

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding rate increase in Lee County by Useppa Island Utility, Inc.

DOCKET NO. 000090-SU  
ORDER NO. PSC-00-2117-PAA-SU  
ISSUED: November 7, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
E. LEON JACOBS, JR.  
LILA A. JABER  
BRAULIO L. BAEZ

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING  
APPLICATION FOR LIMITED PROCEEDING FOR WASTEWATER  
AND DEFERRING OVEREARNINGS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Useppa Island Utility, Inc. (Useppa or utility) is a Class C water and wastewater utility located in Lee County, off the coast of North Fort Myers. The island covers approximately 100 acres which offers over two miles of waterfront. The utility serves a membership of clients known as the Useppa Island Club. Members of the Useppa Island Club create a seasonal customer base that visits the island for holidays and special events. Only a limited number of the utility's customers are year-round residents. The utility is a 100% owned subsidiary of the Useppa Inn and Dock Company. The utility's 1999 annual report provides that the water system consists of 150 customers, generating operating revenues of \$165,009 and operating expenses of \$115,763, for a net operating income of \$49,247. The wastewater system consists of 150

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customers, generating operating revenues of \$82,021 and operating expenses of \$109,148, for a net operating loss of (\$27,128).

Lee County became jurisdictional in February 1970. The utility was organized in 1981 and we granted it Certificates Nos. 354-W and 310-S by Order No. 10900, issued June 16, 1982, in Docket No. 810268-WS.

The utility has had three staff assisted rate cases, Docket No. 850206-WS (Order No. 16104, issued May 13, 1986), Docket No. 921049-WS (Order No. PSC-93-0930-FOF-WS, issued June 21, 1993), and Docket No. 960975-WS (Order No. PSC-97-0930-FOF-WS, issued August 5, 1997). The utility has also received rate adjustments through the application of a 1990 pass-through and a 1992 price index.

The Florida Department of Environmental Protection (DEP) mandated Useppa to increase its wastewater treatment facilities to meet current as well as all future demand. The project has now been completed. On January 25, 2000, the utility applied for this limited proceeding pursuant to Section 367.0822, Florida Statutes, and has paid the appropriate filing fee. We have the authority to consider this application under Section 367.0822, Florida Statutes.

In preparation for its recommendation, our engineering staff conducted a field investigation, which included a visual inspection of the new wastewater treatment facilities along with the service area. The utility's actual costs were reviewed by examining all invoices for work involving this upgrade.

Lee County is located in the South Florida Water Management District (SWFWMD). The utility is located in a critical use county on environmentally sensitive land.

The utility's 1999 annual report was received April 4, 2000. A preliminary review of the report showed possible overearnings of the utility's water system resulting in overearnings on an overall basis. We requested an audit of the utility books and records to determine if the utility experienced actual overearnings in 1999, and whether it should be allowed a limited proceeding for wastewater.

QUALITY OF SERVICE

Rule 25-30.433(1), Florida Administrative Code, states that:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of the utility's product (water and wastewater); operational conditions of the utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and the county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' comments or testimony concerning quality of service as well as the complaints or testimony of utility's customers shall be considered.

Our analysis below addresses each of these three components.

Useppa is located off the coast of North Fort Myers in the waters of Pine Island Sound which is about two miles south of Boca Grande Pass at marker 63 on the Intracoastal Waterway. There is no bridge to the island making access exclusive to air or sea. The island is reported to be a shell mound created by native Americans thousands of years ago and covers approximately 100 acres which offers over two miles of beach.

Quality of Utility's Product

In Lee County, the potable water program is regulated by the Environmental Engineering Division of the Lee County Health Public Health Unit (LCPHU). According to the LCPHU, the utility is currently up-to-date with all chemical analyses and all test results have been satisfactory for the past three years. The utility's testing program indicates that Useppa serves water which meets or exceeds all standards for safe drinking water and the water quality is satisfactory.

Jurisdiction over wastewater facilities in Lee County is directly under the DEP. During the last rate case in 1996, the DEP

drafted a Consent Order against Useppa to correct violations concerning the treatment and disposal of Useppa's domestic wastewater. According to the DEP, the effluent being discharged did not meet standards, causing the disposal ponds to deteriorate. In order to correct the violations listed in the Consent Order, the utility constructed a new wastewater treatment plant. Therefore, those violations which were an issue in the last rate case have been corrected. Currently, the DEP has no violations or corrective orders pending against the utility, and the quality of the wastewater effluent is satisfactory.

#### Operational Conditions at the Plant

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. The water plant was upgraded just prior to the last rate case to increase water production from 30,000 gallons per day (gpd) to 60,000 gpd. The utility's engineer certified the construction with the LCPHU, and the new reverse/osmosis units were installed within the frame building as a direct replacement of the existing water filtration system. The latest inspection of the water treatment system noted the plant was primarily satisfactory with the exception of no auxiliary power generator, and no cross-connection control program which were listed as deficiencies. Also noted in LCPHU's compliance inspection report dated July 12, 2000, was that "one well is not sufficient." The need for a power generator will be discussed further in the customer satisfaction portion of this issue. The other concerns are considered plant-in-service issues that do not impact the operational conditions at the plant. Generally, the overall conditions at the water plant is satisfactory.

As discussed above, in 1996 the DEP drafted a Consent Order against Useppa to correct violations concerning the wastewater treatment and disposal plant. According to the DEP, the effluent being discharged was so severely deficient of regulatory standards that solids were forming a layer of organic matter on the bottom of the ponds, preventing percolation. The wastewater treatment plant was a 15,000 gpd plant experiencing average flows around 24,500 gpd while growing at a rate of 6 Equivalent Residential Connections (ERCs) per year. In order to correct the violations listed in the Consent Order, the utility hired the engineering/consulting firm of Q. Grady Minor & Associates, P.A. to do a capacity analysis. The

result of that study predicted that the future population (at build-out) based upon 100% occupancy for any given holiday or event would require a plant capable of handling 44,975 gpd. The utility has since completed the construction of a 45,000 gpd wastewater treatment plant. Because this is a new plant, the operational conditions of the wastewater treatment plant are satisfactory.

#### Customer Satisfaction

A customer meeting was held on April 6, 2000, in the Collier Inn Conference Facility on Useppa Island. From a customer base of 225 ERCs, 14 customers and 3 utility personnel attended the meeting. The quality of service issues raised by those customers primarily concerned water outages and inconsistent water pressure. One customer pointed out the extensive irrigation that takes place at residences on the island. Mr. Formosa, the general manager of the utility, stated that he was aware of the problem, and was looking into ways to better cope with the situation.

The utility does not deny that there are fluctuations in water pressure during the day, but believes this condition is caused by irrigation of residential tropical landscaping. It appears that voluntary restrictions for irrigation are not being observed, and the capacity of the water storage tanks are being taxed. Subsequent to the customer meeting, Mr. Formosa provided the utility's proposed solution to the water shortage problem. The utility is in the process of reviewing bids to construct a second well and install an additional storage tank to eliminate the problem.

Useppa is an island which is supplied electric power via a sub-aqueous cable from the mainland. During thunder storms and other adverse weather conditions, electric power is often interrupted on the island. During power outages, the water treatment plant does not have an auxiliary power generator to continue water service until power is restored. This places the utility at risk of water pressure falling below the minimum requirement of 20 psi. During the last inspection by the LCPHU, the lack of a power generator in violation of Rule 62-555.320(6), Florida Administrative Code, was cited as a deficiency. The utility is making arrangements to install an auxiliary power generator as soon as possible to meet the requirements of Rule 62-555.320(6), Florida Administrative Code.

By all appearances, the utility is putting forth a sufficient good faith effort in its attempts to provide satisfactory quality of service. After considering the three components discussed above, we find that the quality of service provided by Useppa is satisfactory.

YEAR-END RATE BASE

The utility was required to make major wastewater plant additions of \$186,834 during the test year ending December 31, 1999. The upgrade represents over 44% of its total test year wastewater plant. To allow the utility an opportunity to recover the amount spent on plant improvements, the utility shall be allowed a year-end rate base.

We have the authority to apply a year end rate base. Citizens of Florida v. Hawkins, 356 So. 2d 254 (Fla. 1978). Historically, it has only been applied in extraordinary circumstances. Id. We believe that extraordinary circumstances exist in this docket because the utility has made major wastewater system improvements mandated by DEP, representing over 44% of its total wastewater utility plant for the test year. See Order No. PSC-96-1147-FOF-WS, issued September 12, 1996, in Docket No. 951258-WS (upgrade requirements by DEP of wastewater treatment plant deemed extraordinary circumstances), and Order No. PSC-98-0763-FOF-SU, issued June 3, 1998 in Docket No. 971182-SU (improvements representing 36.07% of total plant deemed extraordinary circumstances).

The utility made test year water system additions totaling \$2,634. Although there were no extenuating circumstances or major plant additions to the water system during the test year, we find it appropriate to use a year-end rate base for the water system to prevent a mismatch in rates and rate bases which would result if we were to approve year-end treatment for wastewater and simple average for water. Use of the year-end treatment for wastewater and simple average for water would also result in a mismatch in the determination of the overall cost of capital.

We find that the year end rate base will provide the utility with an opportunity to recover the investment made during the test year and will insure compensatory rates for this utility on a prospective basis. Moreover, pursuant to Section 367.081(2)(a),

Florida Statutes, we are required to consider the investment in plant made by the utility in the public service. We therefore approve a year end rate base for this utility.

#### GROWTH ALLOWANCE

Section 367.081(2)(b), Florida Statutes, requires that we consider utility property that is needed to serve customers five years after the end of the test year to be used and useful for the purposes of a rate request. Because the customer growth for this utility has reached its build-out, Section 367.081(2)(b), Florida Statutes, does not apply, and a five-year growth allowance shall not be used in our calculations as an approved construction period.

The growth at Useppa Island has reached its build-out. At the end of the last rate case, there were 29 vacant lots. Those 29 lots have now been sold to members of the Useppa Island Club. Upon the sale of each of these future home sites, a lateral from a nearby main was extended to the property and a meter/meter box was installed. The utility then began collecting base facility charges for both water and wastewater from these customers. With the metering and charging of utility fees to these home sites, the island has reached its potential for customer growth.

Therefore, the five-year growth allowance shall not be considered in the used and useful calculation for Useppa's water and wastewater systems.

#### USED AND USEFUL

Water Treatment Plant - The water treatment plant is a reverse osmosis (R/O) open system operation that serves a barrier island with very seasonal customers. During the last two rate cases, the water treatment plant was considered 100% used and useful. Previous to each of the last two rate cases, the utility has made upgrades to the plant to accommodate the existing customer base plus a reasonable allowance for growth. Today, the utility is concerned with low water pressure and has proposed additions to the plant. Those additions are being considered as pro forma projects to address specific use patterns of the Island Club membership.

The total rated capacity of the R/O filters by the LCPHU is 56,000 gpd on a daily basis. This is apparently based on the

filtration capacity of 90 gallons per minute (gpm) calculated on a twelve hour day minus 8,800 gpd in head loss due to friction during transport of treated water to the ground storage units. The utility serves 179 active connections (estimated to be 225 ERCs) that on any given weekend, holiday, or special event would demand quality water service. The peak month for water use during the test year was June, 1999. During the peak month, the average of the five highest maximum days (treated water leaving the plant) was 63,257 gpd with a yearly average of 42,433 gpd. With a rated 56,000 gpd and a maximum day usage of 63,257 gpd, the system is forced to rely on the 61,000 gallons of stored capacity to meet peak use periods. Fortunately, the peak use periods are short in duration due to the highly seasonal usage patterns.

By the formula method of calculating used and useful, we find that the water treatment plant is 100% used and useful. This is calculated by taking the five maximum days average flow of 63,257 gpd, considering zero growth and zero fire flow, subtracting zero unaccounted for water, and dividing by the plant capacity of 56,000 gpd. The calculation is summarized in Attachment A, sheet 1 of 4, attached and herein incorporated by reference, which shall be applied to the following accounts:

- 303 Land and Land Rights
- 304 Structures and Improvements
- 307 Wells and Springs
- 309 Supply Mains
- 310 Power Generation Equipment
- 311 Pumping Equipment
- 320 Water Treatment Equipment

Water Distribution System - During the last rate case in 1996, the used and useful percentage applied to the distribution system in the final recommendation was 91.22% used and useful. As noted above, between the last rate case and now, all available lots have been sold and metered service has been provided. There are 179 connections, estimated to be 225 ERCs with no further growth potential. In accordance with the formula method for calculating used and useful, 225 ERCs is the potential customer base, as well as the average customer count in ERCs for the test year. By the formula method, the water distribution system is 100% used and useful (See Attachment A, sheet 2 of 4), with that percentage applied to the following accounts:



- 330 Distribution Reservoirs and Standpipes
- 331 Transmission and Distribution Mains
- 333 Services
- 334 Meters and Meter Installations
- 336 Backflow Prevention Devices
- 339 Other Plant and Miscellaneous Equipment

Wastewater Treatment Plant - During the last rate case, used and useful was calculated to be 100% which was based on the prior capacity of 15,000 gpd. As stated previously, the utility was having capacity problems with the plant, and the DEP had drafted a Consent Order against Useppa to correct violations concerning the treatment and disposal of its domestic wastewater. It was the Consent Order that necessitated hiring consultants (Q. Grady Minor & Associates) to conduct a capacity analysis report, draft plans, prepare the permit application and oversee the construction of a new facility.

The design capacity of the new wastewater treatment plant is 45,000 gpd. When Q. Grady Minor & Associates conducted its capacity analysis report, it included a careful study of population and flow. In that study, it was determined that the utility's total future population along with the anticipated flow based upon 100% occupancy on any given day or event would require a plant capacity of 44,975 gpd. It was this analysis that influenced the utility to construct a plant at 45,000 gpd, in order to have sufficient capacity to handle the island's total potential demand during peak use.

Considering the used and useful for the wastewater treatment plant, the 45,000 gpd plant capacity is compared to the anticipated peak demand of 44,975 gpd. Once again, the extreme seasonal nature of the service area is illustrated by the average daily flow of 18,027 gpd during the test year. However, with no potential for future growth, the formula method of calculating used and useful yields 100% used and useful (See Attachment A, sheet 3 of 4).

In consideration of the above, the wastewater treatment plant is 100% used and useful, which shall be applied to the following accounts:

- 355 Power Generation Equipment
- 364 Flow Measuring Devices

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- 365 Flow Measuring Installations
- 380 Treatment and Disposal Equipment
- 381 Plant Sewers
- 382 Outfall Sewer Lines
- 489 Other Plant and Miscellaneous Equipment

Wastewater Collection System

The collection system on Useppa Island was constructed to employ numerous lift stations for the transport of raw influent into the plant. During the last rate case, the used and useful percentage applied was 91.22% used and useful. As noted above, the utility's potential customer base is 225 ERCs with 225 ERCs connected to the system, and no future growth potential. In accordance with the formula method for calculating used and useful, the used and useful is calculated to be 100%. By the formula method, the wastewater collection system is 100% used and useful (See Attachment A, sheet 4 of 4), and that percentage shall be applied to the following accounts:

- 360 Collection Sewers - Force
- 361 Collection Sewers - Gravity
- 362 Special Collecting Structures
- 363 Services to Customers
- 370 Receiving Wells

YEAR-END RATE BASE

The appropriate components of the utility's rate base include utility plant-in-service (UPIS), land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and a working capital allowance. A discussion of each component follows.

We selected a test year ended December 31, 1999 for this rate case. By Order No. PSC-97-0930-FOF-WS, issued August 5, 1997, in Docket No. 960975-WS, we established rate bases of \$101,752 for water and \$24,583 for wastewater. We started our analysis using balances established in that Order and made adjustments through the test year. A summary of each component and the adjustments follows:

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Utility Plant-In-Service: The utility books reflected plant balances of \$286,660 for water and \$408,131 for wastewater for the test year. Audit exception No. 1 states that the utility did not update its books to reflect the plant balances established by Order PSC-97-0930-FOF-WS. We made an adjustment of \$67,123 to water and \$9,050 to wastewater to reflect approved plant balances from that Order. We also made adjustments of \$2,634 to water and \$6,794 to wastewater to bring the utility's balances to the approved test year amounts.

We therefore approve test year plant balances of \$356,417 for water and \$423,975 for wastewater.

Land: The utility books did not reflect a land balance at the end of the test year. Order No. PSC-97-0930-FOF-WS established a land value of \$10,463 for water and \$3,487 for wastewater. Accordingly, we made an adjustment of \$10,463 to water and \$3,487 to wastewater to reflect the original cost of the land when dedicated to public service. We therefore approve a land value of \$10,463 for water and \$3,487 for wastewater.

The company provided two deeds in 1992 as proof that Useppa Inn and Dock Company had transferred ownership of the utility property to Useppa Utility Company, Inc. We discovered that these deeds were never recorded and that they had a discrepancy in their descriptions. At the time of the audit, the utility was taking action to correct the descriptions and record the proper deeds. Rule 25-30.433(10), Florida Administrative Code states:

A utility is required to own the land upon which the utility treatment facilities are located, or possess the right to the continued use of the land, such as a 99-year lease.

The utility shall therefore be required to provide deeds showing the correct description of land owned and used by the utility within 90 days of the effective date of this Order.

Contributions-in-Aid-of-Construction (CIAC): The utility books reflected a CIAC balance of \$58,326 for water and \$60,713 for wastewater for the test year. Audit exception No. 1 states that the utility did not update its books to reflect the CIAC balances established by Order PSC-97-0930-FOF-WS. We made an adjustment of

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(\$165,804) to water and (\$169,474) to wastewater to show approved CIAC balances from that Order.

Seven new connections were made since the utility's 1996 staff assisted rate case. However, the utility's books did not show that the utility collected the \$220 per connection approved service availability charge from these seven connections. We made an adjustment of (\$1,540) to water CIAC to impute CIAC for seven new connections (\$220 x 7). We therefore find it appropriate to approve water CIAC of (\$225,670), and wastewater CIAC of (\$230,187).

Accumulated Depreciation: The utility books reflected accumulated depreciation balances of (\$211,442) for water and (\$91,300) for wastewater for the test year. Audit exception No. 1 states that the utility did not update its books to reflect the accumulated depreciation balances established by Order PSC-97-0930-FOF-WS. We made an adjustment of \$74,430 to water and (\$74,077) to wastewater to show approved accumulated depreciation balances from that Order. We also made adjustments of (\$23,721) to water and (\$7,580) to wastewater to bring the utility's balances to the test year amounts. Test year accumulated depreciation is therefore (\$160,733) for water and (\$172,957) for wastewater.

Accumulated Amortization of CIAC: The utility recorded no accumulated amortization of CIAC at the end of the test year. Audit exception No. 1 states that the utility did not update its books to reflect the accumulated amortization balances established by Order PSC-97-0930-FOF-WS. We made an adjustment of \$90,503 to water and \$135,239 to wastewater to reflect approved accumulated amortization balances from that Order. We also made adjustments of \$28,513 to water and \$32,272 to wastewater to bring the utility's balances to the calculated test year amounts. We therefore approve test year accumulated amortization of \$119,016 for water and \$167,511 for wastewater.

Working Capital Allowance: Working Capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Pursuant to Rule 25-30.433, Florida Administrative Code, we find it appropriate to use the one-eighth of operation and maintenance expense formula approach for calculating working capital allowance. Applying that formula, we approve a working capital allowance of \$14,066 for

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water and \$7,560 for wastewater (based on water operation and maintenance expenses of \$112,524, and wastewater operation and maintenance expenses of \$60,480).

Rate Base Summary: Based on the foregoing, the appropriate rate base balance for rate setting purposes is \$113,559 for the water system and \$199,389 for the wastewater system.

Rate base is shown on Schedules Nos. 1-A and 1-B, and the related adjustments are shown on Schedule No. 1-C, attached hereto and incorporated by reference.

#### COST OF CAPITAL

Based on the audit, the utility's capital structure consists of \$71,604 of common equity (\$1,000 of common stock, \$149,00 of paid in capital, and negative retained earnings of \$78,396), a \$33,240 note at 9.00% cost, a \$158,011 note at 9.00% cost, and a \$324,639 note at 10.00% cost.

Using the current leverage formula approved by Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, we find that the rate of return on common equity is 9.94% with a range of 8.94% - 10.94%. Applying the weighted average method to the total capital structure yields an overall rate of return of 9.67% with a range of 9.55% - 9.79%. We made pro rata adjustments to reconcile the capital structure to match the approved rate bases.

Useppa's return on equity and overall rate of return are shown on Schedule No. 2, attached hereto and incorporated by reference.

#### NET OPERATING INCOME

During the test year, the utility provided water and wastewater services to an average of 150 customers. The utility records show revenues of \$165,009 for water and \$82,021 for wastewater. Audit Exception No. 9 states that the utility's test year wastewater revenue was overstated by \$1,104. We made an adjustment of (\$1,104) to wastewater revenue to bring test year revenue to the proper amount. We therefore approve test year revenue of \$165,009 for water and \$80,917 for wastewater.

Test year revenues are shown on Schedules Nos. 3-A and 3-B, and adjustments are shown on Schedule No. 3-C, attached hereto and incorporated by reference.

OPERATING EXPENSES

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

Test Period Operating Expenses

The utility recorded test year water system operating expenses of \$115,763, and wastewater system operating expenses of \$109,148. We made several adjustments to the utility's operating expenses. A summary of adjustments to operating expenses are as follows:

Operation and Maintenance Expense

Salaries and Wages-Employees - The utility recorded salaries and wages of \$33,645 for water and \$33,630 for wastewater for the test year. There are six employees of the utility, two of which are full time and four which split their duties between the utility and Useppa Inn and Dock Company, the management company for the island. We completed an analysis of hours and duties based on the percentage of time spent on utility work. Based on that analysis, we have determined the following utility labor costs:

<u>Title</u>	<u>% of Time</u>	<u>Hourly Rate</u>	<u>Utility Salary</u>	<u>Water</u>	<u>Wastewater</u>
General Manager	25%	\$33.66	\$17,503	\$ 8,752	\$ 8,752
Accounting Supr.	10%	\$20.00	\$ 4,160	\$ 2,080	\$ 2,080
Secy/Meter Reader	20%	\$10.00	\$ 4,160	\$ 2,080	\$ 2,080
Plant Employee Mgr.	20%	\$15.87	\$ 6,602	\$ 4,951	\$ 1,650
Licensed Operator	100%	\$17.55	\$36,504	\$27,378	\$ 9,126
Utility Manager	100%	\$10.75	<u>\$22,360</u>	<u>\$16,770</u>	<u>\$ 5,590</u>
			\$91,289	\$62,011	\$29,278

The utility also included \$316 of water and \$300 of wastewater part time workers during the test year. We made an adjustment of \$28,682 to water and (\$4,052) to wastewater to reflect salaries of utility employees based on the amount of time spent on utility work. A new larger wastewater plant was installed during the test

year. We made an adjustment of \$1,080 to wastewater salaries to reflect the additional labor needed to operate the larger plant. We find that these salaries are reasonable and prudent for the workload required of the utility staff and the special problems incurred with a R/O water plant, and wastewater plant which discharges effluent into environmentally sensitive areas. Accordingly, we approve employee salaries and wages of \$62,327 for water and \$30,658 for wastewater.

Employee Pensions and Benefits - The utility recorded employee pensions and benefits expenses of \$4,060 for water and \$4,516 for wastewater. We made adjustments of (\$2,614) to water and (\$3,029) to wastewater to reclassify payroll taxes to Account No. 408, taxes other than income. We also made adjustments of \$3,817 to water and \$499 to wastewater to reflect health insurance based on the percentages of time employees spend on each system as established in employee salaries and wages. Accordingly, we approve employee pensions and benefits of \$5,263 for water and \$1,986 for wastewater.

Purchased Power - The utility recorded test year purchased power expense of \$10,438 for water and \$6,395 for wastewater. We made an adjustment of \$3,199 to water and \$131 to wastewater to annualize the cost of purchased power and include electric bills which were paid by the parent company. We also made adjustments of (\$247) to water to reclassify a miscellaneous expense to Account No. 675, and \$724 to wastewater to reclassify a purchased power expense from miscellaneous expenses.

A new wastewater plant which requires additional electric power was installed during the test year. We made an adjustment of \$2,690 to wastewater purchased power to annualize the cost of the additional purchased power expense. Adjustments total \$2,952 for water and \$3,545 for wastewater. Accordingly, we approve purchased power expense of \$13,390 for water and \$9,940 for wastewater for the test year.

Chemicals - The utility recorded test year chemical expense of \$2,684 for water and \$2,325 for wastewater. We made an adjustment of (\$250) to water and (\$197) to wastewater to reclassify transportation expenses to Accounts Nos. 650 and 750, respectively. We accordingly approve chemical expenses of \$2,434 for water, and \$2,128 for wastewater.

Materials and Supplies - The utility recorded test year materials and supplies expense of \$2,706 for water and \$3,085 for wastewater. We made an adjustment of (\$2,634) to water materials and supplies expense to reclassify utility plant to Account No. 331, and made an adjustment of (\$3,085) to the wastewater materials and supplies expense to reclassify utility plant to Account No. 360. These reclassified amounts have been included in the test year rate base. Accordingly, we approve test year materials and supplies expense of \$72 for water and \$0 for wastewater.

Contractual Services - Professional - The utility recorded test year contractual services-professional expense of \$725 for water and \$725 for wastewater. By Order PSC-97-0930-FOF-WS, we approved a five year amortization of non-recurring expenses for engineering studies, legal costs, and a R/O discharge study. The total annual amount of amortization approved was \$3,372 for water and \$743 for wastewater. The utility did not include these expenses during the test year. Therefore, we made adjustments of \$3,372 to water and \$743 to wastewater to reflect the approved amortization of expenses. Accordingly, we approve contractual services-professional expense of \$4,097 for water and \$1,468 for wastewater.

Contractual Services - Testing - The utility recorded test year contractual services-testing expense of \$4,533 for water and \$1,225 for wastewater. State and local authorities require that several analyses for water testing be submitted in accordance with Rule 62-550, Florida Administrative Code. The utility's monthly monitoring is a routine program that includes sampling and testing for bacteria, chlorides, sodium and hydrogen sulfides. Other, less frequent tests required by DEP are:

Water Testing and Laboratory Expenses

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-550.518 F.A.C.	Microbiological	monthly	\$360/yr
62-550.310(1) F.A.C.	Primary Inorganics	36 mos.	\$93/yr
62-550.320(1) F.A.C.	Secondary "	36 mos.	65/yr



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<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-550.511 F.A.C.	Asbestos	1/9yrs.	25/yr
62-550.512(1) F.A.C.	Nitrate & Nitrite	12 mos.	35/yr
62-550.515 F.A.C.	Volatile Organics	qtr'ly/1st yr	36 mos. Subsequent/ Annual
62-550.516 F.A.C.	Pesticides & PCB	36 mos.	570/yr
62-550.519(1) F.A.C.	Radionuclides Group I Group II	36 mos. " "	117/yr 250/yr
62-550.521 F.A.C.	Group I Group II Group III	qtr'ly/1st yr/9 yr. 36 mos 36 mos.	275/yr 50/yr 83/yr
62-551 F.A.C.	Lead & Copper	biannual	<u>475/yr</u>
		Total	<u>\$2,748/yr</u>

In addition to potable water testing, the utility also must perform certain tests on the backwash (reject water) from the R/O filters at the water treatment plant. These tests are required by specific conditions listed in the body of the five year industrial waste permit, and are:

Backwash (Reject Water) Testing

<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
Flow	once/day	\$ N/A
Fluoride	once/quarter	60/yr
Gross Alpha Part. Activity	once/quarter	180/yr
Combined Radium 226 and 228	once/quarter	864/yr
Hydrogen Sulfide	once/month	216/yr
Dissolved Oxygen	once/day	1,825/yr
pH	once/day	1,825/yr
Whole Effluent Toxicity	yearly	<u>\$ 304/yr</u>
Total		<u>\$5,274/yr</u>

Wastewater Testing and Laboratory Expenses

By the new conditions of the utility's current operating permit, DEP requires the utility to submit the following chemical analysis:

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-600 F.A.C.	pH	5 days/wk	In-house
62-600 F.A.C.	Total Residual Chlorine	5 days/wk	In-house
62-600 F.A.C.	Total Suspended Solids	3 days/wk	In-house
62-600 F.A.C.	Fecal Coliform	3 days/wk	\$2,340/yr
62-600 F.A.C.	Biochemical Oxygen Demand (includes Nitrate, Nitrite)	monthly	\$ 660/yr
Landfill Required	Sludge Analysis	yearly	\$ 350/yr
			<u>\$3,350/yr</u>

Total required testing costs are \$8,022 for water and \$3,350 for wastewater. We made adjustments of \$5,789 to water and \$2,125 to wastewater to reflect testing required on an annual basis. We also made an adjustment of (\$2,300) to water contractual services testing to reclassify the cost of a DEP wastewater permit to miscellaneous expenses. Accordingly, we approve contractual services-testing expense of \$8,022 for water and \$3,350 for wastewater.

Contractual Services - Other - The utility recorded \$4,791 for the water system and \$3,152 for the wastewater system in this account for the test year. We made adjustments of (\$204) to water and (\$1,305) to wastewater to reclassify engineering costs for the new wastewater treatment plant to Account No. 354. We also made adjustments to water of (\$2,200) to reclassify utility plant to Account No. 370, and \$171 to reclassify a consulting fee from Account No. 675. Accordingly, we approve contractual services-other expense of \$2,558 for water and \$1,847 for wastewater.

Rents - The utility did not record any rent expense for the test year. The utility office is shared with the island management company. We have examined and determined the amount of space used for utility duties and are accordingly approving a test year rent expense of \$1,800 for water and \$1,800 for wastewater.

Transportation Expense - The utility recorded transportation expense of \$850 for water and \$1,100 for wastewater for the test year. We made adjustments of \$250 to water and \$197 to wastewater to reclassify transportation expenses from Account No. 618. Adjustments of \$3,725 to water and \$928 to wastewater were also made to reflect the cost of transportation for the utility employees who must use a shuttle boat to and from the island. An adjustment of \$53 was also made to wastewater transportation expense to reclassify a transportation expense from Account No. 675. Total adjustments are \$3,975 for water and \$1,178 for wastewater. Accordingly, we approve test year transportation expense of \$4,825 for water and \$2,278 for wastewater.

Regulatory Commission Expense - The utility did not record any regulatory commission expense during the test year. We made an adjustment of \$25 to wastewater regulatory commission expense to reflect the limited proceeding filing fee of \$100 amortized over a four year period, in accordance with Section 367.0816, Florida Statutes.

Miscellaneous Expenses - The utility recorded miscellaneous expenses of \$43,568 for water and \$45,232 for wastewater during the test year. We made the following adjustments to miscellaneous expenses for the test year:

To reclassify T.O.T.I. to Acct. No. 408.	(\$6,651)	(\$3,452)
To remove loan payment.	( 1,346)	( 2,314)
To remove loan payment.	(13,200)	(14,400)
To remove loan payment.	(14,801)	(20,238)
To reclassify repair & maintenance (R&M) expense from Acct. No. 615.	247	-0-
To reclassify consulting fee to Acct. No. 636.	( 171)	-0-
To reclassify expense to Acct. No. 750.	( 53)	-0-
To reclassify electric expense to Acct. No. 715.	-0-	( 724)
To reclassify R & M expense from payroll taxes.	-0-	103
To reclassify R & M exp. from capital improvements.	-0-	190
To reclassify WW DEP license from Acct. No. 635.	-0-	2,300
To amortize WW DEP license over 5 year period.	-0-	(1,840)
	<u>(\$35,975)</u>	<u>(\$40,375)</u>

Our total adjustments to miscellaneous expenses amount to (\$35,975) for water and (\$40,375) for wastewater for the test year. Accordingly, we approve test year miscellaneous expenses of \$7,593 for water and \$4,857 for wastewater.

Operation and Maintenance Expenses (O&M) Summary: Total O&M adjustments are \$4,381 for water and (\$41,048) for wastewater. Accordingly, we approve O&M expenses of \$112,524 for water and \$60,480 for wastewater, which is a 1.6% increase over total O&M expenses approved in 1997 by Order No. PSC-97-0930-FOF-WS. O&M expenses for water are shown on Schedule No. 3D and O&M expenses for wastewater are shown on Schedule No. 3E, attached hereto and incorporated by reference.

Depreciation Expense (Net of Amortization of CIAC): The utility recorded depreciation expense of \$7,620 for water and \$7,620 for wastewater for the test year. Consistent with this Commission's practice, we calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code. We made adjustments of \$10,908 to water and \$6,197 to wastewater to reflect the calculated test year depreciation expense. CIAC amortization adjustments amounted to (\$9,037) for water and (\$8,998) for wastewater. Accordingly, we approve depreciation expenses net of CIAC of \$9,491 for water and \$4,819 for wastewater for the test year.

Taxes Other Than Income Taxes: The utility did not record any amounts in this account for the test year. We made the following adjustments to taxes other than income for the test year:

To reclassify taxes & license expenses from misc. expenses.	\$6,651	\$3,452
To reclassify payroll taxes from employee p & b.	2,614	2,926
To reflect utility property taxes paid by parent company.	201	67
To reflect payroll taxes based on company percentages.	2,130	( 686)
To reflect test year regulatory assessment fees.	879	337
Total	<u>\$12,475</u>	<u>\$6,096</u>

Total adjustments to taxes other than income amount to \$12,475 for water and \$6,096 for wastewater for the test year. Accordingly, we approve test year taxes other than income of \$12,475 for water and \$6,096 for wastewater.

Taxes other than income taxes will decrease by \$921 for water and increase by \$460 for wastewater to reflect the additional

regulatory assessment fees associated with the increases/(decreases) required to allow the utility the opportunity to earn the approved overall rate of return of 9.67%.

Income Taxes: The utility is a part of Useppa Inn and Dock Company which is an 1120 corporation. Because of continuing net operating losses on a consolidated company basis, no income taxes have ever been paid by the utility and no income tax liability is anticipated in the future. Therefore, no income taxes have been included in our analysis.

Operating Revenues: Revenues have been adjusted by (\$20,462) for the water system and \$10,213 for the wastewater system to reflect the increases/(decreases) in revenue required to cover expenses and allow the utility the opportunity to earn the approved rate of return on investment.

Operating Expenses Summary: The application of our adjustments to the utility's test year operating expenses results in approved operating expenses of \$133,569 and \$71,855 for water and wastewater, respectively.

Operating expenses for water are shown on Schedule No. 3-A and operating expenses for wastewater are shown on Schedule No. 3-B. Adjustments are shown on Schedule No. 3-C.

REVENUE REQUIREMENTS

The appropriate revenue requirements are \$144,547 for water and \$91,130 for wastewater. These revenue requirements will allow the utility the opportunity to recover its expenses and earn a 9.67% return on its water and wastewater rate base. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$113,559	\$ 199,389
Rate of Return	<u>x .0967</u>	<u>x .0967</u>
Return on Investment	\$ 10,978	\$ 19,275
O & M Expenses	112,524	60,480
Depreciation Expense (Net)	9,491	4,819
Taxes Other Than Income Taxes	<u>11,554</u>	<u>6,556</u>
Revenue Requirement	\$144,547	\$ 91,130

Annual Revenue Increase/(Decrease)	\$ (20,462)	\$ 10,213
Percentage Increase/(Decrease)	<u>(12.40%)</u>	<u>12.62%</u>

The revenue requirements and resulting annual increases/(decreases) are shown on Schedules Nos. 3-A and 3-B.

DEFERRAL OF OVEREARNINGS

Useppa's water system had excess earnings of \$20,462 and its wastewater system had \$10,213 in underearnings for the test year ended December 31, 1999. Overall, the utility overearned by \$10,249 in 1999. However, overearnings for this utility are temporary. Useppa is in the process of making improvements to its water system totaling \$182,618. The utility provided contracts showing costs for three water projects which the utility needs to complete. The pro forma water plant includes a water tank expansion for \$124,690, installation of an emergency generator for \$13,308, and installation of a back-up well for \$44,620. Per the utility's engineering firm, the improvements will be complete in 2001. We find that these projects are necessary and that the costs are reasonable and prudent.

We added this pro forma plant to the 1999 test year figures and have determined that the utility's water system will not be overearning on a prospective basis after installation of this pro forma plant. The calculations are as follows:

	<u>Water</u>
Adjusted Rate Base	\$269,605
Rate of Return	<u>x .0967</u>
Return on Investment	\$ 26,063
O & M Expenses	113,344
Depreciation Expense (Net)	15,703
Taxes Other Than Income Taxes	<u>12,596</u>
Revenue Requirement	\$167,707
Annual Revenue Increase/(Decrease)	\$ 2,698
Percentage Increase/Decrease	<u>1.68%</u>

Based on our analysis, the utility will underearn by \$2,698 on an annual basis after completion of the pro forma plant.

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Therefore, we will not require the utility to reduce rates or make refunds. A prospective rate reduction is not warranted, however, as we find that it will be more beneficial to customers to defer present overearnings to 2001, thereby lessening the future rate increase which we believe will be needed to pay for the water projects. All deferred revenues shall be included in the capital structure, as a separate line item, with interest accrued at the thirty-day commercial paper rate.

We have addressed revenue deferrals in other regulated industries. By Proposed Agency Action (PAA) Order No. PSC-95-0580-FOF-EI, issued May 10, 1995 in Docket No. 950379-EI, we allowed Tampa Electric Company to defer its 1995 and 1996 excess revenues until 1997. Revenues above its authorized return on equity (ROE) were deferred and included in the capital structure as a separate line item. By PAA Order No. PSC-95-0160-FOF-GU, issued February 6, 1995, in Docket No. 950016-GU, we authorized Chesapeake Utilities Corporation to defer its 1994 excess revenues to 1995. In PAA Order No. PSC-93-1572-FOF-TL, we authorized Gulf Telephone Company to defer its 1992 excess revenues to 1993 to correct certain anticipated reserve deficiencies.

We have also addressed revenue deferrals in the water and wastewater industry on three other occasions. By Order No. PSC-98-1384-FOF-SU, issued October 14, 1998, in Docket No. 970991-SU, we allowed Florida Cities Water Company (FCWC), the South Ft. Myers wastewater system, to defer its 1996 and 1997 revenues until 2000. In that case, we found no material differences between the cases cited above and the FCWC case. Therefore, we found it appropriate to afford water and wastewater utilities the opportunity to defer excess revenues, especially when long-term benefits exceed the short-term benefits of refunds and temporary rate reductions. By Order No. PSC-99-1742-PAA-WS, issued September 7, 1999, in Docket No. 981258-WS, we allowed Lake Wales Utility Company, Ltd. to defer 1998 overearnings to offset potential future underearnings. By Order No. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990243-WS, we also allowed Sun Communities Finance, L.P. to defer 1998 overearnings to offset potential future underearnings.

We are unable to find any measurable differences between the cases referenced above and the instant case. Therefore, Useppa shall be afforded the opportunity to defer excess revenues, especially because the long-term benefits exceed the short-term

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benefits of temporary rate reductions. Deferring revenues to offset future reuse costs aids in keeping rates level. Stable rates are generally less confusing to ratepayers than fluctuating rates.

For the foregoing reasons, we find it appropriate to allow the utility to defer all overearnings associated with its water system to 2001. Upon issuance of the final order, the utility shall defer 6.21% of monthly water billings and include the deferred revenues as a separate line item in its capital structure with a cost rate equal to the thirty-day commercial paper rate.

#### APPLICATION FOR LIMITED PROCEEDING

In determining whether a rate increase is warranted for this proceeding, we calculated the rate of return for the water system and the wastewater system for the test period. As stated previously, the utility's water system is overearning by \$20,462 on an annual basis. We have also determined that the wastewater system is underearning by \$10,213 annually. Therefore, the utility is earning in excess of the range of the approved rate of return by \$10,249 on an overall basis. As such, we do not believe that a wastewater rate increase is warranted for this limited proceeding until the pro forma water plant has been completed and verified by Commission staff. Approving a wastewater rate increase prior to completion of the water pro forma plant would only exacerbate the overearnings situation. Once the pro forma water plant is completed and verified by Commission staff, the utility will not be overearning and the new wastewater rates shall become effective.

We could have denied this limited proceeding outright due to the overearnings on an overall basis, but in the interest of administrative efficiency, we believe approving the new wastewater rates but holding the effective date subject to completion of the pro forma water plant is a more efficient way to handle this petition. If we were to deny the application, the utility would be able to refile next year once the pro forma is complete. A new audit would be required, and another customer meeting would have to be scheduled.



APPROVED WASTEWATER RATES

During the test year, Useppa provided wastewater service to an average of 150 customers. Some customers at the customer meeting complained that the utility's monthly bills did not show actual gallonage used with previous and current meter readings. Rule 25-30.335(1), Florida Administrative Code, states:

Except as provided in this rule, a utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; the delinquent date or the date after which the bill becomes past due; and any authorized late payment charge.

The utility was notified at the customer meeting that it was not following proper billing procedures and that it should revise its billing procedures immediately. This was followed-up with an April 12, 2000 letter to the utility explaining what billing procedures are required by Rule 25-30.335(1), Florida Administrative Code. The utility shall provide a copy of the new monthly utility bills within 90 days of the effective date of this Order to verify that it is complying with the rule.

Approximately 60% (or \$55,066) of the wastewater revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored ERCs. The remaining 40% (or \$36,064) of the wastewater revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period. Rates have been calculated using the number of bills and the number of gallons of wastewater billed during the test year. The approved rates are as follows:

Residential Wastewater Rates

<u>Base Facility Charge Meter Size</u>	<u>Existing Monthly Rate</u>	<u>Approved Monthly Rate</u>
All meter sizes	\$ 23.29	\$ 26.07

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Gallonge Charge  
 Per 1,000 gallons \$ 6.42 \$ 6.65  
 (6,000 gallon/month max.)

General Service Wastewater Rates

Base Facility Charge	Existing	Approved
<u>Meter Size</u>	<u>Rate</u>	<u>Monthly Rate</u>
5/8" x 3/4"	\$ 23.29	\$ 26.07
3/4"	34.94	39.10
1"	58.23	65.17
1-1/2"	116.46	130.34
2"	186.34	208.55
3"	372.67	417.10
4"	582.30	651.71
6"	1,164.61	1,303.42

Gallonge Charge  
 Per 1,000 gallons \$ 7.70 \$ 7.98  
 (No Maximum)

Using the test year residential wastewater customers, who have an average use of 4,557 gpm per customer, an average residential monthly wastewater bill comparison is as follows:

	Average Monthly Bill Using Existing Rates	Average Monthly Bill Using Approved Rates	Percent Increase
Base Facility Charge	\$23.29	\$ 26.07	
Gallonge Charge	<u>29.26</u>	<u>\$ 30.30</u>	
Total	\$52.55	\$ 56.37	7.30%

Pursuant to Section 25-30.475, Florida Statutes, the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet. The stamped approval date will be the date the water system pro forma plant has been completed and verified by Commission staff. The rates shall not be implemented until notice has been received by the customers. The

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utility shall provide proof of the date notice was given within 10 days after the date of the notice.

SHOW CAUSE

Rule 25-30.335, Florida Administrative Code - At the April 6, 2000 customer meeting, we were advised that the utility was not showing the beginning and ending meter readings on its monthly bills. The general manager of the utility was at the customer meeting and was informed that the utility was in apparent violation of Rule 25-30.335, Florida Administrative Code, which provides in part:

- (1) Except as provided in this rule, a utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; the delinquent date or the date after which the bill becomes past due; and the authorized late payment charge.

As a follow-up to the customer meeting, a letter explaining the correct billing procedures was sent to the utility on April 12, 2000, with an attached copy of Rule 25-30.335, Florida Administrative Code.

Section 367.161, Florida Statutes, authorizes this Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., 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." 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).

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In failing to issue bills showing beginning and ending meter readings, the utility's act was a "willful" violation of Rule 25-30.335(1), Florida Administrative Code, in the sense intended by Section 367.161, Florida Statutes. However, there are mitigating circumstances in this instant case. Once the utility was advised that it was in apparent violation of the billing procedures rule, it took immediate action to correct the violation.

Based on the foregoing, we do not believe that the apparent violation of Rule 25-30.335(1), Florida Administrative Code, under these circumstances rises to the level that warrants the initiation of a show cause proceeding. Therefore, we decline to order the utility to show cause for failing to issue bills showing the beginning and ending meter readings.

Rule 25-30.115(1), Florida Administrative Code - The utility did not maintain its books and records in accordance with Commission rules during the test year. Useppa maintains its books and records using its own account numbers and does not use the prescribed accounts and accounting format as required by the USOA. The company has also not posted adjustments from prior Commission Orders and is not using the prescribed asset lives for depreciation required by Rule 25-30.140, Florida Administrative Code.

Rule 25-30.115(1), Florida Administrative Code, states that "water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts adopted by the National Association of Regulatory Utility Commissioners."

The utility's failure to maintain its books and records is an apparent violation of Rule 25-30.115, Florida Administrative Code. However, there are mitigating circumstances in the instant rate case, because auditors were still able to complete an audit of the utility's books and records. Furthermore, we believe that the utility books can be converted using in-house personnel at no additional cost. Under these circumstances, we do not believe that the apparent violation of Rule 25-30.115, Florida Administrative Code, rises to the level that would warrant the initiation of a show cause proceeding. However, based on the foregoing, the utility is hereby ordered to maintain its accounts and records in conformance with the 1996 NARUC USOA, and submit a statement from its accountant with its 2000 annual report stating that its books

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are in conformance with the NARUC USOA and have been reconciled with the Order.

DOCKET CLOSURE

If no timely protest is received upon expiration of the protest period, the PAA Order shall become final upon the issuance of a Consummating Order. However, this docket shall remain open for an additional 18 months from the effective date of the Order to verify that the utility has submitted deeds showing the correct description of land owned and used by the utility within 90 days of the effective date of the Order; to verify the utility has submitted its new monthly bills within 90 days of the effective date of the Order and is in compliance with Rule 25-30.335, Florida Administrative Code; to verify that the utility submitted a statement from its accountant with its 2000 annual report stating that its books are in conformance with the NARUC USOA and have been reconciled with the Commission Order; to allow Commission staff to verify that pro forma water plant has been completed within 18 months of the effective date of the Order; and to establish an effective date for wastewater rates based on completion of the pro forma water plant.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Useppa Island Utility, Inc. for a limited proceeding to increase its wastewater rates is hereby granted as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order are issued as proposed agency action, and 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" attached hereto. 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

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

ORDERED that Useppa Island Utility, Inc. shall provide deeds showing the correct description of land owned and used by the utility within 90 days of the effective date of this Order. It is further

ORDERED that upon issuance of the final order, Useppa Island Utility, Inc. shall defer 6.21% of monthly water billings to 2001, and include the deferred revenues as a separate line item in its capital structure with a cost rate equal to the thirty-day commercial paper rate. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date on the tariff sheets. The stamped approval date shall be the date the water system pro forma plant has been completed and verified by Commission staff. It is further

ORDERED that the approved rates shall not be implemented until 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. It is further

ORDERED that Useppa Island Utility, Inc. shall provide this Commission with a copy of the new monthly utility bills within 90 days of the effective date of this Order to verify that the utility is complying with Rule 25-30.335(1), Florida Administrative Code. It is further

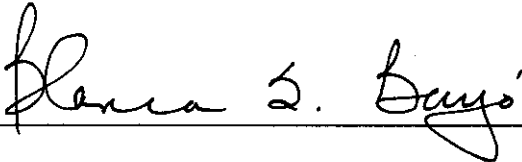
ORDERED that Useppa Island Utility, Inc. shall maintain its accounts and records in conformance with the 1996 NARUC USOA, and submit a statement from its accountant with its 2000 annual report stating that its books are in conformance with the NARUC USOA and have been reconciled with this Order. It is further

ORDERED that if no timely protest is received upon expiration of the protest period, the PAA Order shall become final upon the issuance of a Consummating Order. However, this docket shall remain open for an additional 18 months from the effective date of the Order to verify that the utility has submitted deeds showing the correct description of land owned and used by the utility

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within 90 days of the effective date of the Order; to verify the utility has submitted its new monthly bills within 90 days of the effective date of the Order and is in compliance with Rule 25-30.335, Florida Administrative Code; to verify that the utility submitted a statement from its accountant with its 2000 annual report stating that its books are in conformance with the NARUC USOA and have been reconciled with the Commission Order; to allow Commission staff to verify that pro forma water plant has been completed within 18 months of the effective date of the Order; and to establish an effective date for wastewater rates based on completion of the pro forma water plant.

By ORDER of the Florida Public Service Commission this 7th  
day of November, 2000.



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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

JSB

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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 herein 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 28, 2000. 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, 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.



USEPPA ISLAND UTILITIES, INC. TEST YEAR ENDING DECEMBER 31, 1999 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 000090-SU	
DESCRIPTION	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
1. UTILITY PLANT IN SERVICE	\$286,660	\$69,757	\$356,417
2. LAND & LAND RIGHTS	0	10,463	10,463
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(58,326)	(167,344)	(225,670)
5. ACCUMULATED DEPRECIATION	(211,442)	50,709	(160,733)
6. AMORTIZATION OF CIAC	0	119,016	119,016
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>14,066</u>	<u>14,066</u>
8. WATER RATE BASE	<u>\$16,892</u>	<u>\$96,667</u>	<u>\$113,559</u>

USEPPA ISLAND UTILITIES, INC. TEST YEAR ENDING DECEMBER 31, 1999		SCHEDULE NO. 1-B DOCKET NO. 000090-SU	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
1. UTILITY PLANT IN SERVICE	\$408,131	\$15,844	\$423,975
2. LAND & LAND RIGHTS	0	3,487	3,487
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(60,713)	(169,474)	(230,187)
5. ACCUMULATED DEPRECIATION	(91,300)	(81,657)	(172,957)
6. AMORTIZATION OF CIAC	0	167,511	167,511
7. WORKING CAPITAL ALLOWANCE	0	<u>7,560</u>	<u>7,560</u>
8. WASTEWATER RATE BASE	<u>\$256,118</u>	<u>(\$56,729)</u>	<u>\$199,389</u>

**USEPPA ISLAND UTILITIES, INC.  
TEST YEAR ENDING DECEMBER 31, 1999  
ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-C DOCKET  
NO. 000090-SU**

	<u>WATER</u>	<u>WASTEWATER R</u>
<b><u>UTILITY PLANT IN SERVICE</u></b>		
1. To reflect plant approved in Order PSC-97-0930-FOF-WS.	\$67,123	\$9,050
2. To reflect commission approved utility plant.	<u>2,634</u>	<u>6,794</u>
Total	<u>\$69,757</u>	<u>\$15,844</u>
<b><u>LAND</u></b>		
1. To reflect original cost of land.	<u>\$10,463</u>	<u>\$3,487</u>
Total		
<b><u>CIAC</u></b>		
1. To reflect CIAC approved in Order PSC-97-0930-FOF-WS.	(\$165,804)	(\$169,474)
2. To impute CIAC for 7 new connections since last SARC.	<u>(\$1,540)</u>	<u>\$0</u>
Total	<u>(\$167,344)</u>	<u>(\$169,474)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>		
1. To reflect acc. depr. approved in Order PSC-97-0930-FOF-WS.	\$74,430	(\$74,077)
2. To reflect commission approved accumulated depreciation.	<u>(23,721)</u>	<u>(7,580)</u>
Total	<u>\$50,709</u>	<u>(\$81,657)</u>
<b><u>AMORTIZATION OF CIAC</u></b>		
1. To reflect acc. amort approved in Order PSC-97-0930-FOF-WS.	\$90,503	\$135,239
2. To reflect commission approved accumulated amortization.	<u>28,513</u>	<u>32,272</u>
	<u>\$119,016</u>	<u>\$167,511</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>		
1 To reflect 1/8 of test year O & M expenses.	<u>\$14,066</u>	<u>\$7,560</u>

USEPPA ISLAND UTILITIES, INC.  
TEST YEAR ENDING DECEMBER 31, 1999  
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
DOCKET NO. 000090-SU

CAPITAL COMPONENT	PER AUDIT	SPECIFIC ADJUST- MENTS	BALANCE		BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST- MENTS				
1. COMMON STOCK	\$1,000	\$0	\$1,000					
2. RETAINED EARNINGS	(78,396)	0	(78,396)					
3. PAID IN CAPITAL	149,000	0	149,000					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	\$71,604	\$0	71,604	(33,462)	38,142	12.19%	9.94%	1.21%
6. NOTE PAYABLE	33,240	0	33,240	(15,534)	17,706	5.66%	9.00%	0.51%
7. NOTE PAYABLE	158,011	0	158,011	(73,841)	84,170	26.90%	9.00%	2.42%
8. NOTE PAYABLE	<u>324,639</u>	<u>0</u>	<u>324,639</u>	<u>(151,710)</u>	<u>172,929</u>	<u>55.26%</u>	10.00%	<u>5.53%</u>
9. TOTAL	<u>\$587,494</u>	<u>\$0</u>	<u>\$587,494</u>	<u>(\$274,547)</u>	<u>\$312,948</u>	<u>100.00%</u>		<u>9.67%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.94%</u>	<u>10.94%</u>	
OVERALL RATE OF RETURN						<u>9.55%</u>	<u>9.79%</u>	

USEPPA ISLAND UTILITIES, INC. TEST YEAR ENDING DECEMBER 31, 1999 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 000090-SU		
	TEST YEAR PER AUDIT	COMM. ADJ. TO AUDIT	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$165,009</u>	<u>\$0</u>	<u>\$165,009</u>	<u>(\$20,462)</u> -12.40%	<u>\$144,547</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	108,143	4,381	112,524	0	112,524
3. DEPRECIATION (NET)	7,620	1,871	9,491	0	9,491
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	12,475	12,475	(921)	11,554
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$115,763</u>	<u>\$18,727</u>	<u>\$134,490</u>	<u>(\$921)</u>	<u>\$133,569</u>
8. OPERATING INCOME/(LOSS)	<u>\$49,246</u>		<u>\$30,519</u>		<u>\$10,978</u>
9. WATER RATE BASE	<u>\$16,892</u>		<u>\$113,559</u>		<u>\$113,559</u>
10. RATE OF RETURN	<u>0.00%</u>		<u>26.88%</u>		<u>9.67%</u>

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**USEPPA ISLAND UTILITIES, INC.**  
**TEST YEAR ENDING DECEMBER 31, 1999**  
**SCHEDULE OF WASTEWATER OPERATING INCOME**

**SCHEDULE NO. 3-B**  
**DOCKET NO. 000090-SU**

	TEST YEAR PER UTILITY	COMM. ADJUSTMENT S TO AUDIT	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$82,021</u>	<u>(\$1,104)</u>	<u>\$80,917</u>	<u>\$10,213</u> 12.62%	<u>\$91,130</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	101,528	(41,048)	60,480	0	60,480
3. DEPRECIATION (NET)	7,620	(2,801)	4,819	0	4,819
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	6,096	6,096	460	6,556
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$109,148</u>	<u>(\$37,753)</u>	<u>\$71,395</u>	<u>\$460</u>	<u>\$71,855</u>
8. OPERATING INCOME/(LOSS)	<u>(\$27,127)</u>		<u>\$9,522</u>		<u>\$19,275</u>
9. WASTEWATER RATE BASE	<u>\$256,118</u>		<u>\$199,389</u>		<u>\$199,389</u>
10. RATE OF RETURN	<u>0.00%</u>		<u>4.78%</u>		<u>9.67%</u>

**USEPPA ISLAND UTILITIES, INC.**  
**TEST YEAR ENDING DECEMBER 31, 1999**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 000090-SU**  
**PAGE 1 OF 3**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>OPERATING REVENUES</b>		
To adjust utility revenues to audited test year amount.	<u>\$0</u>	<u>(\$1,104)</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
<b>1. Salaries and Wages - Employees</b>		
To reflect salaries based on company percentages.	\$28,682	(\$4,052)
To reflect ww operator increased costs due to new plant.	<u>\$0</u>	<u>\$1,080</u>
Subtotal	<u>\$28,682</u>	<u>(\$2,972)</u>
<b>2. Employee Pensions &amp; Benefits</b>		
To reclassify payroll taxes to Acct. No. 408 (TOTI).	(\$2,614)	(\$3,029)
To reflect health insurance based on company percentages.	<u>3,817</u>	<u>499</u>
Subtotal	<u>\$1,203</u>	<u>(\$2,530)</u>
<b>3. Purchased Power</b>		
To annualize test year purchased power.	\$3,199	\$131
To reclassify miscellaneous expense to Acct. No. 675.	(247)	0
To include additional purchased power cost of new ww plant.	0	2,690
To reclassify purchased power expense from Acct. No. 675.	<u>0</u>	<u>724</u>
Subtotal	<u>\$2,952</u>	<u>\$3,545</u>
<b>4. Chemicals</b>		
a. To reclassify transportation expense to Account No. 650.	<u>(\$250)</u>	<u>(\$197)</u>
<b>5. Materials and Supplies</b>		
To reclassify T & D lines to Acct. No. 331.	(\$2,634)	\$0
To reclassify plant to Acct. No. 360.	<u>0</u>	<u>(3,085)</u>
Subtotal	<u>(\$2,634)</u>	<u>(\$3,085)</u>
<b>6. Contractual Services - Professional</b>		
To reflect commission approved 5 yr amortization of expenses.	<u>\$3,372</u>	<u>\$743</u>
<b>7. Contractual Services - Testing</b>		
To reclassify WW DEP license to Acct. No. 775.	(\$2,300)	\$0
To reflect required testing on an annual basis.	<u>\$5,789</u>	<u>\$2,125</u>
Subtotal	<u>\$3,489</u>	<u>\$2,125</u>
<b>8. Contractual Services - Other</b>		
To reclassify plant to Acct. No. 370.	(\$2,200)	\$0
To reclassify plant to Acct. No. 354.	(\$204)	(1,305)
To reclassify consulting fee from Acct. No. 675.	<u>171</u>	<u>0</u>

**USEPPA ISLAND UTILITIES, INC.**  
**TEST YEAR ENDING DECEMBER 31, 1999**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 990356-WS**  
**PAGE 2 OF 2**

<b>9. Rents</b>		
To reflect rent for office space for utility staff.	<u>\$1,800</u>	<u>\$1,800</u>
<b>10. Transportation Expense</b>		
To reclassify transportation expense from Acct. No. 618.	\$250	\$197
To reflect transportation expense of employees.	3,725	928
To reclassify transportation expense from Acct. No. 675.	<u>0</u>	<u>\$53</u>
Subtotal	<u>\$3,975</u>	<u>\$1,178</u>
<b>11. Regulatory Commission Expense</b>		
To reflect the \$100 filing fee amortized over 4 years.	<u>\$0</u>	<u>\$25</u>
<b>12. Miscellaneous Expenses</b>		
To reclassify T.O.T.I. to Acct. No. 408.	(\$6,651)	(\$3,452)
To remove loan payment.	(1,346)	(2,314)
To remove loan payment.	(13,200)	(14,400)
To remove loan payment.	(14,801)	(20,238)
To reclassify repair and maintenance expense from Acct. No. 615.	247	0
To reclassify consulting fee to Acct. No. 636.	(171)	0
To reclassify ww transportation expense to Acct. No. 750.	(53)	0
To reclassify purchased power expense to Acct. No. 715.	0	(724)
To reclassify R & M expense from payroll taxes.	0	103
To reclassify R & M expense from capital improvements.	0	190
To reclassify WW DEP license from Acct. No. 635.	0	2,300
To amortize WW DEP license over 5 year period.	<u>0</u>	<u>(1,840)</u>
	<u>(\$35,975)</u>	<u>(\$40,375)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<u>\$4,381</u>	<u>(\$41,048)</u>
<b>DEPRECIATION EXPENSE</b>		
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$10,908	\$6,197
2. To reflect test year amortization expense.	(9,037)	(8,998)
3. To include depreciation expense on pro forma plant.	<u>0</u>	<u>0</u>
Total	<u>\$1,871</u>	<u>(\$2,801)</u>
<b>TAXES OTHER THAN INCOME</b>		
1. To reclassify taxes & license expenses from misc. expenses.	\$6,651	\$3,452



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**USEPPA ISLAND UTILITIES, INC.**  
**TEST YEAR ENDING DECEMBER 31, 1999**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 990356-WS**  
**PAGE 3 OF 2**

<b>4. To reflect payroll taxes based on company percentages.</b>	<b>2,130</b>	<b>(686)</b>
<b>5. To reflect test year regulatory assessment fees.</b>	<b><u>879</u></b>	<b><u>337</u></b>
<b>Total</b>	<b><u>\$12,475</u></b>	<b><u>\$6,096</u></b>

USEPPA ISLAND UTILITIES, INC. TEST YEAR ENDING DECEMBER 31, 1999 ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE		SCHEDULE NO. 3-D DOCKET NO. 000090-SU		
	TOTAL PER PER AUDIT	ADJUST. COMM. PER COMM.		TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$33,645	\$28,682	[1]	\$62,327
(603) SALARIES AND WAGES - OFFICERS	0	0		0
(604) EMPLOYEE PENSIONS AND BENEFITS	4,060	1,203	[2]	5,263
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	10,438	2,952	[3]	13,390
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	2,684	(250)	[4]	2,434
(620) MATERIALS AND SUPPLIES	2,706	(2,634)	[5]	72
(630) CONTRACTUAL SERVICES - BILLING	0	0		0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	725	3,372	[6]	4,097
(635) CONTRACTUAL SERVICES - TESTING	4,533	3,489	[7]	8,022
(636) CONTRACTUAL SERVICES - OTHER	4,791	(2,233)	[8]	2,558
(640) RENTS	0	1,800	[9]	1,800
(650) TRANSPORTATION EXPENSE	850	3,975	[10]	4,825
(655) INSURANCE EXPENSE	143	0		143
(655) REGULATORY COMMISSION EXPENSE	0	0		0
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	<u>43,568</u>	<u>(35,975)</u>	[12]	<u>7,593</u>
	<u>\$108,143</u>	<u>\$4,381</u>		<u>\$112,524</u>

USEPPA ISLAND UTILITIES, INC.  
 TEST YEAR ENDING DECEMBER 31, 1999  
 ANALYSIS OF WASTEWATER OPERATION  
 AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-E  
 DOCKET NO. 000090-SU

	TOTAL PER AUDIT	ADJUST. PER COMM.		TOTAL PER COMM.
(701) SALARIES AND WAGES - EMPLOYEES	\$33,630	(2,972)	[1]	\$30,658
(703) SALARIES AND WAGES - OFFICERS	0	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	4,516	(2,530)	[2]	1,986
(710) PURCHASED SEWAGE TREATMENT	0	0		0
(711) SLUDGE REMOVAL EXPENSE	0	0		0
(715) PURCHASED POWER	6,395	3,545	[3]	9,940
(716) FUEL FOR POWER PRODUCTION	0	0		0
(718) CHEMICALS	2,325	(197)	[4]	2,128
(720) MATERIALS AND SUPPLIES	3,085	(3,085)	[5]	0
(730) CONTRACTUAL SERVICES - BILLING	0	0		0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	725	743	[6]	1,468
(735) CONTRACTUAL SERVICES - TESTING	1,225	2,125	[7]	3,350
(736) CONTRACTUAL SERVICES - OTHER	3,152	(1,305)	[8]	1,847
(740) RENTS	0	1,800	[9]	1,800
(750) TRANSPORTATION EXPENSE	1,100	1,178	[10	2,278
(755) INSURANCE EXPENSE	143	0	]	143
(765) REGULATORY COMMISSION EXPENSES	0	25	[11	25
(770) BAD DEBT EXPENSE	0	0	]	0
(775) MISCELLANEOUS EXPENSES	<u>45,232</u>	<u>(40,375)</u>	[12	<u>4,857</u>
			]	
	<u>\$101,528</u>	<u>(\$41,048)</u>		<u>\$60,480</u>

**WATER TREATMENT PLANT - USED AND USEFUL DATA**

Docket No. 000090-SU - Useppa Island Utility, Inc.

- |   |         |                 |
|---|---------|-----------------|
| 1) Rated Capacity of Plant  | 56,000  | gallons per day |
| 2) Average of 5 Highest Days From<br>Maximum Month  | 63,257  | gallons per day |
| 3) Average Daily Flow   | 42,433  | gallons per day |
| 4) Fire Flow Capacity   | -0-     | gallons per day |
| a) Required Fire Flow: Utility has its own volunteer fire department that accesses alternate water sources. |         |                 |
| 5) Growth   | -0-     | gallons per day |
| a) Test year Customers in ERCs:   | Begin   | 225             |
|   | End     | 225             |
|   | Average | 225             |
| (Due to plant additions in 1999, Use end of year customer count)  |         |                 |
| b) Customer Growth in ERCs  | -0-     | ERCs            |
| c) Statutory Growth Period  | 5       | Years           |
| (b)x(c)x [3\ (a)] = 0 gallons per day for growth  |         |                 |
| 6) Excessive Unaccounted for Water  | 0       | gallons per day |
| a) Total Unaccounted for Water  | 452     | gallons per day |
| Percent of Average Daily Flow   | 6       |                 |
| b) Reasonable Amount  | 4,243   | gallons per day |
| (10% of average Daily Flow)   |         |                 |
| c) Excessive Amount   | 0       | gallons per day |

**USED AND USEFUL FORMULA**

$$[(2)+(4)+(5)-(6)]/(1) = 100\% \text{ Used and Useful}$$

**WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA**

**Docket No. 000090-SU - Useppa Island Utility, Inc.**

- |   |                                |       |
|---|--------------------------------|-------|
| 1) <b>Capacity of System</b> (Number of ERCs Without Expansion) | 225                            | ERCs  |
| 2) <b>Test year connections</b>                                 |                                |       |
| a) Beginning of Test Year                                       | 225                            | ERCs  |
| b) End of Test Year   | 225                            | ERCs  |
| c) Average Test Year  | 225                            | ERCs  |
| 3) <b>Growth</b>  |                                |       |
| a) customer growth in connections or ERCs has reached Potential | 0                              | ERCs  |
| b) Statutory Growth Period                                      | 5                              | Years |
| (a)x(b) = 0   | connections allowed for growth |       |

**USED AND USEFUL FORMULA**

$$[(2b+(3))]/(1) = 100\% \text{ Used and Useful}$$

**WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA**

**Docket No. 000090-SS - Useppa Island Utilities, Inc.**

- |   |                            |                 |
|---|----------------------------|-----------------|
| 1) Capacity of Plant (based on built-out need)    | 45,000                     | gallons per day |
| 2) Maximum Daily Flow                             | 44,975                     | gallons per day |
| 3) Average Daily Flow                             | 18,027                     | gallons per day |
| 4) Growth   |                            |                 |
| a) Test year Customers in ERCs:                   | Beginning                  | 225             |
|   | Ending                     | 225             |
|   | Average                    | 225             |
| b) Customer Growth in ERCs has reached Potential. | 0                          | ERCs            |
| c) Statutory Growth Period                        | 5                          | Years           |
| (b)x <sup>©</sup> x [3\ (a)] = 0                  | gallons per day for growth |                 |
| 5) Excessive Infiltration or Inflow (I&I)         | N/A                        | gallons per day |
| a) Total I&I:                                     | N/A                        | gallons per day |
| Percent of Average Daily Flow                     | 0.00%                      |                 |
| b) Reasonable Amount (10% of average Daily Flow)  | N/A                        | gallons per day |
| c) Excessive Amount                               | N/A                        | gallons per day |

**USED AND USEFUL FORMULA**

$$[(3)+(4)-(5)]/(1) = 100\% \text{ Used and Useful}$$

**WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA**

**Docket No. 000090-SU - Useppa Island Utilities, Inc.**

- |  |     |       |
|--|-----|-------|
| 1) Capacity of System in ERCs without expansion. | 225 | ERCs  |
| 2) Test year connections                         |     |       |
| a) Beginning of Test Year                        | 225 | ERCs  |
| b) End of Test Year                              | 225 | ERCs  |
| c) Average Test Year                             | 225 | ERCs  |
| 3) Growth  |     |       |
| a) customer growth has reached Potential.        | 0   | ERCs  |
| b) Statutory Growth Period                       | 5   | Years |
| (a)x(b) = 0 connections allowed for growth       |     |       |

**USED AND USEFUL FORMULA**

$$[(2)+(3)]/(1) = 100\% \text{ Used and Useful}$$