

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of EL AGUA CORPORATION for staff-assisted rate case in Duval County.)	DOCKET NO. 880811-WS
)	ORDER NO. 20947
)	ISSUED: 3-27-89

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, CHAIRMAN
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER AUTHORIZING TEMPORARY RATES IN EVENT OF
 PROTEST OF PROPOSED AGENCY ACTION

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER SETTING FINAL RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the portion authorizing temporary rates in the event of 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

El Agua Corporation (El Agua or the utility) is a water and sewer utility which provides water and sewer service to 659 residential customers, 5 general service customers and 3 multi-residential customers. The utility provides water-only service to 162 residential customers and 3 general service customers. The utility is owned by Mr. H. P. Demery and is managed by Jax Utilities Management. The utility has had one prior staff-assisted rate case that was processed in Docket No. 810336-WS. Our Order No. 19865 granted staff assistance to the utility for this proceeding, with the official filing date set as August 2, 1988.

QUALITY OF SERVICE

The office of primary responsibility in charge of environmental standards for El Agua is the City of Jacksonville's Department of Health, Welfare and Bio-Environmental Services. According to that agency the utility is operating in accordance with a stipulation signed on April 22, 1987. That stipulation requires that the utility expand its old sewage treatment plant so it will meet or exceed high standard effluent requirements. The utility appears to be in compliance with all other standards.

DOCUMENT NUMBER-2115

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FPSC-RECORDS/REPORTING

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Our field inspection on October 19, 1988, found the treatment facilities to be in satisfactory condition. Several customers had filed complaints against the utility during the test year. In follow-up contacts, to determine how the utility had handled them, most of the complainants indicated that their problems had been corrected. However, others complained that the utility had not properly carried through. Accordingly, we will require the utility to carefully monitor customer complaints and to continue customer relations training for office and field personnel.

On January 17, 1989, we held a customer meeting to learn more about the utility's quality of service. Six customers attended the meeting and two testified. One comment was that some of the field personnel had been rude. However, that customer felt that, considering the circumstances and the promptness of their response, the overall performance was satisfactory. Based on the facts described above, we find the utility's quality of service to be satisfactory.

RATE BASE

On December 14, 1966 the City of Jacksonville's Department of Health, Welfare and Bio-Environmental Services placed a moratorium on El Agua, barring further connections to its sewer system. The primary reason was that sewage flows were exceeding the old plant's capacity. The moratorium particularly affected the development and service requirements of Pablo Trace Apartments. To correct the problem, the utility stipulated to expand its sewage treatment facilities within a specified period of time. Therefore, in early January 1988, the utility began construction of a 750,000 gallons per day (GPD) refurbished steel sewage treatment plant. The plant was to be built approximately 750 feet north of the old plant, and was to be operated as a 500,000 GPD extended aeration plant. The new plant was actually placed into service early in November 1988. The old plant was shut-down and is currently being treated as plant held for future use.

Jax Utilities Management, Inc., was elected general contractor for this expansion project in lieu of a competitive bidding process. Although we agree that the expansion was urgent and necessary, we believe that benefits to present and future customers may have been compromised by the lack of bids. Accordingly, we find that the utility's cost of equity should be reduced by 100 basis points as a penalty, as noted in Schedule No. 2.

We find that the cost of the new sewage treatment plant and the value of the plant site are appropriately considered post-test year additions in our calculation of rate base. We believe this is the proper treatment for these costs since rates are set for the future and the new treatment plant is in service. The new plant was constructed based on a need for additional capacity, which is stated in the stipulation between the Department of Health, Welfare and Bio-Environmental Services and El Agua.

The land for the new plant was owned by H. P. Demery, the utility's owner, and was acquired in September, 1987, by the

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utility for \$158,000. The site is 1.58 acres and was acquired by Mr. Demery in 1952, as part of 148 acre purchase, for \$40.54 per acre. The 1988 property appraiser's valuation for the site is \$145,700. In its original state, the site was marshy and inaccessible. A breakdown of the cost of the new plant reveals that \$25,000 was spent for building a road to the site. (See Schedule No. 4.) We believe the property appraiser's valuation of \$145,700, as a substitute for an "arms length" transaction, is an appropriate value to assign to the land and to include in our calculation of rate base. However, we have removed the amount for building the road from the plant since this cost made the site accessible, and should be considered part of the value of the land.

a. Water Treatment Plant

El Agua's water treatment plant can produce 1.4 million gallons per day (MGD). According to the monthly operating reports (MORs), the utility's five day peak demand exceeds 723,200 GPD. In addition, the utility is required to provide two hours of fire flow at a rate of 1,500 gallons per minute (GPM) or 180,000 gallons. The total storage capacity is 137,000 gallons, approximately 43,000 gallons less than fire flow requirements. Consequently, the utility should be capable of providing no less than 225% of its peak five day domestic demand plus the fire flow deficiency, for a total of 1.67 MGD. Based on this demand, we find the plant to be 100% used and useful.

b. Distribution System

El Agua's distribution system has a capacity to service approximately 1,420 equivalent residential connections (ERCs). During the test year, the utility served an average of 1,163 ERCs. However, based on the even distribution of the existing customers, we believe that no less than the current system could provide service. Therefore, we find the distribution system to be 100% used and useful.

c. Collection System

The utility's collection system has a capacity to serve approximately 1,270 ERCs. During the test year, the utility provided service to an average of 1,023 ERCs. Based on the even distribution of its sewer customers, it is our belief that no less than the current system could provide adequate service. Hence, we find the collection system to be 100% used and useful. ^

d. Sewage Treatment Plant

El Agua's peak monthly flows during the test year averaged 305,000 GPD. Adding a margin reserve of 17,600 GPD, based on a year's average customer growth, the utility will treat 322,600 GPD. Since the capacity of the plant is 500,000, we find the plant to be 64.5% used and useful (322,600 GPD/500,000 GPD).

We find that the old sewage treatment plant should be considered plant held for future use. Plant held for future use serves as a reduction to rate base. This reduction is calculated by subtracting the net contributions-in-aid-of-

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construction (CIAC) associated with the old plant from the net cost of the old plant. During the test year, without considering the investment in the new sewage treatment plant, the utility's sewer system was almost fully contributed. Therefore, in calculating plant held for future use, we find it appropriate to offset the amount for the old sewage treatment plant with a corresponding amount of CIAC. Based on this calculation, we find the proper amount for plant held for future use is (\$10,840).

For the sewer system, the cost of the new sewage treatment plant, \$877,047, has been included in plant as a post-test year plant addition. Based on our determination of the appropriate used and useful percentage, we calculate the non-used and useful plant to be \$301,435.

For the water and sewer systems, we have made adjustments to remove undocumented additions and retirements, to adjust plant balances to our last rate proceeding order for this utility, and to properly record line costs and retirements. Based on these adjustments, we find the appropriate amounts for utility plant in service are \$863,437 for water and \$2,079,327 for sewer.

For both the water and sewer systems, we find it appropriate to reclassify advances for construction as CIAC. This is because the development which provided the advances had connected to the system. We also find it appropriate to adjust CIAC balances to the last rate order and to record, as CIAC, funds which had been transferred to income. Based on the margin reserve in our used and useful calculation and the plant capacity charge of \$600 per ERC, we find it appropriate to impute \$35,400 as CIAC.

Based on our review of the utility's current assets and current liabilities, we calculate a negative amount for working capital using the balance sheet approach. Therefore, we do not find it appropriate to include any working capital allowances in our calculation of this utility's water and sewer rate bases.

Schedules Nos. 1(a) and 1(b) present our calculation of this utility's rate bases and our adjustments. As is clear from the foregoing, our major adjustments have affected the sewer system. The cost of the new sewage treatment plant and its site are included as post-test year additions, and the cost of the old sewage treatment plant, net of CIAC, is considered plant held for future use. We applied a 64.5% used and useful percentage to the cost of the new sewage treatment plant.

For both the water and sewer systems, we made adjustments to match the rate base accounts to the last rate order and to update these accounts for additions and retirements. We have also made adjustments for thirteen month averages when appropriate.

COST OF CAPITAL

To construct its new water and sewer plants, El Agua secured a \$1.1 million line of credit from Sun Bank. The interest rate for this loan is prime plus 1%. The prime rate

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in November 1988, was 10%, and the utility incurred \$45,291 in closing costs for the loan. At the end of the test year, the balance of the loan was \$648,639. Allowing for the amortization of closing costs over the 5 year term of the loan, we calculate the effective rate of interest for the loan to be 12.48%. The utility has a note payable to its stockholder for which no payments are made. We have assigned the cost of equity, 14.35%, to the \$138,064 loan, but we have considered it as debt in the capital structure. Based on these adjustments, the overall cost of debt is 12.51%.

We calculate the cost of equity to be 14.35% based on the utility's equity ratio and the leverage graph we adopted in Order No. 19718, issued in Docket No. 880006-WS. However, to penalize the utility for failing to obtain competitive bids for construction of the new sewage treatment plant, as previously stated, we are reducing the utility's cost of equity by 100 basis points. Considering this penalty, the utility's equity ratio and the leverage graph, we find the cost of equity for this utility to be 13.35%.

Schedule No. 2 presents our calculation of this utility's capital structure and its costs of debt and equity. We find El Agua's appropriate overall rate of return to be 12.54%.

OPERATING REVENUE

We calculate El Agua's test year revenue using the utility's present rates and a billing analysis prepared by our staff. To match the utility's test year revenue to its present rates, we find it appropriate to reduce El Agua's water revenue by \$3,062 and increase its sewer revenue by \$11,041.

NET OPERATING INCOME

Schedule No. 3(c) details the utility's operation and maintenance (O & M) expenses and our adjustments. To reflect the proper allocation of insurance expense, we have made an adjustment of \$1,102 to both the water system and the sewer system which increased insurance expenses. For regulatory commission expense, we find it appropriate to allow an amount based on the \$1,800 filing fee, \$191 for the utility to file its rate case application, and providing 4 year amortization period. The utility is currently involved in a lawsuit with a developer, but the costs of this lawsuit have either not been billed to the utility or occurred outside of the test year. The suit had not been to trial or otherwise settled during the test year. Therefore, no costs related to this lawsuit have been allowed in the utility's test year expenses.

The utility files a Form 1120 corporate tax return. Using the equity portion of net operating income, we calculate an income tax liability of \$469 and allocate it to the water and sewer systems proportionately, according to rate base.

Schedules Nos. 3(a) and 3(b) present our calculation of El Agua's net operating incomes.

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REVENUE REQUIREMENT

Based on our prior decisions, we find it appropriate to give the utility an opportunity to increase its water revenues by \$13,866 and its sewer revenues by \$105,744, on an annual basis. These adjustments represent a 12.48% increase in water revenues and a 85.98% increase in sewer revenues. Therefore, we find El Agua's revenue requirement to be \$125,014 for water and \$228,725 for sewer, on an annual basis.

RATES AND CHARGES

We find the rates set out on Schedules Nos. 5(a) and 5(b), for water and sewer respectively, to be fair and reasonable. The existing rates are shown for comparison purposes. These rates are designed to allow the utility the opportunity to generate revenues of \$125,014 for water and \$228,725 for sewer, on an annual basis,

These approved rates shall be effective for meter readings on or after thirty days from the stamped approval date of the revised tariff sheets. The revised tariff sheets will be approved upon our Staff's verification that the tariffs are consistent with our decision, that the protest period has expired, that the proposed customer notice is adequate, and that the required security has been provided. The utility renders monthly and quarterly bills. The initial bills at the new rate may be prorated, but in no event shall the final rates be effective for service rendered prior to the stamped approval date.

MISCELLANEOUS SERVICE CHARGES

Pursuant to Rule 25-30.345, Florida Administrative code, a utility may charge certain customer service charges. The reason for these charges is to provide a means by which the utility can cover its costs of providing miscellaneous services from those customers who show the need for such services. By allowing those charges, the additional costs are borne by the customers who utilize these miscellaneous services. The following charges are appropriate:

<u>Type of Service</u>	<u>Miscellaneous Service Charges</u>	
	<u>Water</u>	<u>Sewer</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit	\$10.00	\$10.00

NOTE: If both water and sewer service are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

For purposes of clarification, the terms are defined below:

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

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2) Normal Reconnect - This charge would be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer-requested disconnection.

3) Violation Reconnect - This charge would be levied prior to reconnection of an existing customer after disconnection of service for a use according to Rule 25-30.320(2), F.A.C., including a delinquency in bill payment.

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

SERVICE AVAILABILITY CHARGES

Because the level of CIAC for the utility's water system is 91.80%, we find it appropriate to eliminate El Agua's present plant capacity charge. However, we believe it appropriate for the utility to maintain its present meter installation fee. Regarding El Agua's sewer system, Schedules Nos. 6(a), 6(b) and 6(c) present our calculation of the appropriate plant capacity charge. We find the appropriate plant capacity charge to be \$600. This \$600 plant capacity charge will allow the sewer system to achieve a 75% CIAC level at full capacity.

SERVICE AVAILABILITY CHARGES

WATER

METER INSTALLATION CHARGES

<u>Meter Size</u>	<u>Present</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$75.00	\$75.00
Larger Sizes		
Actual Cost	Actual Cost	

PLANT CAPACITY CHARGES

	<u>Present</u>	<u>Commission Approved</u>
Residential ERC	\$100.00	\$0
All Others - per gallon	\$.29	\$0

SEWER

PLANT CAPACITY CHARGES

	<u>Present</u>	<u>Commission Approved</u>
Residential ERC	\$250.00	\$600.00
All Others - per gallon	\$.91	\$ 1.66

TEMPORARY RATES IN EVENT OF PROTEST

Our order proposes a prospective increase in rates. A timely protest could delay such an increase resulting in an unrecoverable loss of revenue to the company. In the event of a protest by a substantially affected party other than the utility, the utility is hereby authorized to charge these

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approved rates as temporary rates, provided security for a refund is established. The security shall be either a bond or letter of credit in the amount of \$70,000 or an escrow agreement. The \$70,000 amount is based on the annual revenue increases and accrued interest for eight months. The utility is authorized to implement temporary rates only after providing security for a refund and filing revised tariff sheets. Should a refund be required, the refund will be with interest pursuant to Rule 25-30.360, Florida Administrative Code.

Based on the foregoing, it is therefore

ORDERED by the Florida Public Service Commission that the application of El Agua Corporation for a staff-assisted rate case is granted, as set forth in the body of this Order. It is further

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that all matters contained herein and/or attached hereto, whether in the form of discourse or schedules, are by this reference, specifically made integral parts of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 17, 1989. It is further

ORDERED that in the event a substantially affected person, other than the utility, protests this proposed agency action, the Utility may implement the rates and charges herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. This portion of the Order is not issued as proposed agency action. It is further

ORDERED that the utility shall implement new rates which are designed to increase water revenues by \$13,866 for total annual water revenues of \$125,014 and to increase sewer revenues by \$105,744 for total annual sewer revenues of \$225,725. It is further

ORDERED that the rates approved herein shall be effective for meter readings thirty days after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the miscellaneous service charges and the service availability charges approved herein shall be effective for service rendered after the stamped approval date on the revised tariff sheets. It is further

ORDERED that in the event this Order becomes final, the Utility shall notify each customer of the rates and charges authorized herein and explain the reasons for these rate changes. The form of such notice and explanation shall be submitted to the Commission for its prior approval. It is further

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ORDERED that, if this Order becomes final, the rates and charges approved herein shall not become effective until revised tariff sheets have been filed with and approved by this Commission. It is further

ORDERED that after April 17, 1989, this Commission shall issue either a notice of further proceedings or an order acknowledging that the provisions of this Order have become final if all conditions have been satisfied. It is further

ORDERED that, in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 27th day of MARCH, 1989.


 STEVE TRIBBLE, Director
 Division of Records and Reporting

(S E A L)

SFS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action granting increased water and sewer rates, miscellaneous service charges, and service availability charges, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 17, 1989. In the absence of such a petition, this order shall become effective April 18, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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

If the relevant portion of this order becomes final and effective on April 18, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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EL AGUA CORPORATION
 WATER RATE BASE
 TEST YEAR ENDED 6/30/88

SCHEDULE NO. 1(a)
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 918,895	\$ (55,458)	\$ 863,437
LAND/NON-DEPRECIABLE ASSETS	16,530	0	16,530
PLANT HELD FOR FUTURE USE	0	0	0
ADVANCES FOR CONSTRUCTION	(72,750)	71,005	(1,745)
C.W.I.P.	0	0	0
C.I.A.C.	(681,452)	(48,521)	(729,973)
ACCUMULATED DEPRECIATION	(222,349)	21,464	(200,885)
NET ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	141,517	(11,698)	129,819
WORKING CAPITAL ALLOWANCE	0	0	0
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RATE BASE	\$ 100,391	\$ (23,208)	\$ 77,183
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EL AGUA CORPORATION
 SEWER RATE BASE
 TEST YEAR ENDED 6/30/88

SCHEDULE NO. 1(a)
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 1,207,256	\$ 872,071	\$ 2,079,327
LAND/NON-DEPRECIABLE ASSETS	100,275	145,700	245,975
PLANT HELD FOR FUTURE USE	0	(10,840)	(10,840)
NON-USED AND USEFUL PLANT	0	(301,435)	(301,435)
CUSTOMER ADVANCES	(119,910)	114,522	(5,388)
C.I.A.C.	(1,179,695)	(134,272)	(1,313,967)
ACCUMULATED DEPRECIATION	(366,545)	(1,179)	(367,724)
NET ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	276,319	(21,955)	254,364
WORKING CAPITAL ALLOWANCE	0	0	0
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RATE BASE	(\$62,300)	\$662,612	\$580,312
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SCHEDULE NO. 1(b)
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EL AGUA CORPORATION
TEST YEAR ENDING 6/30/88
ADJUSTMENTS TO RATE BASE

	WATER	SEWER
	-----	-----
1. UTILITY PLANT IN SERVICE		
a.) Adjust to last rate order	(\$567)	\$1,043
b.) Remove additions/retirements with no documentation	(4,026)	8,010
c.) Allocate relocated line costs between water and sewer	(13,780)	13,780
d.) Retire lines associated with relocation	(16,495)	(16,495)
e.) Remove extraordinary maintenance	(8,493)	
f.) Remove capitalized repairs	(2,123)	
g.) Retire replaced meters	(1,165)	
h.) Remove CWIP		(9,675)
i.) Add cost of new treatment plant		877,047
k.) 13 month average	(8,789)	(1,639)
	-----	-----
TOTAL ADJUSTMENT	(\$55,458)	\$872,071
	-----	-----
2. LAND		
Add land for new treatment plant		\$145,700

3. PLANT HELD FOR FUTURE USE		
Net adjustment for plant held for future use		(\$10,840)

4. NON-USED AND USEFUL PLANT		
Used and useful adjustment per staff engineer		(\$301,435)

5. ADVANCES FOR CONSTRUCTION		
a.) Reclassify to CIAC	68,850	110,160
b.) 13 month average	2,155	4,362
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TOTAL ADJUSTMENT	\$71,005	\$114,522
	-----	-----
6. CONTRIBUTIONS IN AID OF CONSTRUCTION		
a.) Properly record CIAC	460	(250)
b.) Transfer CIAC from income	(11,620)	(22,750)
c.) Reclassify advance as CIAC	(68,850)	(110,160)
d.) Remove amount for retired line	16,495	16,495
e.) 13 month average	14,894	17,793
f.) Impute CIAC for margin reserve		(35,400)
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TOTAL ADJUSTMENT	(\$48,521)	(\$134,272)
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SCHEDULE NO. 1(b)
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EL AGUA CORPORATION
 TEST YEAR ENDING 6/30/88
 ADJUSTMENTS TO RATE BASE

	WATER	SEWER
	-----	-----
7. ACCUMULATED DEPRECIATION		
a.) Match to adjustment for last rate order	4,871	5,143
b.) Remove amount for retired line	2,108	2,108
c.) Add 1/2 year accumulated depreciation for new treatment plant		(27,936)
d.) 13 month average	14,485	19,506
	-----	-----
TOTAL ADJUSTMENT	\$21,464	(\$1,179)
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8. AMORTIZATION OF CIAC		
a.) Match to adjustment for last rate order	2,567	(499)
b.) Remove amount for retired line	(2,108)	(2,108)
c.) 13 month average	(12,157)	(19,348)
	-----	-----
TOTAL ADJUSTMENT	(\$11,698)	(\$21,955)

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EL AGUA CORPORATION
 CAPITAL STRUCTURE
 TEST YEAR ENDED 6/30/88

SCHEDULE NO. 2
 DOCKET NO. 880811-WS

	TEST YEAR BALANCES	COMMISSION ADJUSTMENTS TO BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$736,618	(\$99,041)	\$637,577	96.97%	12.51%	12.13%
SHORT TERM DEBT	0	0	\$0	0.00%	0.00%	0.00%
COMMON EQUITY	164,116	(144,196)	\$19,918	3.03%	13.35%	0.40%
CUSTOMER DEPOSITS	0	0	\$0	0.00%	0.00%	0.00%
TOTAL	\$900,734	(\$243,239)	\$657,495	100.00%		12.54%

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EL AGUA CORPORATION
WATER OPERATING STATEMENT
TEST YEAR ENDING 6/30/88

SCHEDULE NO. 3(a)
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$114,210	(\$3,062)	\$111,148	\$13,866	\$125,014
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	90,118	4,695	94,813	0	94,813
DEPRECIATION	8,030	(3,579)	4,451	0	4,451
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	39,109	(23,439)	15,670	346	16,016
INCOME TAXES	0	0	0	55	55
TOTAL OPERATING EXPENSES	\$137,257	(\$22,323)	\$114,934	\$401	\$115,335
OPERATING INCOME/(LOSS)	(\$23,047)	\$19,261	(\$3,786)	\$13,465	\$9,679
RATE BASE	\$100,391		\$77,183		\$77,183
RATE OF RETURN	-22.96%		-4.91%		12.54%

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EL AGUA CORPORATION
 SEWER OPERATING STATEMENT
 TEST YEAR ENDING 6/30/88

SCHEDULE NO.3(a)
 DOCKET NO. 880811-WS

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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$111,940	\$11,041	\$122,981	\$105,744	\$228,725
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	127,188	(2,448)	124,740	0	124,740
DEPRECIATION	4,657	7,942	12,599	0	12,599
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	0	15,558	15,558	2,643	18,201
INCOME TAXES	0	0	0	414	414
TOTAL OPERATING EXPENSES	\$131,845	\$21,052	\$152,897	\$3,057	\$155,954
OPERATING INCOME/(LOSS)	(\$19,905)	(\$10,011)	(\$29,916)	\$102,687	\$72,771
RATE BASE	(\$82,300)		\$580,312		\$580,312
RATE OF RETURN	0.00%		-5.16%		12.54%

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SCHEDULE NO. 3(b)
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EL AGUA CORPORATION
 TEST YEAR ENDING 6/30/88
 ADJUSTMENTS TO OPERATING STATEMENT

	WATER	SEWER
	-----	-----
1. OPERATING REVENUE		
Match to billing analysis	(\$3,062)	\$11,041
	-----	-----
2. O & M EXPENSES		
a.) Add amortization of extraordinary maintenance	849	
b.) Allocate transportation expense to water	3,147	(3,147)
c.) Remove out-of-period regulatory commission expense	(584)	(584)
d.) Amortize rate case filing fee and cost	181	181
e.) Allocate appropriate test year insurance	1,102	1,102
	-----	-----
TOTAL ADJUSTMENT	\$4,695	(\$2,448)
	-----	-----
3.) DEPRECIATION		
Allowance at 3.34% rate for water and 4.45% rate for sewer	(\$3,579)	\$7,942
	-----	-----
4. TAXES OTHER THAN INCOME		
Allocate between water and sewer, match regulatory assessment fees to test year revenue, and remove non-used and useful property taxes	(\$23,439)	\$15,558
	-----	-----
5. OPERATING REVENUE		
Increase revenue to allow a 12.54% return on rate base	\$13,866	\$105,744
	-----	-----
6. TAXES OTHER THAN INCOME		
Match regulatory assessment fees to increase in revenue	\$346	\$2,643
	-----	-----
7. INCOME TAXES		
Allows appropriate income taxes	\$55	\$414
	-----	-----

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 EL AGUA CORPORATION

SCHEDULE NO. 3(C)
 PAGE 1 OF 2

WATER O & M EXPENSES

	PER UTILITY	ADJ.	COMMISSION BALANCE
OPERATING LABOR	\$1,235		\$1,235
LABOR-PUMPING	1,111		1,111
ELECTRIC POWER	15,058		15,058
SUPPLIES-PUMPING	1,632		1,632
MAINTENANCE-PUMPING	3,108	849	3,957
LABOR-TREATMENT	4,722		4,722
CHEMICALS	4,253		4,253
SUPPLIES-TREATMENT	51		51
MAINTENANCE-TREATMENT	2,101		2,101
LABOR-DISTRIBUTION	3,380		3,380
SUPPLIES-DISTRIBUTION	430		430
MAINTENANCE - MAINS	3,791		3,791
MAINTENANCE - SERVICES	455		455
MAINTENANCE - METERS	5,367		5,367
TRANSPORTATION	0	3,147	3,147
METER READING LABOR	641		641
ACCOUNTING & COLL.	6,493		6,493
SUPPLIES & EXPENSES	662		662
UNCOLLECTIBLE ACCOUNTS	0		0
FUELS	468		468
SMALL TOOLS	110		110
SUNDRY	8		8
LEGAL	186		186
ACCOUNTING	1,252		1,252
ENGINEERING	2,347		2,347
CONTRACTS	0		0
SUPPLIES	2,277		2,277
POSTAGE	610		610
DATA PROCESS.	2,295		2,295
ANSWERING SERV.	1,515		1,515
EQUIPMENT	65		65
OFFICE RENT	1,230		1,230
PUBLICATIONS DUES	75		75
MISCELLANEOUS	860		860
LIABILITY INSURANCE	1,494	(795)	699
VEHICLE INSURANCE	432	266	700
WORKMAN'S COMP.	1,556	(618)	938
REG. COMM. EXPENSE	652	(403)	249
SUNDRY INSURANCE	1,076	2,247	3,323
EMPLOYEE BENEFITS	6,604		6,604
CONTRACT ADMIN.	2,638		2,638
CONTRACT MAINTENANCE	7,438		7,438
POLLUTION MAINT. FEE	400		400
	\$90,118	\$4,695	\$94,813

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 EL AGUA CORPORATION

SCHEDULE NO. 3(C)
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SEWER O & M EXPENSES

	PER UTILITY	ADJ.	COMMISSION BALANCE
SUPRV. & LABOR-OPS	17,506		17,506
ELECTRIC POWER-OPS	4,152		4,152
ELECTRIC POWER-TREAT.	16,873		16,873
SLUDGE REMOVAL	7,214		7,214
CHEMICALS	3,535		3,535
TRANSPORTATION	6,293	(3,147)	3,146
OTHER SUPPLIES	1,138		1,138
RENTS	1,230		1,230
LAB ANALYSIS	4,121		4,121
SUPRV. & LABOR-MAINT.	7,171		7,171
COLL. SEWER SUPRV.	3,231		3,231
PUMPING EXPENSE	8,187		8,187
PLANT MAINT.	3,112	0	3,112
METER READ. LABOR	641		641
ACCOUNTING & COLL.	6,514		6,514
SUPPLIES	682		682
UNCOLLECTIBLE ACCOUNTS	0		0
FUELS	468		468
SMALL TOOLS	110		110
SUNDRY	8		8
LEGAL	186		186
ACCOUNTING	1,252		1,252
ENGINEERING	2,347		2,347
CONTRACTS	0		0
SUPPLIES	2,277		2,277
POSTAGE	610		610
DATA PROCESS.	2,295		2,295
ANSWERING SERV.	1,515		1,515
EQUIPMENT	65		65
OFFICE RENT	1,230		1,230
PUBLICATIONS DUES	75		75
MISCELLANEOUS	660		660
LIABILITY INSURANCE	1,494	(795)	699
VEHICLE INSURANCE	432	268	700
WORKMAN'S COMP.	1,556	(618)	938
REG. COMM. EXPENSE	652	(403)	249
SUNDRY INSURANCE	1,076	2,247	3,323
EMPLOYEE BENEFITS	6,604		6,604
CONTRACT ADMIN.	2,638		2,638
CONTRACT MAINTENANCE	7,438		7,438
POLLUTION MAINT. FEE	400		400
	\$127,188	(\$2,448)	\$124,740

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EL AGUA CORPORATION
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SCHEDULE NO. 4
 PAGE 1 OF 1
 NEW SEWER PLANT

	UTILITY	COMMISSION ADJUSTMENT	COMMISSION BALANCE
SITE WORK	22,320		22,320
PLANT	446,430		446,430
YARD PIPING	66,960		66,960
BUILDING	58,030	(10,685)	47,345
MECHANICAL	53,570		53,570
ELECTRICAL	75,900		75,900
CONSTR. LABOR & EQUIP.	35,790		35,790
ROADWORK	25,000	(25,000)	0
FORCE MAIN	37,000		37,000
ENGINEERING, ETC.	35,000	(35,000)	0
OFF-SITE IMPROVEMENTS	12,000		12,000
SUB-TOTAL	868,000	(70,685)	797,315
ADM./ENG./PROFIT	91,000	(11,268)	79,732
TOTAL PLANT	959,000	(81,953)	877,047

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SCHEDULE NO. 5(a)

RATE SCHEDULE

UTILITY: EL AGUA CORPORATION
 DOCKET NO.: 880811-WS
 TEST YEAR: 6/30/88

WATER

Schedule of Current and Approved Rates

Quarterly Rates

	Current	Approved
Residential		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$14.61	\$14.45
1"	\$36.54	\$36.13
1-1/2"	\$73.07	\$72.25
2"	\$116.92	\$115.60
Gallage Charge per 1,000 G.	\$0.32	\$0.41
General Service		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$14.61	\$14.45
1"	\$36.54	\$36.13
1-1/2"	\$73.07	\$72.25
2"	\$116.92	\$115.60
3"	\$233.88	\$231.20
4"	\$365.36	\$361.25
6"	\$730.73	\$722.50
8"	\$1,169.16	\$1,156.00
Gallage Charge per 1,000 G.	\$0.32	\$0.41
Monthly Rates		

Multi-Residential Service		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$4.87	\$4.82
1"	\$12.18	\$12.05
1-1/2"	\$24.36	\$24.10
2"	\$38.97	\$38.56
3"	\$77.94	\$77.12
4"	\$121.79	\$120.50
6"	\$243.58	\$241.00
8"	\$389.72	\$385.60
Gallage Charge per 1,000 G.	\$0.32	\$0.41

Residential

General Service

Monthly Rates

Multi-Residential Service

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SCHEDULE NO. 5(b)

RATE SCHEDULE

UTILITY: EL AGUA CORPORATION
DOCKET NO.: 880811-WS
TEST YEAR: 6/30/88

SEWER

Schedule of Current and Approved Rates

Quarterly Rates

	Current	Approved
Residential		

Base Facility Charge:		
Meter Size:		
All Meter Sizes	\$16.64	\$21.82
Gallonge Charge per 1,000 G. (Maximum 30,000 G.)	\$0.51	\$1.12
General Service		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$16.64	\$21.82
1"	\$41.61	\$54.55
1-1/2"	\$83.22	\$109.10
2"	\$133.14	\$174.56
3"	\$266.25	\$349.12
4"	\$416.04	\$545.50
6"	\$832.08	\$1,091.00
8"	\$1,331.31	\$1,745.60
Gallonge Charge per 1,000 G.	\$0.51	\$1.34
Monthly Rates		

Multi-Residential Service		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$5.55	\$7.27
1"	\$13.87	\$18.18
1-1/2"	\$27.74	\$36.37
2"	\$44.38	\$58.19
3"	\$88.75	\$116.37
4"	\$138.68	\$181.83
6"	\$277.36	\$363.67
8"	\$443.77	\$581.87
Gallonge Charge per 1,000 G.	\$0.51	\$1.34

Residential

Base Facility Charge:		
Meter Size:		
All Meter Sizes	\$16.64	\$21.82
Gallonge Charge per 1,000 G. (Maximum 30,000 G.)	\$0.51	\$1.12

General Service

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$16.64	\$21.82
1"	\$41.61	\$54.55
1-1/2"	\$83.22	\$109.10
2"	\$133.14	\$174.56
3"	\$266.25	\$349.12
4"	\$416.04	\$545.50
6"	\$832.08	\$1,091.00
8"	\$1,331.31	\$1,745.60
Gallonge Charge per 1,000 G.	\$0.51	\$1.34

Monthly Rates

Multi-Residential Service

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$5.55	\$7.27
1"	\$13.87	\$18.18
1-1/2"	\$27.74	\$36.37
2"	\$44.38	\$58.19
3"	\$88.75	\$116.37
4"	\$138.68	\$181.83
6"	\$277.36	\$363.67
8"	\$443.77	\$581.87
Gallonge Charge per 1,000 G.	\$0.51	\$1.34