service wastewater customers is designed to recognize that a portion of a residential customer's water usage will not be returned to the wastewater system.

Our current standard in setting residential wastewater rates is that only eighty percent of residential water usage is returned to the system as wastewater. The remaining twenty percent is attributed to outside uses such as lawn irrigation.

Generally, we set monthly caps of 6,000 gallons, 8,000 gallons, or 10,000 gallons per month. The utility's billing analysis indicates that almost 81 percent of the total residential bills were for usage not exceeding 8,000 gallons per month and accounted for 52 percent of total water usage. Conversely, only 16

percent of total residential bills were for usage over 8,000 gallons, but accounted for 48 percent of total water usage, thereby, indicating high irrigation usage.

Considering the above factors and that the utility serves a mix of retirement and family residents, the wastewater gallonage cap for residential customers shall be set at 8,000 gallons per month. Setting a lower cap would raise the gallonage charge and may result in low users subsidizing high users. The utility's bulk service customer, College Park Mobile Home Park, has a 2" meter with 97 individually metered units behind the meter. The 8,000 gallon cap should also apply to the 97 units. If usage patterns change, this gallonage cap will be re-examined in the next rate case.

C. Repression Adjustment

As discussed previously, the revenue requirement increase is \$49,967 (83.77 percent) for the wastewater system, which represents a monthly increase of \$10.20 per ERC. In an attempt to quantify the relationship between revenue increases and consumption impacts, our staff has created a database of all water utilities that were granted rate increases or decreases (excluding indexes and pass-throughs) between January 1, 1990 and December 31, 1995. This database contains utility-specific information from the applicable orders, tariff pages and the utilities' annual reports for the years 1989 - 1995. Because the database specifically targeted water utilities, there is little information in the database regarding the impact of a wastewater rate increase on water consumption for a wastewater only utility. There is some evidence that a wastewater increase of the level seen in this case will cause a decrease in water consumption. However, there are no utilities in the database which match this utility's rate increase and change in rate structure closely enough to provide a reasonable estimate of whether or not repression will occur in this case. Therefore, we find that a repression adjustment is not appropriate in this case.

While a repression adjustment is not appropriate in this case, we shall monitor the effects of this rate increase on consumption to use in future rate cases. Therefore, the utility shall file, on a quarterly basis, reports detailing the number of bills rendered, the number of gallons billed and the total revenues billed during the quarter, with the totals shown separately for the residential and general service classes of service. These reports should be

required for a period of two years, beginning the first quarter after the revised rates go into effect.

D. Wastewater Rates

The utility's customers of record for the test year included approximately 308 residential customers, a mobile home park which has a 2" master meter with 97 units behind the meter and a restaurant. The mobile home park is owned by the owner of the utility and is a customer of the utility. The 97 units behind the 2" master meter are individually metered. The mobile home park owner has agreed to be billed the approved base facility charge and gallonage charge for residential customers for each unit behind the 2" master meter.

Pursuant to the American Water Works Association (AWWA), the meter equivalent factor for the 2" master meter is 8. However, there are 97 residential units contained in the mobile home park, past the master meter. A base facility charge based solely on the size of the meter would not accurately measure the demand placed upon the utility's system. Therefore, the 97 meter equivalent factor has been used for calculating rates in this case. We have approved a similar methodology for setting rates in Order No. PSC-95-0730-FOF-WS, issued June 20, 1995, in Docket No. 9501865-WS.

As stated above, the utility has discovered that a bank, located in the utility's certificated area had never been billed by the utility. The utility provided consumption for the bank's most recent 12 months usage. Rates have been calculated to include the 308 residential customers, the 97 units in the mobile home park, a restaurant, and the bank. Also, we have made no adjustment for repression. The utility's existing rates and our approved rates are set forth below:

Monthly Wastewater Rates

Residential

	<u>Current Rate</u>	<u>Approved Rates</u>
<u>Flat Rate</u>	\$ 11.10	N/A
<u>Base Facility Charge</u>		
All meter sizes	N/A	\$ 11.10

ORDER NO. PSC-99-2116-PAA-SU
 DOCKET NO. 980778-SU
 PAGE 25

<u>Gallonge Charge</u>		
Per 1,000 gallons	N/A	\$ 2.56
(8,000 gals. max)		

Bulk Service Customer
 College Park Mobile Home Park

<u>Flat Rate</u>	<u>Current Rate</u>	<u>Approved Rates</u>
Per Unit	\$ 11.10	N/A
 <u>Base Facility Charge</u>		
Per unit	N/A	\$ 11.10
 <u>Gallonge Charge</u>		
Per 1,000 gallons	N/A	\$ 2.56
(8,000 gals. max)		

General Service

	<u>Current Rates</u>
<u>Base Facility Charge</u>	N/A
 <u>Gallonge Charge</u>	
<u>Per 1,000 gallons</u>	
0-30,000 gals.	\$ 2.39
30,001-60,000 gals.	\$ 3.58
60,001-110,000 gals.	\$ 4.77
over 110,000 gals.	\$ 7.16

	<u>Approved Rates</u>
<u>Base Facility Charge</u>	<u>Rate</u>
<u>Meter Size</u>	
5/8" x 3/4"	\$ 11.10
3/4"	16.65
1"	27.75
1 1/2"	55.49
2"	88.79
3"	177.57
4"	277.46
6"	554.91

<u>Gallonge Charge</u>	
Per 1,000 gallons	\$ 3.07

The average gallons of wastewater treated for a residential customer with a 5/8" x 3/4" inch meter is 4,053 gallons per month. The calculation of average bills using existing rates and our approved rates follows:

Average bill using approved rates	\$21.48
Average bill using current flat rates	<u>\$11.06</u>
Increase in bill	\$10.42
Percentage increase in bill	94.22% (\$10.42/11.06)

The percentage increase in the bill is not in line with the percentage increase in revenue due to the change from a flat rate structure to a base facility gallonage charge rate structure.

The approved rates are designed to produce revenues of \$109,615. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

VII. STATUTORY RATE REDUCTION

Section 367.0816, Florida Statutes (1997), requires that rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$2,277 annually. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

Senate Bill 1352 amended Section 367.0816, Florida Statutes, and eliminated the requirement for decreasing rates by the rate case expense included in the rate calculation immediately following the expiration of the four-year rate case expense recovery period. However, this change does not apply to rate cases pending on March 11, 1999. The utility filed its application for this case on June 23, 1998. Therefore, the utility is required to decrease its rates after the four-year recovery period as stated above.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

VIII. Customer Deposits

The utility's existing tariff does not provide Commission approved customer deposits. Rule 25-30.311, Florida Administrative Code, provides guidelines for collecting, administering and refunding customer deposits. It also authorizes customer deposits to be calculated using an average monthly bill for a 2-month period. Based on our approved rates and an average monthly bill for a 2-month period, we calculate the deposits to be as follows:

Wastewater Residential

<u>Meter Size</u>	<u>Approved Deposits</u>
5/8" x 3/4"	\$45.00

General Service

<u>Meter Size</u>	<u>Approved Deposits</u>
5/8" x 3/4"	\$45.00
All over 5/8" x 3/4"	(2 x average bill)

The utility shall file revised tariff sheets, which are consistent with the above. Our staff shall administratively approve the revised tariff sheets upon verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

IX. MISCELLANEOUS SERVICE CHARGES

The utility's existing tariff does not provide Commission approved miscellaneous service charges. The utility is authorized

to collect charges consistent with Rule 25-30.460, Florida Administrative Code, and our past practice. The 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 rate paying body as a whole. A schedule of charges follows:

Wastewater

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

Definition of each charge is provided 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 utility shall file revised tariff sheets which are consistent with our decision above. Our staff shall administratively approve the revised tariff sheets upon verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the miscellaneous service charges shall become effective for connections made on or

after the stamped approval date of the revised tariff sheets, if no protest is filed.

X. ESCROW OF RATES ASSOCIATED WITH PRO FORMA PLANT

Pro forma plant costs of \$126,665 have been included in rate base. These costs are for improvements for the utility's collection system and the improvements are required by DEP. The utility has not provided signed contracts listing the costs and tentative dates of completion of plant improvements. In order to allow the utility to satisfy DEP's requirements and protect the rate payers interest, the utility shall escrow that portion of the rates associated with the \$126,665 pro forma plant until our staff has verified that the plant improvements have been completed. The calculation of the amount to be escrowed is as follows:

Pro Forma Plant	\$126,665
Depreciation	<u>(\$4,202)</u>
Net Plant	\$122,463
Overall ROR	<u>x .0935</u>
Return on Rate Base	\$ 11,450
Net Annual Depre.Expense	<u>4,202</u>
	\$ 15,652
Reg. Fee Gross-up	<u>.955</u> (divided by)
Revenue on Proforma Plant	\$ 16,390
Number of Months	<u>12 months</u> (divided by)
Escrow Amount	\$ 1,365 per month

The following conditions shall be a part of the escrow agreement:

- 1) No funds 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.

Based on all the above, the utility shall escrow \$1,365 per month for revenue associated with pro forma plant of \$126,665.

XI. NARUC USOA COMPLIANCE

Pursuant to the audit, it appears that the utility's books are not maintained in conformance with NARUC USOA. Rule 25-30.115(1), Florida Administrative Code, requires that: "Water and wastewater utilities shall, effective January 1, 1986, maintain its accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners."

Section 367.161, Florida Statutes, authorizes this Commission to assess a penalty of not more than \$5,000 per day for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. Crooked Lake has apparently violated Rule 25-30.115, Florida Administrative Code. While we have no reason to believe that the utility intended to violate this rule, its act was "willful" in the sense intended by

Section 367.161, Florida Statutes. See Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, wherein having found that the company had not intended to violate the rule, we nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failing to maintain its books and records in conformance with NARUC USOA, would meet the standard for a "willful violation."

However, we do not believe that a show cause proceeding is warranted at this time. The utility was granted a certificate by Order No. PSC-98-1247-FOF-WS, issued September 21, 1998, in Docket No. 961478-SU. This is the utility's first rate case before the Commission. Therefore, the utility shall be given time and an accounting allowance for setting up the utility's books to conform with NARUC's USOA and to reconcile the utility's books with our Order.

Under Contractual Services (Professional), in this Order, we have approved an annual accounting allowance of \$3,410. This will provide funds to set up the utility's books to conform with NARUC's USOA, will allow services for reconciliation with our order, and will provide for all other accounting services.

In consideration of the foregoing, we will not initiate a show cause proceeding. However, the utility shall maintain its books and records in conformance with NARUC USOA and shall submit a statement from its accountant by March 31, 2000, along with its 1999 annual report, stating that its books are in conformance with NARUC USOA and that they have been reconciled with this Order.

XII. TEMPORARY RATES

By this Order, we propose an increase in 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 protest filed by a party other than the utility, the proposed agency action rates shall be approved as temporary rates. If the utility implements temporary rates, the

rates collected by the utility shall be subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for both the potential refund and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$34,438, or an escrow agreement with an independent financial institution.

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

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

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

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

If security is provided through an escrow agreement, the same conditions as set forth in Section X. of this Order shall apply.

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 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, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

XIII. CLOSING OF DOCKET

If no timely protest is received upon the expiration of the protest period, the Order shall become final and effective upon the issuance of a Consummating Order. However, the docket shall remain open for at least 12 months to allow the utility to complete the pro forma plant improvements of \$126,665 and to provide our staff with verification that all improvements have been made. After our staff has verified that all improvements have been completed, this docket shall be closed administratively. If a protest is filed within 21 days of the issuance of the Order, the temporary rates shall become effective pending resolution of the protest.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Crooked lake Park Sewerage Company for increased wastewater rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that Crooked Lake Park Sewerage Company is authorized to charge the new rates, miscellaneous service charges, and deposits as set forth in the body of this Order. It is further

ORDERED that Crooked Lake Park Sewerage Company shall file revised tariff sheets which are consistent with our decisions made herein. It is further

ORDERED that Crooked Lake Park Sewerage Company's rates and charges shall be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-

ORDER NO. PSC-99-2116-PAA-SU
DOCKET NO. 980778-SU
PAGE 34

30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

ORDERED that Crooked Lake Park Sewerage Company shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that Crooked Lake Park Sewerage Company shall have 180 days from the effective date of this Order to have all scheduled work completed to correct the current infiltration problems. It is further

ORDERED that Crooked Lake Park Sewerage Company shall escrow \$1,365 per month for revenue associated with pro forma plant of \$126,665 until our staff verifies the completion of plant improvements. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event of a protest by a substantially affected person other than the utility, Crooked Lake Park Sewerage Company 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 Crooked Lake Park Sewerage Company first furnishes and has approved by Commission staff adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Crooked Lake Park Sewerage Company shall submit and have approved revised tariff pages. Our staff shall administratively approve the revised tariff pages upon verification that the pages are consistent with our decisions above, that the customer notice is adequate, and that any required security has been provided. It is further

ORDERED that prior to the implementation of the rates and charges approved herein on a temporary basis, Crooked Lake Park Sewerage Company shall submit and have approved a bond or letter of credit in the amount of \$34,438 as a guarantee of any potential refund of revenues collected on a temporary basis. Alternatively, the utility may establish an escrow account with an independent financial institution as set forth in the body of this Order. It is further

ORDERED that in no instance shall the maintenance and administrative costs associated with any refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. It is further

ORDERED that irrespective of the form of security chosen by the utility, an account of all monies received as 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. It is further

ORDERED that 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. It is further

ORDERED that, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, Crooked Lake Park Sewerage Company shall file monthly reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates on a temporary basis subject to refund. It is further

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

ORDERED that Crooked Lake Park Sewerage Company shall change its rate structure to use the base facility and uniform gallonage charge rate structure, as set forth in the body of this Order. It is further

ORDER NO. PSC-99-2116-PAA-SU
DOCKET NO. 980778-SU
PAGE 36

ORDERED that Crooked Lake Park Sewerage Company shall file on a quarterly basis, reports detailing the number of bills rendered, the number of gallons billed and the total revenues billed during the quarter, with totals shown separately for the residential and general service classes of service. These reports shall be required for a period of two years, beginning the first quarter after the revised rates go into effect. It is further

ORDERED that if revised tariff sheets are filed and approved, the miscellaneous service charges and customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

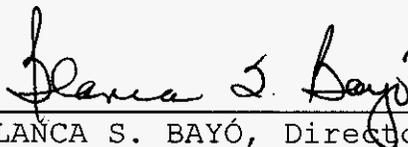
ORDERED that Crooked Lake Park Sewerage Company shall not be ordered to show cause at this time for its apparent violation of Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that Crooked Lake Park Sewerage Company shall maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts and shall submit a statement from its accountant by March 31, 2000, along with its 1999 annual report, stating that its books are in conformance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts and that they have been reconciled with this Order. It is further

ORDERED that if no timely protest is received from a substantially affected person within the twenty-one day protest period, the docket shall remain open for at least 12 months to allow the utility to complete pro forma plant improvements of \$126,665 and to provide our staff with verification that all improvements have been made. After our staff has verified that all improvements have been completed, this docket shall be closed administratively. If a protest is filed within 21 days of the issuance of the Order, the temporary rates shall become effective pending resolution of the protest.

ORDER NO. PSC-99-2116-PAA-SU
DOCKET NO. 980778-SU
PAGE 37

By ORDER of the Florida Public Service Commission this 25th
day of October, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)
RRJ

Commissioner J. Terry Deason dissents from the decision in this Order not to recognize a negative acquisition adjustment in the calculation of rate base.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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: (1) the granting of temporary rates; (2) declining to initiate a show cause proceeding; and (3) the requirement to maintain records in conformance with National Association of Regulatory Utility Commissioners' Uniform System of Accounts, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, 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 November 15, 1999. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition,

ORDER NO. PSC-99-2116-PAA-SU
DOCKET NO. 980778-SU
PAGE 38

this order shall become effective and final upon the issuance of a Consummating Order.

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.

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.

ORDER NO. PSC-99-2116-PAA-SU
 DOCKET NO. 980778-SU
 PAGE 39

CROOKED LAKE PARK SEWERAGE
 SCHEDULE OF WASTEWATER
 TEST YEAR ENDED JULY 31,

SCHEDULE NO. 1
 DOCKET NO. 980778-SU

	BALANCE PER BOOKS	COMM. TO UTIL.		BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 42,391	\$ 301,698	A	344,089
LAND/NON-DEPRECIABLE ASSETS	0	6,197	B	6,197
NON-USED AND USEFUL PLANT	0	0		0
ACQUISITION ADJUSTMENT	0	0		0
CWIP	0	0		0
CIAC	0	(118,036)	C	(118,036)
ACCUMULATED DEPRECIATION	0	(157,739)	D	(157,739)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0		0
AMORTIZATION OF CIAC	0	79,307	E	79,307
WORKING CAPITAL ALLOWANCE	0	9,618	F	9,618
WASTEWATER RATE BASE	\$ 42,391	\$ 121,045		\$ <u>163,436</u>

ORDER NO. PSC-99-2116-PAA-SU
DOCKET NO. 980778-SU
PAGE 40

CROOKED LAKE PARK SEWERAGE COMPANY
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED JULY 31, 1998

SCHEDULE NO. 1A
DOCKET NO. 980778-SU

	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect plant value from 1960 -9/88 based on the original cost study	\$ 161,295
2. To reflect organization costs	9,549
3. To reflect unrecorded plant cost for DEP required plant improvements	13,170
4. To reflect proforma plant costs for DEP required plant improvements	126,665
5. To reflect averaging adjustment	(8,981)
	<u>\$ 301,698</u>
B. <u>LAND</u>	
1. To reflect land value as determined by the original cost study	\$ 6,197
	<u> </u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION(CIAC)</u>	
1. To reflect year end CIAC	\$ (118,336)
2. To reflect averaging adjustment	300
	<u>\$ (118,036)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation at 7/31/98	\$ (157,342)
2. To reflect averaging adjustment	4,134
3. To reflect depre. on unrecorded and proforma plant	(4,531)
	<u>\$ (157,739)</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. To reflect year end amortization of CIAC	\$ 80,893
2. To reflect averaging adjustment	(1,586)
	<u>\$ 79,307</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expense	<u>\$ 9,618</u>

ORDER NO. PSC-99-2116-PAA-SU
 DOCKET NO. 980778-SU
 PAGE 41

CROOKED LAKE PARK SEWERAGE COMPANY
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED JULY 31, 1998

SCHEDULE NO. 2
 DOCKET NO. 980778-

	PER UTILITY	COMM. ADJ TO UTIL. BAL.	ADJUSTED BALANCE PER COMM.	PRO RATA ADJUST. PER COMM.	RECONCIL- IATION TO RATE BASE	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$ 24,525	\$ 0	\$ 24,525	\$ (6,673)	17,852	10.92%	10.12%	1.11%
LONG-TERM DEBT	0	200,000	200,000	(54,416)	145,584	89.08%	9.25%	8.24%
LONG-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
RETAINED EARNINGS	0	0		0		0.00%	0.00%	0.00%
CAPITAL STOCK	0	0		0		0.00%	0.00%	0.00%
PAID IN CAPITAL	0	0		0		0.00%	0.00%	0.00%
OTHER	0	0		0		0.00%	0.00%	0.00%
TOTAL	\$ 24,525	\$ 200,000	224,525	\$ (61,089)	163,436	100.00%		9.35%
<u>RANGE OF REASONABLENESS</u>		<u>LOW</u>		<u>HIGH</u>				
RETURN ON EQUITY		9.12%		11.12%				
OVERALL RATE OF RETURN		9.24%		9.45%				

CROOKED LAKE PARK SEWERAGE COMPANY
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDED JULY 31, 1998

SCHEDULE NO. 3
 DOCKET NO. 980778-SU

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 56,437	\$ 3,211 A	\$ 59,648	\$ 49,967 E	\$ 109,615
				83.77%	
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 42,975	\$ 33,971 B	\$ 76,946	\$ 0	76,946
DEPRECIATION (NET)	0	8,548 C	8,548	0	8,548
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	6,156	434 D	6,590	2,249 F	8,839
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 49,131	\$ 42,953	\$ 92,084	\$ 2,249	\$ 94,333
OPERATING INCOME/(LOSS)	\$ 7,306		(32,436)		\$ 15,282
WASTEWATER RATE BASE	\$ 42,391		\$ 163,436		\$ 163,436
RATE OF RETURN	17.23%		-19.85%		9.35%

CROOKED LAKE PARK SEWERAGE COMPANY
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED JULY 31, 1998

<u>A. OPERATING REVENUES</u>	<u>WASTEWATER</u>
1. To reflect accrued test year revenue	\$ 2,153
2. To reflect unbilled revenue for the bank	1,058
	<u>\$ 3,211</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
<u>1. Salaries and Wages -Employees</u>	
a. To reflect annual salary for maintenance person	\$ 1,013
<u>2. Salaries and Wages - Officers</u>	
a. To reflect an annual salary for the utility's president	\$ 15,066
<u>3. Sludge Removal Expense</u>	
a. Reclassification from acct. no. 736	\$ 3,515
<u>4. Purchased Power</u>	
a. To reflect annual expense per audit	\$ 155
<u>5. Chemical Expense</u>	
a. To reflect annual chemical expense	\$ 1,291
<u>6. Contractual Services - Billing</u>	
a. To reflect annual billing cost	\$ 178
<u>7. Contractual Services - Professional</u>	
a. To reflect annual accounting allowance	\$ 2,810
b. To remove co-mingled capital costs and O& M expenses	(4,000)
c. To reflect a non-recurring expense amortized over 5 years	(800)
	<u>\$ (1,990)</u>
<u>8. Contractual Services -Testing</u>	
a. To reflect annual DEP required testing expense	\$ 1,473
<u>9. Contractual Services - Other</u>	
a. To reflect reclassification to account no. 711	\$ (3,515)
b. To reflect annual operator allowance	5,070
	<u>\$ 1,555</u>
<u>10. Contractual Services - Repairs and Maintenance</u>	
a. To reflect annual repair and maintenance expense	\$ (1,745)
<u>10. Rent</u>	
a. To reflect annual office rent	\$ 1,200
<u>11. Transportation Expense</u>	
a. To reflect annual transportation expense	\$ 4,737
<u>12. Regulatory Commission Expense</u>	
a. To reflect rate case expense amortized over 4 years	\$ 2,175
<u>13. Miscellaneous Expense</u>	
a. To reflect annual allowance for cellular telephone service	\$ 334
b. To reflect a portion of a computer upgrade for billing purposes amortized over 5 years	900
c. To reflect non-recurring DEP expenses amortized over 5 years	1,560
d. To reflect non-recurring expense for initial setup and preparation of annual reports for a two year period over 5 years	2,264
e. To reflect unrecorded misc. expense	90
f. To reflect operating permit cost amortized over 5 years	200
	<u>\$ 5,348</u>
TOTAL O & M ADJUSTMENTS	<u>\$ 33,971</u>

CROOKED LAKE PARK SEWERAGE
ADJUSTMENTS TO OPERATING
TEST YEAR ENDED JULY 31, 1998

SCHEDULE NO. 3A
PAGE 2 OF 2
DOCKET NO. 980778-SU

C. DEPRECIATION

1. Test year depreciation expense	\$ 13,143
2. Test year amortization of CIAC	<u>(4,595)</u>
	\$ <u>8,548</u>

D. TAXES OTHER THAN INCOME

1. To remove penalty and interest from reg.	\$ (628)
2. To reflect appropriate reg. fees on test year	67
3. To reflect unrecorded property	686
4. To reflect payroll taxes on approved	<u>309</u>
	\$ <u>434</u>

E. OPERATING REVENUES

1. To reflect increase in revenue required expenses and allow approved rate of return	\$ <u>49,967</u>
--	------------------

F. TAXES OTHER THAN INCOME

1. To reflect regulatory assessment fee at 4.5% on increase in revenue	\$ <u>2,249</u>
---	-----------------

CROOKED LAKE PARK SEWERAGE COMPANY
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDED JULY 31, 1998

SCHEDULE NO. 3B
 DOCKET NO. 980778-SU

	<u>TOTAL</u> PER UTIL.	<u>COMM.</u> ADJUST.	<u>TOTAL</u> PER COMM.
#701 SALARIES AND WAGES - EMPLOYEES	\$ 4,987	\$ 1,013	\$ 6,000
#703 SALARIES AND WAGES - OFFICERS	2,934	15,066	18,000
#704 PENSIONS AND BENEFITS	0	0	0
#710 PURCHASED SEWAGE TREATMENT	0	0	0
#711 SLUDGE REMOVAL	1,181	3,515	4,696
#715 PURCHASED POWER	6,762	155	6,917
#716 FUEL FOR POWER PRODUCTION	0	0	0
#718 CHEMICALS	601	1,291	1,892
#720 MATERIALS AND SUPPLIES	363	0	363
#730 CONTRACTUAL SERVICES (BILLING)	5,420	178	5,598
#731 CONTRACTUAL SERVICES (PROFESSIONAL)	5,600	(1,990)	3,610
#735 CONTRACTUAL SERVICES (TESTING)	892	1,473	2,365
#735 CONTRACTUAL SERVICES (SLUDGE ANAL.)	0	0	0
#735 CONTRACTUAL SERVICES (OTHER)	5,005	1,555	6,560
#736 CONTRACTUAL SERVICES (REPAIRS & MAINT.)	5,347	(1,745)	3,602
#740 RENTS	0	1,200	1,200
#750 TRANSPORTATION EXPENSE	135	4,737	4,872
#755 INSURANCE EXPENSE	3,602	0	3,602
#765 REGULATORY COMMISSION EXPENSE	0	2,175	2,175
#770 BAD DEBT EXPENSE	0	0	0
#775 MISCELLANEOUS EXPENSES	146	5,348	\$ 5,494
	<u>\$ 42,975</u>	<u>\$ 33,971</u>	<u>\$ 76,946</u>

ORDER NO. PSC-99-2116-PAA-SU
 DOCKET NO. 980778-SU
 PAGE 46

SCHEDULE NO. 4
 DOCKET NO. 980778-SU

CROOKED LAKE PARK SEWERAGE COMPANY
 SCHEDULE OF RATE CASE EXPENSE RATE
 REDUCTION AFTER FOUR YEARS
 TEST YEAR ENDED JULY 31, 1998

MONTHLY RATES

<u>RESIDENTIAL</u>	<u>COMM. APPROVED</u>	<u>RATES</u>	<u>RATE</u>
<u>BASE FACILITY CHARGE</u>			<u>DECREASE</u>
Meter Size:			
ALL SIZES	\$	11.10	\$ 0.23
<u>RESIDENTIAL GALLONAGE CHARGE</u>			
PER 1,000 GALLONS	\$	2.56	\$ 0.05
<u>GENERAL SERVICE</u>			
<u>BASE FACILITY CHARGE</u>			
Meter Size:			
5/8"	\$	11.10	\$ 0.23
3/4"		16.65	0.35
1"		27.75	0.58
1 1/2"		55.49	1.15
2"		88.79	1.84
3"		177.57	3.69
4"		277.46	5.76
6"		554.91	11.53
<u>GENERAL SERVICE GALLONAGE CHARGE</u>			
PER 1,000 GALLONS	\$	3.07	\$ 0.06

USED AND USEFUL DATA
WASTEWATER TREATMENT PLANT

Docket No. 980778-SU

Date 09/23/98

Utility: CROOKED LAKE PARK SEWER CO.

- 1) Capacity of Plant = 60,000 GPD
- 2) Maximum Daily Flow
 (Peak Month March 1998) = >143,000 GPD
- 3) Average Daily Flow = 143,000 GPD
- 4) Margin Reserve (not to exceed 20% of Average GPD):
 - a) Average No. customers in ERCs = 353
 - b) Average Cust. Growth in ERCs
 for most Recent 4 Years = 5
 - c) Construction Time for
 Additional Capacity = 1.5 Years

Margin Reserve = $\frac{4b \times 4c \times 2}{4a}$ (---) = 3,037 GPD
- 5) Excessive Infiltration = 31,036 GPD
 - a) Total Amount 44,160 GPD = 31 % of Av.
 GPD Flow
 - b) Reasonable Amount 13,124 GPD = 9.2 % of Av.
 GPD Flow

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{2 + 4 - 5}{1} \right] = \underline{\quad 100 \quad} \% \text{ Used and Useful}$$

* Used and useful is 100% with or without a Margin Reserve
 Used and useful with a five year Margin Reserve is 93.1%.

Robert T. Davis - Engineer

ORDER NO. PSC-99-2116-PAA-SU
DOCKET NO. 980778-SU
PAGE 48

ATTACHMENT B

USED AND USEFUL DATA
WASTEWATER COLLECTION SYSTEM

Docket No. 980778-SU

Date 09/24/98

Utility: CROOKED LAKE PARK SEWAGE COMPANY

- 1) Capacity 406 ERC's (Number of potential customers without expansion)
- 2) Average number of TEST YEAR Connections 353 ERC's
- 3) Margin Reserve (Not to exceed 20% of present ERC's)
 - a) Average yearly customer growth in ERC's for most recent 4 Years N/A ERC's
 - c) Construction Time for Additional Capacity N/A Years

(a) x (b) = N/A ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

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

* Used and useful is 100% due to the collection system being Contributed property.

Robert T. Davis - Engineer