

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case in Marion
County by BFF Corp.

DOCKET NO. 010919-SU
ORDER NO. PSC-02-0487-PAA-SU
ISSUED: April 8, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED WASTEWATER RATES AND DEPOSITS

BY THE COMMISSION:

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

BACKGROUND

BFF Corp. (BFF or utility) is a Class C wastewater utility serving 98 residential customers in Marion County. BFF's wastewater customers receive water service from Utilities, Inc.

Marion County came under our jurisdiction on May 5, 1981. By Order No. 11180, issued September 21, 1981, in Docket No. 810333-SU, we originally granted Certificate No. 318-S to this utility under the name Panamint Corporation. By Order No. 12193, issued July 6, 1983, we approved the transfer of Certificate No. 318-S

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FPSC-COMMISSION CLERK

from Panamint Corporation to LTB Utility, Inc. By Order No. 22371, issued January 8, 1990, in Docket No. 890045-SU, we approved the transfer of Certificate No. 318-S from LTB Utility, Inc. to BFF and amended the utility's certificate to include additional territory.

By Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 971182-SU, we approved a year-end rate base as of October 31, 1997, to allow the utility the opportunity to earn a fair return on investments required by the Department of Environmental Protection (DEP) and set compensatory rates. Because the utility was not in compliance with numerous DEP requirements and had been noncompliant over an eight-year period, we determined that the utility's quality of service was unsatisfactory in that same Order. In addition, we determined that the utility's management had a history of poor performance dating back to 1988. Based on the utility's poor quality of service and mismanagement, we reduced the utility's return on equity by 100 basis points.

Because of this pattern of noncompliance, DEP caused a Consent Final Judgment to be entered against the utility on April 9, 1997, in the Circuit Court of the Fifth Judicial Circuit in Marion County, Case No. 97-1704-CA-A. Pursuant to this Consent Final Judgment, the utility was required to submit a plan concerning modification of its sprayfield and complete the required improvements. We included some of the DEP-required sprayfield improvements in rate base in the utility's last rate case.

However, the utility's sprayfield continued to be noncompliant and DEP filed a Motion for Contempt on May 20, 1998. The Motion for Contempt was ultimately disposed of by a Stipulated Order Settling DEP's Motion for Contempt (Stipulated Order) issued July 12, 1999. That Stipulated Order required the utility to abandon the existing sprayfield, decommission its wastewater treatment plant, and interconnect its wastewater system to Utilities, Inc., a neighboring utility. The interconnection was completed in April 2001, and wastewater treatment service is now being provided by Utilities, Inc.'s wastewater treatment system via BFF's lift stations, with BFF now acting as a reseller of wastewater treatment services.

To recover the costs of the interconnection and to restructure its rates, the utility requested that we consider a limited

proceeding. By Order No. PSC-00-1507-PAA-SU, issued August 18, 2000, in Docket No. 000662-SU, we found that the scope of the case was too expansive for a limited proceeding and denied the utility's request.

On June 27, 2001, the utility filed an application for a staff assisted rate case (SARC) and paid the appropriate filing fee on that date. We have the authority to consider this rate case under Section 367.0814, Florida Statutes. Rate base was last established for this utility in Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 971182-SU. BFF's request for increased rates is based on the cost associated with the interconnection with Utilities, Inc. and the loss associated with the retirement of the sprayfield and its plant.

Our staff has audited the utility's records for compliance with our rules and Orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. Because of the change in operations due to the interconnection, we have selected a projected test year ending August 31, 2002, for this rate case.

Our staff conducted a customer meeting on January 24, 2002, in the Marion County Civic Center. Thirteen customers, two representatives from the utility, and two representatives from DEP attended the meeting. Seven customers commented on the utility's application and service. Each customer was asked if they preferred a flat-rate structure or the current base facility gallonage charge rate structure. All customers who spoke preferred the current rate structure, and stated that, by reducing gallons used, they had some control over the rate they are charged. The majority of the customers had no complaints about quality of service. A number of customers were concerned that the cost of the utility's failed attempt to comply with DEP standards was being passed on through rates. We will address this concern later in this Order. Customers also commented that they had no other alternative for service and were "trapped" into accepting service by this utility.

The following is a list of acronyms and commonly used technical terms which we have used in this Order:

- BFC Base Facility Charge - A charge designed to recover the portion of the total expenses required to provide water and sewer service incurred whether or not the customer actually uses the services and regardless of how much is consumed.
- CIAC Contributions In Aid Of Construction - Any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, and which is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. The term includes, but is not limited to, system capacity charges, main extension charges, and customer connection charges.
- ERCs Equivalent Residential Connections - A statistic used to quantify the total number of water or wastewater connections that can be served by a plant of some specific capacity. The consumption of each connection is considered to be that of a single family residential connection, which is usually considered to be a unit comprised of 3.5 persons.
- O&M Operations and Maintenance Expense
- RAF Regulatory Assessment Fees
- SARC Staff Assisted Rate Case
- UPIS Utility Plant in Service - The land, facilities, and equipment used to generate, transmit, and/ or distribute utility service to customers.
- Used and Useful The amount of plant capacity that is used by current customers including an allowance for the margin reserve.

QUALITY OF SERVICE

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

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 or 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 county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered.

Our analysis of each of these three components is set out below.

Quality of The Product

On August 27, 2001, our staff engineer conducted a field inspection of the facilities. The investigation revealed that BFF's wastewater treatment plant was decommissioned. The plant had been dismantled and removed from the property, and the only remaining components were a particle building structure and a force main. Pursuant to the Stipulated Order Settling DEP's Motion for Contempt, the particle building structure will eventually be removed from the property and the newly built force main will remain. Because the plant no longer exists, and treatment is being provided by Utilities, Inc., the quality of the product no longer appears to be an issue.

Operational Conditions of Plant (Wastewater Collection System)

Our engineer's field inspection of the facilities also revealed that the dismantling of the plant removes this utility from most of the jurisdictional requirements of the DEP's rules and

regulations. However, the wastewater collection system remains under DEP's jurisdictional review.

The wastewater collection system consists of collection mains and service lines consisting of PVC pipes, and four lift stations. During the engineering investigation, the collection system appeared to be operating properly.

Customer Satisfaction

As stated above, our staff conducted a customer meeting on January 24, 2002. The customers' concerns were basically focused on the newly proposed increased rates and having to pay for the utility's unsuccessful attempt to improve its sprayfield. However, the wastewater service being provided to the customers appears to now be satisfactory.

Summary

Currently, a review of the wastewater system's evaluations for the past three years, which was provided by the DEP, indicates that the utility had a history of effluent disposal problems due to the inefficiency of the sprayfield. The inability of the sprayfield to process the effluent resulted in DEP ordering the utility to repair the sprayfield; however, the utility failed to comply with the original Consent Final Judgment, and the utility was ordered to dismantle the wastewater treatment plant. Currently, because no plant exists, compliance with jurisdictional requirements for the wastewater treatment plant by the DEP is no longer an issue. However, DEP does have jurisdiction over the wastewater collection system. In addition, DEP has developed Rule 62-604.500(2-3), Florida Administrative Code, to ensure that sewage collection systems produce no negative impacts to the environment or public health. A review of the wastewater collection system revealed that it appears to be functioning properly.

PROJECTED TEST YEAR

For audit purposes, our staff selected a historical test year ending August 31, 2001. However, because BFF's interconnection with Utilities, Inc., occurred in the last four months of the historical test year, the majority of the historical test year

represents BFF's cost associated with operating a wastewater treatment plant. All of these costs must be adjusted to reflect the utility's operation as a wastewater reseller. Therefore, we have used the last four months of the year to annualize purchased wastewater and purchased power, and have made adjustments to expenses that will either no longer exist, such as expenses for chemicals, for operator, and testing, or will still exist but to a lesser degree than before, such as management fees, sludge removal, RAFs, and property taxes.

Also, because purchased wastewater recorded by the utility includes use by those customers who were added to the last four months of billing by the utility, we have annualized revenues to match the purchased wastewater associated with those customer revenues. Finally, we have adjusted rate base to remove the abandoned treatment plant, and calculate and amortize a loss on the early retirement.

Our use of a projected test year is consistent with our actions in Order No. 15725, issued February 21, 1986, in Docket No. 840315-WS. In that Order, we noted:

The test year is an analytical device used in rate making proceedings to compute current levels of investment and income in order to determine the amount of revenue that will be required to assure a company a fair return on its investment. Test year data must be adjusted to properly reflect conditions in the future period for which rates are being fixed.

Because of the change in revenues and expenses caused by BFF's interconnection with Utilities, Inc., we have found that the historical test year is not representative. Moreover, we find that a projected test year ending August 31, 2002, with the proper adjustments, is appropriate.

RATE BASE

Sprayfield Improvement Construction Costs

Pursuant to Section 367.081(2)(a)2.c., Florida Statutes, this Commission shall:

approve rates for service which allow a utility to recover from customers the full amount of environmental compliance costs. Such rates may not include charges for allowances for funds prudently invested or similar charges. For purposes of this requirement, the term "environmental compliance costs" includes all reasonable expenses and fair return on any prudent investment incurred by a utility in complying with the requirements or conditions contained in any permitting, enforcement, or similar decisions of the United States Environmental Protection Agency, the Department of Environmental Protection, a water management district, or any other governmental entity with similar regulatory jurisdiction.

(Emphasis added)

According to DEP's Motion for Contempt, filed in circuit court, on May 20, 1998, the utility never complied with the specificity of the agreed upon Consent Final Judgment. In addition, documentation furnished to us by DEP indicates that this utility had shown a pattern of noncompliance over an approximate period of eight years, beginning in 1993. In addition, DEP documentation states that the utility had been notified numerous times before BFF initiated any action to correct the operation of its failing plant. The 1997 DEP document files revealed that BFF operated the utility under DEP permit number D042-170444 and that the permit expired on October 15, 1994. Because the utility failed to submit a complete and timely application to renew its operating permit before the expiration date, the application was denied, and BFF was operating the facility without a current and valid permit, in violation of Sections 403.087(1) and 403.161(1)(b), Florida Statutes. The DEP inspector conducted site inspections on May 15, August 23, and September 7, 1995, and March 6, 1996, which revealed that the plant's treated effluent was ponding on the facility's spray irrigation site which was discharging westerly off-site to the adjacent property into storm water ponds owned by Marion County, in violation of Rule 62-600.740(2)(a), Florida Administrative Code. Furthermore, the inspections revealed that the facility was experiencing plant upset conditions, in violation of Rule 62-600.740(2)(a), Florida Administrative Code. Several other violations were detailed in the inspectors evaluation of the facility which initiated a DEP letter of violation.

On April 9, 1997, in the Circuit Court of the Fifth Judicial Circuit in Marion County, legal representatives for DEP and BFF signed an agreement which would resolve the noncompliance problem. This agreement was in the form of a Consent Final Judgment which detailed the requirements of compliance for this utility. The two parties (DEP and BFF) agreed that DEP would issue BFF a permit, in accordance with Application No. 42-260692, for operation of the facility and construction of a surge tank, wet well, and to complete the improvements on the sprayfield. A 90-day time frame was required for the construction and installation of the surge tank and wet well. In addition, BFF was required to complete the sprayfield improvements, described in an April 15, 1996, Narrative, within 120 days of entry of the Consent Final Judgment.

BFF submitted to DEP the engineering plans for construction of the surge tank, wet well, and sprayfield improvements. The plans were reviewed and approved by DEP. In attempting to correct the problems with the sprayfield, the utility incurred reconstruction costs in excess of \$100,000. In addition, the improvements were undertaken by the utility in accordance with Order No. PSC-98-0763-FOF-SU, which required the utility to make all necessary changes required by DEP in the Consent Final Judgment.

Upon completion of the reconstruction project, DEP inspected the surge tank, wet well, and the sprayfield. Pursuant to DEP's documentation, the reconstruction of the sprayfield effluent disposal system was a complete failure because it did not meet the effluent disposal requirements of DEP and was not constructed according to plan.

On May 20, 1998, DEP filed a Motion for Contempt (Motion) in the Circuit Court of the Fifth Judicial Circuit for BFF's failure to comply with the terms of the Consent Final Judgment. That Motion identified the following areas in which BFF failed to comply:

- 1) Failed to enlarge the storage pond;
- 2) Failed to enlarge and properly regrade the sprayfield as stipulated in the Consent Final Judgment;
- 3) Failed to minimize to the greatest extent possible ponding on the sprayfield and prevent effluent from

- running off the sprayfield site onto adjacent properties;
- 4) Failed to properly backfill the sprayfield area as stipulated in the Consent Final Judgment;
 - 5) Failed to comply with the application rates within any zone of operation as provided in the Consent Final Judgment;
 - 6) Failed to construct the spray site area to prevent any runoff from entering the storage pond as required by the Consent Final Judgment;
 - 7) Failed to finish the stormwater drainage construction as required by the Consent Final Judgment; and
 - 8) Failed to remove the berms along the northern side that were located within that sprayfield site as required by the Consent Final Judgment.

Both DEP and BFF reached agreement, and the Motion for Contempt was resolved by a Stipulated Order Settling DEP's Motion for Contempt (Stipulated Order) issued by the Circuit Court on July 12, 1999. The Stipulated Order contained provisions for BFF to pay DEP \$29,000 in civil penalties plus \$1,000 for costs and expenses. These civil penalties could be reduced or increased depending on the timeliness of BFF's compliance. In addition to the civil penalties and payment of costs and expenses, BFF was ordered to decommission its wastewater treatment plant and submit a plan of abandonment for the existing sprayfield including disinfection and purging of the sprayfield distribution systems, removal of all spray heads, disconnection and capping all effluent supply lines.

The utility is now seeking to recover in its rates the costs of the sprayfield improvements which were ultimately unsuccessful in correcting the problems that had been noted by DEP. Pursuant to Section 367.081(2)(a)2.c., Florida Statutes, we must allow a utility to recover in its rates "all reasonable expenses and fair return on any prudent investment incurred by a utility in complying with the requirements or conditions" of any decision of the DEP. We believe the ultimate question in this case is whether the costs incurred by BFF in reconstructing the sprayfield were either prudent or incurred in complying with DEP's decision. We do not believe that the utility made a wise decision when it paid the vendors prior to the project performance being completed and

inspected by the appropriate authority, in this case DEP. In addition, DEP notes that such construction was not completed in accordance with the original plan submitted to DEP, i.e., did not follow the as-built plans, and there was almost no chance whatsoever that the construction as executed would be successful, and, in fact, was a total failure. As noted by DEP's Motion, the attempt to improve the sprayfield was a huge failure and amounted to contempt of the Consent Final Judgment.

We believe that the utility owner is the responsible party for all of the utility's activities. After BFF had reviewed the inspection report from DEP which indicated that the construction project had failed, the utility should have taken actions to either require the contractor to make all necessary corrections that would bring the sprayfield into compliance, as required by the Consent Final Judgment or to demand financial compensation from the contractor for its failed attempt to execute its part of the contract. The utility should have pursued every course of action to ensure that the burden of a failed reconstruction project cost would not be passed on to its 98 customers.

Based on all the above, we find that the costs incurred by the utility in attempting to reconstruct the sprayfield were neither prudently incurred nor were they in compliance with the DEP directives. Therefore, the sprayfield improvement construction costs shall not be considered a prudent investment incurred by a utility in complying with the requirements of DEP, and the utility shall not be allowed to recover those costs in its rates.

Land Held for Future Use

The utility recorded \$34,800 in Land and Land Rights for the historical test year. The land consists of 5.51 acres, with a cost per acre of \$6,316. As stated above, DEP required the utility to abandon its wastewater treatment plant and interconnect its wastewater system to Utilities, Inc. Therefore, only that portion of land associated with the wastewater collection system should remain in rate base. Our staff engineer has determined that only one quarter of an acre is used by BFF for its wastewater collection system. By Order No. PSC-97-1458-FOF-SU, issued November 19, 1997, in Docket No. 961475-SU, and Order No. PSC-93-0295-FOF-SU, issued February 24, 1993, in Docket No. 910637-WS, we removed the land

associated with abandoned wastewater treatment plant from rates. Consistent with those orders, we have determined that only one quarter of an acre with a value of \$1,579 should be included in rate base. Therefore, we have reclassified the remaining amount for land of \$33,221 ($\$34,800 - \$6,316/4 = \$33,221$) from Land to Property Held for Future Use and recorded it below-the-line.

When the utility finally disposes of the land, there will in all probability be a net gain due to the appreciation of the land. Because this land was included in rate base, the utility shall report to this Commission any future sale, foreclosure, or any transaction involving transfer of ownership of the land and any proposed rate reduction resulting therefrom within 60 days of such occurrence. Rates shall be adjusted to reflect the sale.

Abandonment/Early Retirement Loss

For retirement of the treatment plant, we have calculated the total loss to be as follows:

| Abandonment/Early Retirement Loss | |
|---|------------------|
| Treatment Plant Retired | \$91,247 |
| Associated Accumulated Depreciation | (\$70,213) |
| Associated Net Non-Used and Useful Plant and Accumulated Depreciation | (\$2,314) |
| Associated CIAC | (\$13,994) |
| Associated Amortization of CIAC | \$10,070 |
| Cost of Removal | \$1,126 |
| Salvage Value | <u>(\$3,000)</u> |
| Net Loss | <u>\$12,922</u> |

The purpose of allowing a recovery of an abandonment/early retirement loss is to allow the utility to recover the cost of prudent investments of plant that would have otherwise been recovered through rate base. Had the utility not been required by DEP to interconnect with Utilities, Inc., then BFF would have

recovered only the used and useful portion of the retired plant through rates. We have allowed the above salvage value and removal costs associated with the retirement. Although additional removal costs will be incurred, we believe that the costs will be offset by salvage values. The loss calculated above does not include retirement of the land associated with the treatment plant. We have reclassified that land as property held for future use. Also, we have already determined that BFF shall not be allowed to recover in its rates the costs incurred for reconstructing its sprayfield.

Rule 25-30.433(9), Florida Administrative Code, specifies that:

The amortization period for forced abandonment or the prudent retirement, in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, of plant assets prior to the end of their depreciable life shall be calculated by taking the ratio of the net loss (original cost less accumulated depreciation and contributions-in-aid-of-construction (CIAC) plus accumulated amortization of CIAC plus any costs incurred to remove the asset less any salvage value) to the sum of the annual depreciation expense, net of amortization of CIAC, plus an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement. This formula shall be used unless the specific circumstances surrounding the abandonment or retirement demonstrate a more appropriate amortization period.

Using the above formula would result in a loss recovery period of two years, and an annual loss of \$6,461. This amount represents 10% of our adjusted revenue requirement before allowance for the loss or approximately \$5 per customer per month. This is a material increase caused by the utility's failure to meet DEP requirements. We believe that the specific circumstances surrounding the abandonment/retirement demonstrate that a more appropriate amortization period should be used.

Because the utility did not construct the improvements in the manner prescribed in the Consent Final Judgment, we believe that

the risk that the constructed plant would not satisfy DEP requirements should be borne by the utility, and not by the customers. Further, amortizing a loss of this magnitude over a period of two years would most likely result in the utility experiencing substantial overearnings at the end of the two-year period. Because of the magnitude of the loss and the circumstances leading up to the retirement, we find that another amortization period is appropriate.

Specifically, we find that the recovery period for the \$12,922 should be equal to the weighted average remaining life of the utility assets being retired (5 years). Amortizing the loss over five years would result in an annual loss of \$2,584, approximately 40% of the loss that would be recognized using the formula in Rule 25-30.433(9), Florida Administrative Code. We also believe that this amortization period is fair to the utility because the utility would be recovering its investment over the same period of time it would have if the utility had not been forced to interconnect with Utilities, Inc.

Rate Base Calculation

We last established the utility's rate base in Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 971182-SU. Based on our decision to use a projected test year ended August 31, 2002, we have updated rate base components from Order No. PSC-98-0763-FOF-SU through August 31, 2002, using information obtained from our staff's audit and engineering reports. A discussion of each rate base component follows:

Utility Plant in Service (UPIS): The utility recorded UPIS of \$493,771 for the test year ended August 31, 2001. Per Audit Exception No. 2, the utility inaccurately adjusted its rate base to the previous Commission Order. Therefore, we have decreased UPIS by \$17,219 (Account No. 362 by \$4,200 and Account No. 380 by \$13,019) to reflect our approved UPIS for the year ended October 31, 1997.

BFF sold its surge tank, which was part of retired plant, when the utility interconnected with Utilities, Inc. Per Audit Exception No. 6., the utility incorrectly credited plant for the \$3,000 salvage value of the tank. Therefore, we have increased

Account 380 by \$3,000 to reverse BFF's posting of the transaction. The salvage value is included in our calculation of the loss on early retirement.

Per Audit Exception No. 8, BFF included costs applicable to engineering and surveying services related to the force main project of interconnecting with Utilities, Inc.'s system in expenses. These costs should be capitalized. Therefore, we have increased Account 360 by \$9,372 to reclassify the costs from Account 731, Contractual Services - Professional.

In addition, per Audit Exception No. 9, BFF included capital expenditures of \$677 for engineering services applicable to a force-main construction project in Account 735, Contractual Services - Other. These costs should be capitalized. Therefore, we have increased Account 360 by \$677 to reclassify the costs from expenses.

Further, per Audit Exception No. 10, BFF recorded various charges for services applicable to a force-main construction project in Account 775, Miscellaneous Expenses. These costs should be capitalized. Therefore, we have increased Account 360 by \$250, Account No. 362 by \$250, and Account No. 365 by \$383, for a total increase to plant of \$883 to reclassify the costs from expenses.

As discussed earlier, BFF was required by DEP to abandon its treatment plant and interconnect its wastewater system to Utilities, Inc. As a result, the utility's wastewater treatment plant was retired. Accordingly, we have reduced Account No. 354, Structures and Improvements, by \$17,415, Account No. 380, Treatment and Disposal Equipment, by \$73,832, and Account 380, Sprayfield, by \$168,431 for a total reduction to plant of \$259,678.

Our net adjustment to UPIS is a decrease of \$262,965, and UPIS is calculated to be \$230,806.

Land and Land Rights: The utility recorded \$34,800 in land. This account has been reduced by \$33,221 to reflect plant held for future use, as previously addressed. Therefore, the proper amount for land and land rights is \$1,579.

Non-used and Useful Plant: The utility records for the test year were utilized to calculate the used and useful percentage for the utility's force main and wastewater collection system. In the Stipulated Order settling DEP's motion for contempt, the purchase and the installation of the force main were required by DEP. Therefore, pursuant to Section 367.081(2)(a)2.c., Florida Statutes, the force main must be considered 100% used and useful.

For the remainder of the wastewater collection system, we note that the utility's customer base is residential, and that each lot is equal to an equivalent residential connection (ERC). This wastewater collection system has the potential to serve 111 ERCs/connections (one ERC = one connection) without the construction of additional collection mains or force mains. The average number of lots served during the test year was 98 lots and customer growth during the previous five years was calculated to be zero per year. In accordance with the formula method of calculating used and useful, and dividing 98 by 111, we calculate that the collection system is 88% used and useful. This is calculated by taking the average test year number of lots, plus the growth allowance, then dividing that total by the estimated capacity in lots. Our calculation is summarized in Attachment A.

Based on the above, the force main and the wastewater collection system shall be considered 100% and 88%, respectively, used and useful. Applying the non-used and useful percentages to the wastewater system results in non-used and useful plant of \$14,168. The non-used and useful accumulated depreciation is \$4,769. This results in net non-used and useful UPIS of \$9,399.

Contributions in Aid of Construction (CIAC): The utility recorded CIAC of \$42,916 for the test year ended August 31, 2001.

BFF's wastewater tariff provides a system capacity charge of \$1,620 per customer connection. Per Audit Exception No. 4, four additional customers were connected to the wastewater system in 2001. The utility did not record the system capacity charge for the additional customers. Therefore, we have increased this account by \$6,480 to reflect the unrecorded fees.

The utility collected CIAC related to the wastewater treatment facilities now being retired. Therefore, we have reduced CIAC by

\$13,994 to retire the pro rata share of CIAC associated with those facilities. Based on these adjustments, we calculate CIAC to be \$35,402.

Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of \$159,794 on August 31, 2001. Using the prescribed depreciation rates in Rule 25-30.140, Florida Administrative Code, we calculate accumulated depreciation to be \$154,630 as of August 31, 2001. Therefore, we have decreased this account by \$5,164. In addition, we have decreased this account by \$108,357 to remove accumulated depreciation on the retirement of treatment plant. Further, we have increased this account by \$7,426 to reflect one year of depreciation for the projected test year. Finally, we have decreased this account by \$3,713 to reflect an averaging adjustment.

These adjustments result in accumulated depreciation of \$49,986.

Amortization of CIAC: Based on the utility's records on August 31, 2001, the utility recorded amortization of CIAC of \$16,317. We have recalculated amortization of CIAC using composite depreciation rates. This account has been increased by \$1,528 to reflect year-end amortization of \$17,845, and then decreased by \$569 to reflect an averaging adjustment.

Because the wastewater treatment facilities are now being retired, we have removed the CIAC related to those facilities. Therefore, we have also reduced amortization of CIAC by \$10,070 to retire the pro rata share of CIAC amortization associated with those facilities.

Based on these adjustments to this account, we calculate amortization of CIAC to be \$7,206.

Working Capital Allowance: Working Capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), Florida Administrative Code, the one-eighth of the O&M expense formula approach shall be used for calculating working capital allowance. Applying that formula, working capital allowance is calculated to be \$5,832 (based on O&M of \$46,658).

Because the utility did not record a working capital allowance, we have increased working capital by \$5,832.

Rate Base Summary: Based on the foregoing, the appropriate projected test year rate base is \$150,636. Rate base is shown on Schedule No. 1-A. Related adjustments are shown on Schedule No. 1-B.

COST OF CAPITAL

Cost of Equity

Pursuant to Section 367.111, Florida Statutes, we have the authority to reduce a utility's return on equity if the utility has failed to provide its customers with water and wastewater service that meets the standards promulgated by DEP. Moreover, we have the authority to reduce a utility's return on equity for mismanagement. However, the reduction must fall within the reasonable range of return on equity. Gulf Power v. Wilson, 597 So. 2d 270 (Fla. 1992).

As discussed previously, the utility failed to provide its customers with wastewater service that complies with the standards set forth by DEP prior to the mandated interconnection. Further, we found in the utility's last rate case that BFF's management was extremely slow in complying with DEP standards. We also found that BFF's management had a history of poor performance dating back to 1988. Although the utility attempted to comply with DEP standards, as discussed above, they did not comply and as a result were forced to interconnect with Utilities, Inc. The required interconnection was the final step resulting from years of BFF's noncompliance with DEP standards. Also, we note that noncompliance and mismanagement continued in spite of the reduction to the utility's cost of equity approved in Order No. PSC-98-0763-FOF-SU in BFF's last rate case.

Based on the foregoing, we find that the reduction to the utility's cost of equity by 100 basis points should be continued as, up until the time of the interconnect, BFF continued to have unsatisfactory quality of service and mismanagement. This reduction falls within the reasonable range of return of equity and is consistent with Gulf and our prior decisions in this regard. See Orders Nos. 14931, 17760, and 24643, issued September 11, 1985,

June 29, 1987, and June 10, 1991, respectively.

Using the leverage formula approved by Order No. PSC-01-2514-FOF-WS, issued December 24, 2001, in Docket No. 010006-WS, we note that the appropriate rate of return on equity for a capital structure with an equity ratio of less than 40% is limited to 11.34% at the midpoint. Because BFF has a Capital Structure consisting of only 10.74% equity, the rate of return on equity would normally be set at 11.34% with a range from 10.34 to 12.34%. However, because of BFF's unsatisfactory quality of service and mismanagement, we shall reduce the return on equity by 100 basis points. Therefore, we will set rates using the adjusted return on equity of 10.34% which is the lower end of the range.

Overall Cost of Capital

The utility recorded the following items in capital structure: common stock of \$1,000, negative retained earnings of \$161,649, other paid in capital of \$202,281, other common equity of negative \$2,500, long-term debt of \$196,943, and customer deposits of \$780 for a total capital of \$236,855.

A review of the utility's trial balance for the historical test year revealed that \$115,640 of plant improvements were funded by M.I.R.A. International, Inc. (M.I.R.A.), a related company. This amount consists of accounts payable of \$61,221 for 1995-1999, \$14,520 for 2000, a loan advance of \$19,899 for 1998, and a loan advance for 2001 of \$20,000. There is no debt instrument associated with this debt; however, the utility pays M.I.R.A. a 9% interest rate. We find that the accounts payable should be recognized as long-term debt and have increased long-term debt by \$115,640. Since the cost rate of the Wachovia Bank loan is 9.25%, the 9.00% cost of this debt benefits the rate payer by lowering the overall cost of capital. In addition, we have included in long-term debt a \$12,000 loan from B.J. Roderick. This loan was obtained in 1997 to finance plant replacements and bears a 9% interest rate.

Reconciling the utility's capital structure with our calculation of rate base, and using the low end of the return on equity of 10.34%, we calculate the overall cost of capital to be

9.27%. Our calculations of the return on equity and overall cost of capital are shown on Schedule No. 2.

NET OPERATING INCOME

Projected Test Year Revenue

The utility booked revenues during the historical test year of \$50,946 for wastewater. Audit Exception No. 7 specifies that the utility recorded \$8,289 for purchased wastewater and \$2,646 for RAFs in a contra revenue account (a reduction of revenue). These items should have been recorded in the appropriate expense accounts. Therefore, we have reclassified \$8,289 to account No. 710 (purchased wastewater treatment) and \$2,646 to taxes other than income from this account. Because these amounts were recorded as a decrease of revenue, reclassifying these expenses results in an increase in revenues.

We have recalculated revenues using rates at historical test-year end times the number of bills and consumption provided in the billing analysis. Revenues have been increased by \$198 to reflect revenues from rates of \$62,079.

The utility added four customers at the end of the historical test year. These customers existed during the historical test year; however, the utility was not allowed to serve these customers until BFF interconnected to Utilities, Inc. Based on the projected test year, we have increased this account by \$1,792 to reflect projected revenues based on the number of customers at year-end times the BFC plus average use for those customers times the gallonage charge.

We have also increased this account by \$249 to reflect other revenues not recorded by the utility. Based on these adjustments, projected test-year revenues are calculated to be \$64,120. Our calculation of projected test-year revenue is shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Operating Expense

The utility recorded operating expenses of \$59,679 during the test year ending August 31, 2001. The majority of these expenses

were incurred before BFF's interconnection with Utilities, Inc. To reflect operating expenses for a wastewater resale company on a going-forward basis, we have made adjustments to these operating expenses.

Our staff had spoken with the utility about the utility's analysis of operating expenses, and, specifically, its analysis concerning contractual management. Pursuant to our staff's request, the utility submitted a list of duties and costs associated with the contractual management services on January 3, 2002, along with a previously unrequested allowance for owner's salary.

The utility provided the auditor with access to all books and records, invoices, canceled checks, and other utility records to verify its O&M and taxes other than income expense for the historical test year ending August 31, 2001. We have determined the appropriate operating expenses for the projected test year ending August 31, 2002, and a breakdown of expenses by account class using the documents provided by the utility. Adjustments have been made to reflect the appropriate annual operating expenses that are required for utility operations on a going-forward basis.

Operations and Maintenance Expenses (O&M)

Salaries and Wages-Officer - (703) - The utility did not record an amount in this account during the historical test year. The utility requested \$6,800 annually for an officer's salary. This request was based on the owner's travel time from Miami to Ocala at an estimated 40 hours a year plus \$800 annually for travel, meals, and lodging and 20 hours a year for a review of the books and records. The hourly rate requested was \$100 per hour.

We do not believe the customers of the utility should be responsible for the owner's travel time to and from work. We have allowed transportation expense in the past; however, this expense was for travel through the service area and to and from meetings with regulatory agencies and to utility related seminars. Therefore, we have disallowed the requested travel expenses for the owner of \$4,800.

Further, we believe the requested rate of \$100 an hour is excessive. We have allowed as high as \$30 an hour for officer's salary in a SARC in Order No. PSC-99-2116-PAA-SU, issued October 25, 1999, in Docket No. 980778-SU; however, this allowance was for an owner who spent 11 hours a week on utility business. This owner does not appear to be involved in the day-to-day operations of the utility, and BFF asserts that the owner only spends 20 hours a year (excluding travel time) on utility business. This equates to only a little over 20 minutes a week. We believe that merely reviewing the books and records of the utility does not require a salary, and that the just compensation for this absentee owner is the return on the owner's investment.

The utility is now a reseller of wastewater and is virtually built out. This reduces the oversight and decision making of the owner. Further, we did not allow an officer's salary in the utility's last rate case. For the foregoing reasons, we deny the utility's request for an officer's salary.

Purchased Wastewater Treatment - (704) - The utility did not record a dollar amount in this account during the historical test year. We have increased this account by \$8,289 to reclassify purchased wastewater treatment cost from the utility's contra revenue account.

BFF was required to interconnect with Utilities, Inc.'s wastewater collection system and pay a bulk wastewater charge. Although the historical test year included only four months of bulk rate wastewater bills, we have obtained additional bills after the historical test year to better project annual purchased wastewater treatment expense. Annualizing these bills, we project annual purchased wastewater treatment expense to be \$34,812. Therefore, we have increased this account by an additional \$26,523 to reflect annual purchased wastewater treatment expense.

Sludge Removal Expense-(711) - The utility recorded \$4,232 in this account during the historical test year. The utility no longer has a wastewater treatment plant; therefore, the only sludge removal required would be at the lift stations. Based on the determination of our staff engineer, we find that \$1,000 annually is adequate to remove sludge from the lift stations.

Therefore, we have decreased this account by \$3,232 to reflect annual sludge removal expense for the lift station.

Purchased Power-(715) - The utility recorded \$3,107 in this account during the historical test year. As discussed above, the utility no longer operates a treatment plant; however, the utility still maintains lift stations. Our staff obtained documentation of the electric expense associated with the lift stations showing an annual expense of \$1,617. Therefore, we have decreased this account by \$1,490 to reflect purchased power expense associated with the lift stations.

Contractual Services-Professional-(731) - The utility recorded \$11,524 in this account during the historical test year. We have reclassified \$9,372 from this account to Account No. 360 for engineering fees associated with plant additions that should have been capitalized. We have also reduced this account by \$1,181 to remove legal fees associated with fines imposed by DEP. The legal fees incurred were not prudent because they were caused by the utility's continued noncompliance with DEP's rules over a ten-year period as discussed earlier in this Order.

Contractual Services Other-(736) - The utility recorded \$14,641 in this account during the historical test year. We have reclassified \$677 from this account to Account No. 360 for engineering fees associated with plant additions that should have been capitalized. Because the utility no longer has a wastewater treatment plant, we have reduced this account by \$3,164 to remove the cost of the plant operator.

In the utility's last rate case, we approved an annual management fee of \$8,400. However, the utility recorded a management fee of \$10,800. We have decreased this account by \$2,400 to reflect the management fee that we approved in the last rate case. The duties described in the management contract included meeting with regulatory agencies, preparing reports for regulatory agencies, assisting the plant operator with repairs and testing, and general accounting functions. Due to the interconnection, we believe that the majority of these duties no longer exist.

Our staff requested that the utility provide a list of the duties that would still be required and the cost of those duties. In response, the utility provided a request for an officer's salary as discussed above and a list of the duties for contractual management salary with a total cost of \$17,046. Listed below is the itemized list of duties provided by the utility with the utility's requested amount and our approved amount:

| <u>Description</u> | <u>Requested</u> | <u>Commission Approved</u> |
|-----------------------|------------------|----------------------------|
| Maintenance | \$10,710 | \$4,550 |
| Billing/Meter Reading | \$3,486 | \$1,188 |
| General Accounting | \$630 | \$450 |
| Annual PSC Reporting | \$420 | \$150 |
| Postage and supplies | \$900 | \$0 |
| CPA/Tax Return | <u>\$900</u> | <u>\$0</u> |
| Total | <u>\$17,046</u> | <u>\$6,338</u> |

Although the management company's duties and responsibilities would decrease after the interconnection, the utility's request for \$17,046 is \$6,246 more than it recorded during the historical test year and twice the amount allowed in the last rate case. Our reasons for approving less than the amounts requested are set forth below.

The utility requested \$35 an hour for the management company's services. In Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, we approved a \$25 an hour fee for a contracted manager. We believe the \$25 an hour fee is still appropriate (see also Order PSC-95-0142-FOF-WU, issued January 31, 1995, in Docket No. 940558-WU, for Floralino Properties, Inc.).

For maintenance, the utility believes that checking the lift stations five days a week is sufficient and has requested one hour per day to accomplish this task. DEP does not have guidelines for checking lift station operations. We find that, at a maximum, the utility should check the lift stations every other day. Therefore,

we have allowed three and one-half hours per week at \$25 an hour for checking the lift stations.

The utility also requested 4 hours a month for mowing. Mowing expense was already recorded by the utility in the miscellaneous account and is further discussed in Account No. 775.

The utility has requested 3 hours a week at \$35 an hour to read 98 meters and 3.5 hours per month at \$35 an hour for the billing function. In the past, we have determined the appropriate amount for billing/meter reading based on a per customer basis. In Order No. PSC-99-2116-PAA-SU, issued October 25, 1999, in Docket No. 980778-SU, we approved \$1.50 per bill for billing services, and in Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, we approved \$0.85 per bill for billing services. Our approved billing services include postage and meter reading. We believe that \$0.50 per meter is appropriate. Therefore, we find that \$588 ($\$0.50 \times 98 \text{ customers} \times 12 \text{ months}$) is appropriate for meter reading. We also believe that two hours a month at \$25 an hour (or \$50 a month) is appropriate for the billing function. Allowing \$50 a month to account for billing results in approximately \$0.51 per customer. When postage (\$0.34) and the above approved meter reading (\$0.50) is added to the billing, the total billing cost is \$1.35 per customer and is consistent with our past allowances. Therefore, we shall approve \$1,188 annually for billing/meter reading (2 hrs. a month \times 12 months \times \$25 an hour + \$588 for meter reading). Postage expense is included in the utility's materials and supplies account.

The utility requested general accounting expenses of \$630. This amount was based on a \$35 an hour rate. As discussed above, we believe that \$25 an hour is appropriate. The utility provided a detailed list of time allotted to different accounting functions totaling 2.5 hours a month. Of this amount one hour per month was allotted for annual Public Service Commission (PSC) reporting. We believe that an hour per month is excessive for PSC reporting and that if the general accounting function is properly maintained, annual PSC reporting would be simplified. Because we are allowing amounts for the general accounting function, we find that one-half hour a month is reasonable for PSC reporting. Therefore, we have allowed \$150 ($.5 \text{ hrs.} \times 12 \text{ months} \times \25 an hour) for annual PSC reporting and \$450 ($1.5 \text{ hrs.} \times 12 \text{ months} \times \25 an hour) for general

accounting.

The utility requested \$900 annually each for postage/supplies and CPA services. The utility recorded amounts for postage, supplies, and professional accounting services in the miscellaneous, materials and supplies, and the contractual services-professional accounts during the historical test year. Therefore, we have not increased this account for those items since they are already included in the utility's historical test year figures.

Based on the above, we have decreased the management fee of \$8,400 previously approved by us by \$2,062 to \$6,338 to reflect the change in management functions caused by the interconnection with Utilities, Inc.

Insurance Expense-(755) - The utility recorded \$720 in this account during the historical test year. We have reduced this account by \$480 to remove insurance associated with retired plant.

Regulatory Commission Expense-(765) - The utility recorded \$200 for a SARC filing fee in this account for the historical test year. This expense has been decreased by \$150 to reflect amortization of rate case expense over four years. The utility is required by Rule 25-30.475(1)(a), Florida Administrative Code, to mail notices of any rate increase to its customers. We have estimated the notice expense to be \$92. Therefore, we have increased this account by \$23 to include the notice expense amortized over four years.

Miscellaneous Expense-(775) - The utility recorded \$4,745 in this account for the historical test year. We have reclassified and capitalized \$883 from this account to UPIS to reflect items that should have been capitalized. We have also removed \$1,126 from this account for plant removal cost which should be included in the loss calculation.

Also, because of the reclassification of most of the utility's land as land held for future use, we have decreased this account by \$1,490 to remove the cost of mowing the portion of land no longer included in rate base. Based on the above adjustments, the net decrease to this account is \$3,499, and the total annual expense

for this account is \$1,246.

O&M Expense Summary - The total O&M adjustment is an increase of \$7,128, for a total expense of \$46,658. O&M expenses are shown on Schedule No. 3-C.

Depreciation Expense

The utility recorded depreciation expense net of CIAC amortization of \$19,562 (\$21,139 Depreciation Expense and \$1,577 Amortization of CIAC) during the historical test year. We have calculated depreciation expense using the prescribed rates in Rule 25-30.140, Florida Administrative Code. Based on this calculation, we have decreased depreciation expense by \$13,774 to reflect depreciation expense of \$7,365. This amount has been decreased by an additional \$394 to reflect non-used and useful depreciation.

Based on composite rates, we have calculated the amortization of CIAC to be \$1,130. Therefore, we have increased this account by \$447 to reflect our calculated amortization of CIAC. Non-used and useful depreciation and amortization of CIAC has a negative impact on depreciation expense, and results in a net depreciation expense of \$5,841.

Abandonment/Early Retirement Loss

We have previously determined that the \$12,922 amount for the abandonment/early retirement loss should be amortized over five years. Therefore, we have increased this account by \$2,584 ($\$12,922 \div 5$ years) to reflect the annual amortization of the abandonment/early retirement loss.

Taxes Other Than Income

The utility recorded taxes other than income of \$587 during the historical test year. We have increased this account by \$2,646 to reclassify RAFs from the utility's contra revenue account. We have also increased this account by \$239 to reflect RAFs on projected test year revenues.

Pursuant to Section 367.145(1)(a), Florida Statutes, any utility that purchases wastewater treatment from another utility

regulated by the FPSC is allowed to deduct the annual expense for purchased wastewater treatment from its gross operating revenues before calculating the amount of the RAFs due. Utilities, Inc. provides the purchased wastewater treatment to BFF and is regulated by the FPSC. Therefore, we have decreased this account by \$1,567 to remove RAFs associated with projected purchased wastewater treatment. We have also decreased this account by \$183 to remove property taxes associated with the abandonment/early retirement loss and the land held for future use.

Based on the above adjustments, we have increased this account by a total of \$1,135.

Income Taxes

BFF is a Subchapter S Corporation; therefore, pursuant to Rule 25-30.433(7), Florida Administrative Code, the utility has no income tax liability.

Operating Revenues

Revenues have been increased by \$6,962 to reflect the change in revenue required to cover expenses and allow the approved return on investment.

Taxes Other Than Income

This expense has been increased by \$313 to reflect regulatory assessment fees of 4.5% on the change in revenues.

Operating Expenses Summary

Based on the above adjustments to the audited historical test year operating expenses, we calculated operating expenses to be \$57,118. Our calculation of operating expenses is shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

REVENUE REQUIREMENT

The utility shall be allowed an annual increase of \$6,962 (10.86%) for wastewater. This will allow the utility the

opportunity to recover its expenses and earn a 9.27% return on its investment. Our calculations are as follows:

| | <u>Wastewater</u> |
|---------------------------------|------------------------|
| Adjusted Rate Base | \$150,636 |
| Rate of Return | x .0927 |
| Return on Rate Base | <u>\$13,964</u> |
| Adjusted O & M expense | \$46,658 |
| Depreciation expense (Net) | \$5,841 |
| Amortization of Retirement Loss | \$2,584 |
| Taxes Other Than Income | \$2,035 |
| Income Taxes | <u>\$0</u> |
| Revenue Requirement | <u><u>\$71,082</u></u> |
| Adjusted Test Year Revenues | <u>\$64,120</u> |
| Percent Increase/(Decrease) | <u><u>10.86%</u></u> |

Our calculation of the revenue requirement is shown on Schedule No. 3-A.

RATES AND CHARGES

During the historical test year the utility provided service to approximately 98 residential customers. The total revenue requirement is \$71,082. However, because the utility has other revenues of \$249, the revenues to be recovered through rates is only \$70,833.

Using the projected test year number of bills and consumption, we have calculated rates for wastewater based on 80% of the water used by residential customers and actual usage for the general service customers. We have also capped the gallonage charge for residential wastewater customers at 10,000 gallons per month. Meter readings are provided by Utilities, Inc. for all of BFF's customers, except for two residential customers on private wells. For these customers, no water meter readings are available.

Therefore, we have designed a flat rate for customers who are not provided metered water service. This rate was calculated based on the approved base facility charge (BFC) plus the average residential capped usage times the residential gallonage rate, and resulted in a flat rate of \$60.23 per month.

We note that the utility proposed a flat rate for residential service of \$97.31 per month. It is unique for a utility to request residential rates in a SARC. Although the utility requested a residential flat rate, they also provided proposed residential base facility and gallonage charge rates. Schedules of the utility's current rates, proposed rates, and our approved rates are as follows:

MONTHLY RATES - WASTEWATER

| | <u>RESIDENTIAL</u> | | |
|--|-----------------------|----------------------------------|----------------------------------|
| | <u>Existing Rates</u> | <u>Utility's Requested Rates</u> | <u>Commission Approved Rates</u> |
| <u>Flat Rate</u> | | | |
| Unmetered Customers Only | N/A | \$97.31 | \$60.23 |
| <u>Base Facility Charge</u> | | | |
| <u>Meter Size:</u> | | | |
| All Meter Sizes | \$26.92 | \$47.02 | \$29.63 |
| <u>Gallonage Charge:</u> | | | |
| Per 1,000 Gallons (10,000 Gallon Cap) | \$5.85 | \$12.27 | \$6.40 |

MONTHLY RATES - WASTEWATER

GENERAL SERVICE

| | <u>Existing Rates</u> | <u>Commission Approved Rates</u> |
|---|-----------------------|--------------------------------------|
| <u>Base Facility Charge</u> | | |
| <u>Meter Sizes</u> | | |
| 5/8" x 3/4" | \$19.63 | \$29.63 |
| 3/4" | \$29.64 | \$44.44 |
| 1" | \$49.40 | \$74.06 |
| 1 1/2" | \$98.81 | \$148.13 |
| 2" | \$158.09 | \$237.01 |
| 3" | \$316.16 | \$474.01 |
| 4" | \$494.00 | \$740.64 |
| 6" | \$988.00 | \$1,481.29 |
| <u>Gallorage Charge</u> | | |
| Per 1,000 Gallons (No Gallorage Cap) | \$2.57 | \$7.68 |

These rates are designed to increase revenues by \$5,962 or approximately 10.86%, for total revenues of \$70,833 (excluding miscellaneous service charge revenues).

Approximately 49% (\$34,840) of the revenue requirement is recovered through the BFC. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 51% (\$35,993) represents revenues collected through the consumption charge based on the number of gallons.

The following is a comparison of residential wastewater rates at 3,000, 5,000, and 10,000 gallons. Average residential use for this utility is 4,783 gallons per month.

| <u>Gallons</u> | <u>Existing Rate</u> | <u>Approved Rate</u> |
|----------------|----------------------|----------------------|
| 3,000 | \$44.47 | \$48.82 |
| 5,000 | \$56.17 | \$61.62 |
| 10,000 | \$85.42 | \$93.62 |

These rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with our decision and the customer notice is adequate.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new rates shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

FOUR-YEAR RATE REDUCTION

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$76 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.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file at that same time 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.

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. Using the approved rates and an average monthly bill for a 2-month period, we find that the charge for customer deposits shall be as follows:

Residential - Wastewater

| <u>Meter Size</u> | <u>Existing Deposit</u> | <u>Commission Approved Deposit</u> |
|-------------------|-------------------------|------------------------------------|
| All meter sizes | \$60.00 | \$120.00 |

General Service - Wastewater

| <u>Meter Size</u> | <u>Existing Deposit</u> | <u>Commission Approved Deposit</u> |
|----------------------|-------------------------|------------------------------------|
| 5/8" x 3/4" | N/A | \$133.00 |
| All over 5/8" x 3/4" | N/A | 2 X Average Bill |

The utility shall file revised tariff sheets consistent with the above charges. Our staff shall administratively approve the revised tariff sheets upon staff's 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.

TEMPORARY RATES SUBJECT TO REFUND

By this Order, we have proposed 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, pursuant to Section 367.0814(7), Florida Statutes, in the event of a protest filed by a party other than the utility, the rates that we have proposed shall be approved as temporary rates subject to refund, and under the following conditions.

The utility shall be authorized to collect the temporary rates upon our staff's verification that an appropriate security for both the potential refund and a copy of the proposed customer notice has been submitted. The security shall be in the form of a bond or letter of credit in the amount of \$4,696. Alternatively, the utility can establish an escrow agreement with an independent financial institution.

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

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

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

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

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without 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; and
- 8) The Director of Commission Clerk and Administrative Services must be a signatory to the escrow agreement.

This account must specify by whom and on whose behalf such monies were paid.

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. 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(7), Florida Administrative Code, the utility shall file reports with the Division of Commission Clerk and Administrative Services no later than 20 days after each monthly billing. These reports shall indicate the

amount of revenue collected under the increased rates subject to refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that BFF Corp.'s petition for a staff assisted rate case to implement increased wastewater rates and deposits is granted as set forth in the body of this Order. It is further

ORDERED that BFF Corp. shall report to this Commission any future sale, foreclosure, or any transaction involving transfer of ownership of the land and any proposed rate reduction resulting therefrom within 60 days of such occurrence. It is further

ORDERED that prior to implementing the rates and deposits approved herein, BFF Corp. shall submit revised tariff pages reflecting the rates and deposits approved herein. It is further

ORDERED that prior to implementing the rates approved herein, BFF Corp. shall submit for approval by our staff a proposed notice to its customers of the rates approved herein. It is further

ORDERED that the revised tariff pages for rates and deposits shall be approved upon our staff's verification that they are consistent with our decision herein, and that the proposed customer notice is adequate. It is further

ORDERED that BFF Corp. shall submit written proof that notice was given to its customers no later than ten days after the date of the notice. It is further

ORDERED that, in accordance with Rule 25-30.475, Florida Administrative Code, the rates approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages, provided the customers have received notice. It is further

ORDERED that if the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of

the new rates. The new rates shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date. It is further

ORDERED that all matters contained in the body of this Order and in the schedules and attachments hereto are by reference incorporated herein. It is further

ORDERED that 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. It is further

ORDERED that, pursuant to Rule 25-30.360, Florida Administrative Code, in the event of a protest by any substantially affected person other than the utility, BFF Corp. is authorized to collect the approved rates on a temporary basis, subject to refund, provided that the utility has furnished satisfactory security for any refund and a proposed customer notice. It is further

ORDERED that if BFF Corp. implements temporary rates, the utility shall maintain an account of all monies received as a result of the rate increase. 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. It is further

ORDERED that if BFF Corp. implements temporary rates, 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 temporary rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with the Division of Commission Clerk and Administrative Services no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased temporary rates. It is further

ORDERED that BFF Corp. shall file revised tariff sheets no later than one month prior to the actual date of the four-year rate reduction reflecting the appropriate rates. The utility also shall file at that same time a proposed customer notice setting forth the lower rates and the reason for the reduction. It is further

ORDERED that if BFF Corp. 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. 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 the Commission Clerk and Administrative Services, 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 if no timely protest is filed by a substantially affected person, this docket shall be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, the tariffs shall remain in effect with any increase held subject to refund pending resolution of the protest, and the docket shall remain open.

By ORDER of the Florida Public Service Commission this 8th day of April, 2002.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)

RRJ

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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.

The action proposed herein, except for the granting of temporary rates subject to refund, 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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 29, 2002.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

The action concerning the granting of temporary rates subject to refund is final in nature. 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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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

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DOCKET NO. 010919-SU

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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 and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services 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.

Attachment A

WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA

Docket No. 010919-SU - BFF CORPORATION

| | | |
|--|-----|-------|
| 1) Capacity of System (Number of potential customers, ERCs or Lots without expansion) | 111 | ERC's |
| 2) Test year connections | 98 | |
| a) Beginning of Test Year | 98 | ERC's |
| b) End of Test Year | 98 | ERC's |
| c) Average Test Year | 98 | ERC's |
| 3) Growth | 0 | ERC's |
| (Use End of Test Year and End of Previous Years for growth connections) | | |
| a) customer growth in connections for last 5 years including Test Year using Regression Analysis | 0 | ERC's |
| b) Statutory Growth Period | 5 | Years |
| (a)x(b) = 0 connections allowed for growth | | |

USED AND USEFUL FORMULA

$$[(2)+(3)]/(1) = 88\% \text{ Used and Useful}$$

| BFF Corp. TEST YEAR ENDING 8/31/02 SCHEDULE OF WASTEWATER RATE BASE | | SCHEDULE NO. 1-A DOCKET NO. 010919-SU | |
|---|---------------------------|--|--------------------------|
| DESCRIPTION | BALANCE PER UTILITY | COMM'N ADJUST. TO UTIL. BAL. | BALANCE PER COMM'N |
| 1. UTILITY PLANT IN SERVICE | \$493,771 | (\$262,965) | \$230,806 |
| 2. LAND & LAND RIGHTS | 34,800 | (33,221) | 1,579 |
| 3. NON-USED AND USEFUL COMPONENTS | 0 | (9,399) | (9,399) |
| 4. CIAC | (42,916) | 7,514 | (35,402) |
| 5. ACCUMULATED DEPRECIATION | (159,794) | 109,808 | (49,986) |
| 6. AMORTIZATION OF CIAC | 16,317 | (9,111) | 7,206 |
| 7. WORKING CAPITAL ALLOWANCE | <u>0</u> | <u>5,832</u> | <u>5,832</u> |
| 8. WASTEWATER RATE BASE | \$342,178 | (\$191,542) | \$150,636 |

| BFF Corp. TEST YEAR ENDING 8/31/02 ADJUSTMENTS TO RATE BASE | SCHEDULE NO. 1-B DOCKET NO. 010919-SU |
|---|--|
| | <u>WASTEWATER</u> |
| <u>UTILITY PLANT IN SERVICE</u> | |
| 1. Agree plant balances @ 10/31/97 per Order No. PSC-98-0763-FOF-SU | (\$17,219) |
| 2. Reverse salvage on surge tank (380) | 3,000 |
| 3. Reclassify engineering & surveying from 731 to 360 | 9,372 |
| 4. Reclassify engineering from 736 to 360 | 677 |
| 5. Reclassify capital items from expenses (775) to 365, 362 & 360 | 883 |
| 6. Retire treatment plant (354, 380) | <u>(259,678)</u> |
| Total | <u>(\$262,965)</u> |
| <u>LAND AND LAND RIGHTS</u> | |
| 1. Reclassify Land to Property Held for Future Use | <u>(\$33,221)</u> |
| <u>NON-USED AND USEFUL PLANT</u> | |
| 1. To reflect non-used and useful plant. | (\$14,168) |
| 2. To reflect non-used and useful accumulated depreciation. | 4,769 |
| Total | <u>(\$9,399)</u> |
| <u>CIAC</u> | |
| 1. Unrecorded CIAC | (\$6,480) |
| 2. Retired CIAC | 13,994 |
| Total | <u>\$7,514</u> |
| <u>ACCUMULATED DEPRECIATION</u> | |
| 1. Accumulated depreciation per Rule 25-30.140, FAC | \$5,164 |
| 2. Remove depreciation on retirements | 108,357 |
| 3. Projected depreciation | (7,426) |
| 4. Averaging adjustment | 3,713 |
| Total | <u>\$109,808</u> |
| <u>AMORTIZATION OF CIAC</u> | |
| 1. To adjust Amortization of CIAC based on composite rates | \$1,528 |
| 2. Averaging adjustment | (569) |
| 3. Retired Amortization of CIAC | <u>(10,070)</u> |
| Total | <u>(\$9,111)</u> |
| <u>WORKING CAPITAL ALLOWANCE</u> | |
| 1. To reflect 1/8 of test year O & M expenses. | <u>\$5,832</u> |

| BFF Corp. TEST YEAR ENDING 8/31/02 SCHEDULE OF CAPITAL STRUCTURE | | | | | | | SCHEDULE NO. 2 DOCKET NO. 010919-SU | | |
|--|------------------|----------------------|-------------------------------------|----------------------|-------------------|---|--|---------------|--|
| CAPITAL COMPONENT | PER UTILITY | SPECIFIC ADJUSTMENTS | BALANCE BEFORE PRO RATA ADJUSTMENTS | PRO RATA ADJUSTMENTS | BALANCE PER COMMN | PERCENT OF TOTAL | COST | WEIGHTED COST | |
| 1. COMMON STOCK | \$1,000 | | \$1,000 | | | | | | |
| 2. RETAINED EARNINGS | (161,649) | | (161,649) | | | | | | |
| 3. PAID IN CAPITAL | 202,281 | | 202,281 | | | | | | |
| 4. OTHER COMMON EQUITY | (2,500) | | (2,500) | | | | | | |
| 5. TOTAL COMMON EQUITY | \$39,132 | \$0 | 39,132 | (22,960) | 16,172 | 10.74% | 10.34% | 1.11% | |
| LONG TERM DEBT | | | | | | | | | |
| 6. Wachovia Bank | 196,943 | | 196,943 | (115,552) | 81,391 | 54.03% | 9.25% | 5.00% | |
| 7. MIRA International, Inc. | 0 | 115,640 | 115,640 | (67,849) | 47,791 | 31.73% | 9.00% | 2.86% | |
| 8. B.J. Roaderick | 0 | 12,000 | 12,000 | (7,041) | 4,959 | 3.29% | 9.00% | 0.30% | |
| 9. CUSTOMER DEPOSITS | <u>780</u> | <u>0</u> | <u>780</u> | <u>(458)</u> | <u>322</u> | <u>0.21%</u> | 6.00% | <u>0.01%</u> | |
| 10. TOTAL | <u>\$236,855</u> | <u>\$127,640</u> | <u>\$364,495</u> | <u>(\$213,859)</u> | <u>\$150,636</u> | <u>100.00%</u> | | <u>9.27%</u> | |
| RANGE OF REASONABLENESS RETURN ON EQUITY OVERALL RATE OF RETURN | | | | | | <u>LOW</u> <u>10.34%</u> <u>9.27%</u> | <u>HIGH</u> <u>12.34%</u> <u>9.49%</u> | | |

| BFF Corp. TEST YEAR ENDING 8/31/02 SCHEDULE OF WASTEWATER OPERATING INCOME | | | SCHEDULE NO. 3-A DOCKET NO. 010919-SU | | |
|--|--------------------------|----------------------|--|----------------------------|------------------------|
| | TEST YEAR PER UTILITY | COMMN ADJUSTMENTS | COMMN ADJUSTED TEST YEAR | ADJUST. FOR INCREASE | REVENUE REQUIREMENT |
| 1. OPERATING REVENUES | <u>\$50,946</u> | <u>\$13,174</u> | <u>\$64,120</u> | <u>\$6,962</u> 10.86% | <u>\$71,082</u> |
| OPERATING EXPENSES: | | | | | |
| 2. OPERATION & MAINTENANCE | 39,530 | 7,128 | 46,658 | 0 | 46,658 |
| 3. DEPRECIATION (NET) | 19,562 | (13,721) | 5,841 | 0 | 5,841 |
| 4. AMORTIZATION | 0 | 2,584 | 2,584 | 0 | 2,584 |
| 5. TAXES OTHER THAN INCOME | 587 | 1,135 | 1,722 | 313 | 2,035 |
| 6. INCOME TAXES | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 7. TOTAL OPERATING EXPENSES | <u>\$59,679</u> | <u>(\$2,874)</u> | <u>\$56,805</u> | <u>\$313</u> | <u>\$57,118</u> |
| 8. OPERATING INCOME/(LOSS) | <u>(\$8,733)</u> | | <u>\$7,315</u> | | <u>\$13,964</u> |
| 9. WASTEWATER RATE BASE | <u>\$342,178</u> | | <u>\$150,636</u> | | <u>\$150,636</u> |
| 10. RATE OF RETURN | <u>-2.55%</u> | | <u>4.86%</u> | | <u>9.27%</u> |

| BFF Corp. TEST YEAR ENDING 8/31/02 ADJUSTMENTS TO OPERATING INCOME | Schedule No. 3-B DOCKET NO. 010919-SU Page 1 of 2 <u>WASTEWATER</u> |
|--|--|
| OPERATING REVENUES | |
| 1. To adjust utility revenues to audited test year amount. | \$198 |
| 2. Reclassify purchased wastewater treatment from revenue to 710 | 8,289 |
| 3. Reclassify RAF from revenues to taxes other | 2,646 |
| 4. Include "Other Sewer Revenues" | 249 |
| 5. Projected 2002 revenues | 1,792 |
| Subtotal | <u>\$13,174</u> |
| OPERATION AND MAINTENANCE EXPENSES | |
| 1. Purchased Wastewater Treatment (710) | |
| a. Reclassify from revenue to 710 | \$8,289 |
| b. Annualize purchased wastewater treatment | 26,523 |
| Subtotal | <u>\$34,812</u> |
| 2. Sludge Removal Expense (711) | |
| a. Reduce sludge removal since interconnection | (\$3,232) |
| 3. Purchased Power (615/ 715) | |
| a. Reduce purchased power since interconnection | (\$1,490) |
| 4. Contractual Services - Professional (631/ 731) | |
| a. Reclass engineering & surveying from 731 to 360 | (\$9,372) |
| b. Remove legal fees for fines imposed by DEP | (1,181) |
| Subtotal | <u>(\$10,553)</u> |
| 5. Contractual Services - Other (636/ 736) | |
| a. Reclassify engineering from 736 to 360 | (\$677) |
| b. Remove Operator expense since interconnection | (3,164) |
| c. Reduce management fee for overaccrual | (2,400) |
| d. Reduce management fee since interconnection | (2,062) |
| Subtotal | <u>(\$8,303)</u> |
| 6. Insurance Expenses (655/ 755) | |
| a. Reduce insurance since retirement of T&D plant | (\$480) |
| 7. Regulatory Expense (665/ 765) | |
| a. Amortize Rate Case Filing Fee over 4 years (\$200/4-200) | (\$150) |
| b. Include and amortize notice expense over 4 years | 23 |
| Subtotal | <u>(\$127)</u> |
| 8. Miscellaneous Expense (675/ 775) | |
| a. Reclassify from 775 to 365, 362 and 360 | (\$883) |
| b. Reclassify from 775 to Accum. deprec. - cost of removal | (1,126) |
| c. Remove mowing expense on PHFU | (1,490) |
| Subtotal | <u>(\$3,499)</u> |
| TOTAL OPERATION & MAINTENANCE ADJUSTMENTS | <u>\$7,128</u> |

BFF Corp.
TEST YEAR ENDING 8/31/02
ADJUSTMENTS TO OPERATING INCOME

Schedule No. 3-B
DOCKET NO. 010919-SU
Page 2 of 2

| | <u>WASTEWATER</u> |
|---|--------------------------|
| DEPRECIATION EXPENSE | |
| 1. To reflect test year depreciation calculated per 25-30.140, F.A.C. | (\$13,774) |
| 2. Non-Used and Useful Depreciation | (394) |
| 3. CIAC per Composite rates | <u>\$447</u> |
| Total | <u>(\$13,721)</u> |
| AMORTIZATION | |
| 1. Amortization of Abandonment/ Early Retirement over 9 years | <u>\$2,584</u> |
| TAXES OTHER THAN INCOME | |
| 1. Reclass RAF from revenues to Taxes Other | \$2,646 |
| 2. Adjust RAFs to Projected Revenue | 239 |
| 3. Reduce RAFs on purchased wastewater treatment | (1,567) |
| 4. Reduce Tangible & Property Tax to bill amount | <u>(183)</u> |
| Total | <u>\$1,135</u> |

| BFF Corp. TEST YEAR ENDING 8/31/02 ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE | | SCHEDULE NO. 3-C DOCKET NO. 010919-SU | | |
|--|-------------------------|--|-----|-----------------------|
| | TOTAL PER UTILITY | COMMN ADJUST- MENT | | TOTAL PER COMMN |
| (701) SALARIES AND WAGES - EMPLOYEES | \$0 | \$0 | | \$0 |
| (703) SALARIES AND WAGES - OFFICERS | 0 | 0 | | 0 |
| (704) EMPLOYEE PENSIONS AND BENEFITS | 0 | 0 | | 0 |
| (710) PURCHASED SEWAGE TREATMENT | 0 | 34,812 | [1] | 34,812 |
| (711) SLUDGE REMOVAL EXPENSE | 4,232 | (3,232) | [2] | 1,000 |
| (715) PURCHASED POWER | 3,107 | (1,490) | [3] | 1,617 |
| (716) FUEL FOR POWER PRODUCTION | 0 | 0 | | 0 |
| (718) CHEMICALS | 0 | 0 | | 0 |
| (720) MATERIALS AND SUPPLIES | 361 | 0 | | 361 |
| (730) CONTRACTUAL SERVICES - BILLING | 0 | 0 | | 0 |
| (731) CONTRACTUAL SERVICES - PROFESSIONAL | 11,524 | (10,553) | [4] | 971 |
| (735) CONTRACTUAL SERVICES - TESTING | 0 | 0 | | 0 |
| (736) CONTRACTUAL SERVICES - OTHER | 14,641 | (8,303) | [5] | 6,338 |
| (740) RENTS | 0 | 0 | | 0 |
| (750) TRANSPORTATION EXPENSE | 0 | 0 | | 0 |
| (755) INSURANCE EXPENSE | 720 | (480) | [6] | 240 |
| (765) REGULATORY COMMISSION EXPENSES | 200 | (127) | [7] | 73 |
| (770) BAD DEBT EXPENSE | 0 | 0 | | 0 |
| (775) MISCELLANEOUS EXPENSES | <u>4,745</u> | <u>(3,499)</u> | [8] | <u>1,246</u> |
| | <u>39,530</u> | <u>7,128</u> | | <u>46,658</u> |

| RATE REDUCTION SCHEDULE | | |
|---|--|--------------------------------------|
| BFF Corp. TEST YEAR ENDING 8/31/02 | SCHEDULE NO. 4 DOCKET NO. 010919-SU | |
| <u>CALCULATION OF RATE REDUCTION AMOUNT</u> <u>AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS</u> | | |
| <u>MONTHLY WASTEWATER RATES</u> | | |
| | <u>MONTHLY APPROVED RATES</u> | <u>MONTHLY RATE REDUCTION</u> |
| <u>RESIDENTIAL SERVICE</u> | | |
| BASE FACILITY CHARGE: | | |
| Meter Size: | | |
| All Meter Sizes | \$ 29.63 | 0.03 |
| Flat rate (no meter) | \$ 60.23 | 0.06 |
| <u>GENERAL SERVICE</u> | | |
| BASE FACILITY CHARGE: | | |
| Meter Size: | | |
| 5/8"X3/4" | \$ 29.63 | 0.03 |
| 3/4" | 44.44 | 0.05 |
| 1" | 74.06 | 0.08 |
| 1-1/2" | 148.13 | 0.16 |
| 2" | 237.01 | 0.26 |
| 3" | 474.01 | 0.51 |
| 4" | 740.64 | 0.80 |
| 6" | 1,481.29 | 1.60 |
| RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (10,000 GALLON CAP) | \$ 6.40 | 0.01 |
| GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS | \$ 7.68 | 0.01 |