

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for water)
and wastewater certificates in))
Putnam County by ST. JOHNS)
LANDING OF PUTNAM COUNTY)
UTILITIES SERVICES, INC. d/b/a))
ST. JOHNS LANDING UTILITIES)
SERVICES)
_____)

DOCKET NO. 911025-WS
ORDER NO. PSC-92-0259-FOF-WS
ISSUED: 04/27/92

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER GRANTING WATER AND WASTEWATER CERTIFICATES

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

On February 5, 1992, St. Johns Landing of Putnam County Utilities Services, Inc. d/b/a St. Johns Landing Utilities Services (St. Johns or Utility) filed its application for original water and wastewater certificates to provide service in Putnam County. The application was initially filed on October 7, 1991, but was incomplete. A deficiency letter was sent on October 16, 1991, and after several delays and a meeting with representatives of the applicant, an acceptable filing was presented to the Commission on

DOCUMENT NUMBER-DATE

04151 APR 27 1992

FILED RECORDS/REPORTS

February 5, 1992. The service territory proposed by St. Johns is on the west bank of the St. Johns River, approximately 6 miles north of the City of Palatka. The utility system owner will eventually be involved in development of the service territory. The utility seeks the certificates to provide service to a planned unit development and several outlying areas which need water and wastewater service as opposed to private wells and septic tanks. Environmental concerns along the St. Johns River have resulted in minimizing or eliminating private wells and septic tank disposal systems.

The utility will serve 715 equivalent residential connections (ERCs) at build-out. When the utility serves its design capacity, it will have revenues of approximately \$600,000 which will then make it a Class B utility. The utility will be constructed in three phases. The first phase (Phase I) is used to determine rates in this proceeding and represents approximately 251 ERCs. Revenue will be approximately \$71,000 and net operating income will be approximately \$11,900 for water. Revenue will be approximately \$93,400 and net operating income will be approximately \$16,400 for wastewater. The owner of the systems has experience in operating a utility under Commission jurisdiction and intends to retain qualified system operators. The owner, Mr. Frank J. Uddo, owned and operated a water and wastewater utility which served Terra Mar Village in Edgewater, Florida, during the early 1980's.

APPLICATION

On February 5, 1992, St. Johns filed its application for original water and wastewater certificates to provide service in Putnam County. The application is in compliance with the governing statute, section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for an original certificate and initial rates and charges. The application contains a check in the amount of \$1,800, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The applicant has provided evidence in the form of a warranty deed that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.033(1)(j), Florida Administrative Code.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.033(1)(l), (m), and (n), Florida Administrative Code. A

description of the territory requested by the applicant is described in Attachment A of this Order, which by reference is incorporated herein.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to the notice of application have been received and the time for filing such has expired.

The applicants, Frank J. and Dolores A. Uddo, appear to have the technical and financial ability to own and operate the systems in the proposed territory. The applicants owned and operated a 100,000 gallons per day (GPD) capacity water and wastewater system that served the Terra Mar Village territory in Edgewater, Florida, during the early 1980's. A personal financial statement of Mr. Uddo, prepared in 1991, indicated a net worth sufficient to provide capital and operating funds for the utility during its early years of service. In addition, Mr. Uddo furnished a statement of his understanding of the financial and technical requirements and his commitment of resources to the utility and its efficient operation.

There appears to be a need for service due to the existence of private wells and septic tank disposal systems in an area where continued use of such facilities represents a danger to environmentally sensitive areas along the St. Johns River. In addition, a planned unit development has been approved in the territory proposed to be served by the applicant. There does not appear to be any conflict with local comprehensive plans and there has been no objection to the proposal from the local planning agency for the area. No other utilities exist in the territory or adjacent to it that could feasibly serve the proposed area.

Based on the above information, we find it is in the public interest to grant the application for original certificates. Accordingly, we find it appropriate to grant St. Johns Landing Utilities Services Water Certificate No. 541-W and Wastewater Certificate No. 469-S to serve the territory described in Attachment A of this Order.

RATES AND CHARGES

Normally, in original certificate applications, rates are determined that will allow the utility to earn a fair rate of return on investment when the treatment plant reaches 80% of

capacity. The utility's Phase I of three phases of development, is projected to serve approximately 250 ERCs at build-out. It is anticipated that Phase I of the territory will reach build-out in late 1995. From the information supplied by the applicant, we were able to calculate pro forma schedules of rate base, operating income, and capital structure to be used in determining initial rates.

Our review of the plant costs indicated that they were reasonable. The water treatment facility will consist of two wells, aeration, ground storage, and chlorination prior to distribution to the customers. The built-out capacity of the system is 250,000 GPD while the Phase I capacity is approximately 88,000 GPD. The wastewater facility will consist of a standard collection system, extended aeration treatment, and effluent disposal to percolation/evaporation ponds. During the initial operation of the wastewater system, perhaps until Phase II is built-out, effluent disposal will be to percolation/evaporation ponds. After the average daily flows exceed 100,000 GPD, primary disposal will be to a spray irrigation system on the golf course/recreational facility. Spray irrigation systems are not approved by the Department of Environmental Regulation (DER) until flows from the plant exceed 100,000 GPD. This program of disposal is acceptable and complies with environmental requirements for a small wastewater system. Our Schedules of Rate Base appear on Schedules Nos. 1 and 2 with adjustments appearing on Schedule No. 3. The rate base was adjusted to reflect an error in the wastewater Contributions-in-Aid-of-Construction (CIAC) component and appropriate depreciation and amortization rates were adjusted based on Rule 25-30.140, Florida Administrative Code.

Expenses were reviewed and operation and maintenance expenses were found to be acceptable for this utility. Depreciation rates were adjusted as discussed above to correspond with the rule. Capital cost rates were adjusted, as will be discussed below, due to excessive interest rates compared with today's market conditions and an outdated return on common equity used by the applicant. Income taxes and taxes other than income taxes were adjusted as necessary due to reduced revenue, net operating income, and reduced regulatory assessment fees for water, and increased for wastewater. Our Schedules of Operations appear on Schedules Nos. 4 and 5, with adjustments appearing on Schedule No. 6.

The utility's pro forma capital structure was adjusted to reduce the long-term interest rate by 100 basis points from 10.5% to 9.5%, reduce the return on common equity, and recognize customer deposits as a component of the capital structure. We calculated the return on common equity to be 13.11% using the current Commission-approved leverage formula, authorized by Order No. 24246, issued March 18, 1991. The adjusted pro forma capital structure appears on Schedule No. 7. The weighted cost of capital was determined to be 10.88%.

The schedules have been used only as tools to aid in the establishment of initial rates and are not intended for use in establishing rate base. This is consistent with Commission policy in original certificate applications. However, we find it appropriate to establish a return on common equity of 13.11% to be used in future proceedings involving such things as calculation of allowance for funds used during construction (AFUDC) and interim rates.

The utility's proposed rates are shown below along with the approved rates. The approved rates are calculated using the base facility charge rate structure and based on a revenue requirement of \$71,104 and \$93,400, for the water and wastewater systems, respectively. We also differentiated the gallonage for wastewater between residential and general service, which is consistent with Commission policy. The rates were established with the gallonage charge at a level that would be expected to promote resource conservation.

St. Johns Landing Utilities Services
Water Rates
Monthly

	<u>Utility Proposed</u>	<u>Commission Approved</u>
<u>Residential and General Service</u>		
Meter Size:		
5/8"x3/4"	\$ 15.70	\$ 12.00
1"	39.25	30.00
1-1/2"	78.50	60.00
2"	125.60	96.00
3"	235.50	192.00
4"	392.50	300.00
6"	785.00	600.00
Gallonage Charge per 1,000 G.	\$ 1.10	\$ 1.40

	<u>Utility Proposed</u>	<u>Commission Approved</u>
<u>Private Fire Protection</u>		
<u>Line Size:</u>		
1-1/2"	\$ 26.17	\$ 20.00
2"	41.87	32.00
3"	78.50	64.00
4"	130.83	100.00
6"	261.67	200.00

Wastewater Rates
Monthly

<u>Residential</u>		
All Meter Sizes	\$ 21.13	\$ 14.00
Gallonge Charge per 1,000 G. (10,000 G. Maximum)	\$ 1.45	\$ 1.93

<u>General Service</u>		
<u>Meter Size:</u>		
5/8"x3/4"	\$ 21.13	\$ 14.00
1"	52.83	35.00
1-1/2"	106.00	70.00
2"	169.04	112.00
3"	316.95	224.00
4"	528.25	350.00
6"	1,056.50	700.00
Gallonge Charge per 1,000 G. (No Maximum)	\$ 1.45	\$ 2.32

The applicant filed a sample tariff as part of its application for certificates. However, because the approved rates are different than those proposed by the utility, the utility is directed to file tariff sheets reflecting the approved rates and charges within 30 days of the effective date of this Order. The rates shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets.

Allowance For Funds Used During Construction

For the purpose of having a rate for capitalization of construction funding costs, the AFUDC rate is established at 10.88%, with the monthly discounted rate calculated to be 0.8644%.

Miscellaneous Service Charges

The applicant requested that the Commission approve miscellaneous service charges pursuant to Staff Advisory Bulletin #13, Second Revised, and customer deposits consistent with Rule 25-30.311, Florida Administrative Code. Those charges will be approved administratively when the final tariff sheets are filed for approval.

Service Availability Charges

The applicant provided a determination of service availability charges that were consistent in terms of design with Commission policy as specified in Rule 25-30.580, Florida Administrative Code. The systems will be installed by the utility. On-site lines and hardware will be negotiated and dealt with in a developer agreement. This utility's customer base will take on a rather complex nature if, and when, service is provided to areas beyond the confines of the planned unit development. In those areas, there may be wastewater only or combinations of water only or wastewater only, or both. In certain cases, special developer agreements will be necessary for approval by the Commission as the need arises.

The service availability charges set forth below will result in a contribution level of approximately 75% when the systems reach build-out.

We find the following service availability charges to be reasonable and they are, therefore, approved.

Service Availability Charges

Water System

Plant Capacity Charges

Residential-per ERC (ERC=350 GPD)	\$	361.00
All others-per gallon		2.4714

Main Extension Charges

Residential-per ERC (ERC=350 GPD)	\$	865.00
All others-per gallon		1.0314

Water Meter Installation (Including back-flow-preventer)

5/8" x 3/4"	\$ 125.00
1"	160.00
1-1/2"	1,695.00
2"	1,820.00
Over 2"	Actual Cost

Wastewater System

Plant Capacity Charges

Residential-per ERC (ERC=350 GPD)	\$ 568.00
All others-per gallon	1.6229

Main Extension Charges

Residential-per ERC (ERC=350 GPD)	\$1,299.00
All others-per gallon	3.7114

Service Availability Charge Analysis

	<u>Water</u>	<u>Wastewater</u>
Utility Plant in Service	\$429,445	\$570,758
Land	6,322	30,358
Accumulated Depreciation	<u>(41,744)</u>	<u>(53,757)</u>
Net Plant in Service	<u>\$394,023</u>	<u>\$547,359</u>
CIAC	\$307,726	\$427,543
Accumulated Amortization of CIAC	<u>(17,995)</u>	<u>(24,231)</u>
Net CIAC	<u>\$289,731</u>	<u>\$403,312</u>
Ratio % Net CIAC to Net Plant	<u>73.53%</u>	<u>73.68%</u>
Total Charge	<u>\$ 1,226</u>	<u>\$ 1,867</u>

Allowance For Funds Prudently Invested

An allowance for funds prudently invested (AFPI) for each system was requested by the applicant. Due to our changes in the depreciation/amortization rates, return on common equity rate, long term debt rate, and weighted cost of capital, the AFPI which should be utilized is shown below. The AFPI will be waived for one year after utility system service first becomes available (plant officially on-line) and will become constant after the end of the

fifth year from when the AFPI first begins. The service availability charges will be effective on the stamped approval date on the tariff sheets. AFPI becomes effective one year after utility service first becomes available.

AFPI CHARGES

WATER SYSTEM

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
JANUARY	23.05	301.31	600.58	929.77	1,292.12
FEBRUARY	46.10	326.04	627.78	959.71	1,325.10
MARCH	69.14	350.77	654.99	989.65	1,358.08
APRIL	92.19	375.51	682.19	1,019.59	1,391.06
MAY	115.24	400.24	709.40	1,049.54	1,424.04
JUNE	138.29	424.97	736.60	1,079.48	1,457.02
JULY	161.33	449.71	763.80	1,109.42	1,490.00
AUGUST	184.38	474.44	791.01	1,139.36	1,522.98
SEPTEMBER	207.43	499.18	818.12	1,169.31	1,555.95
OCTOBER	230.48	523.91	845.41	1,199.25	1,588.93
NOVEMBER	253.53	548.64	872.62	1,229.19	1,621.91
DECEMBER	276.57	573.38	899.82	1,259.14	<u>1,654.89</u>

NOTE: AFPI becomes constant at the end of year 5.
 After the end of year 5 (1997), the AFPI is \$1,654.89

WASTEWATER SYSTEM

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
JANUARY	34.14	446.47	891.14	1,380.73	1,920.14
FEBRUARY	68.29	483.22	931.60	1,425.31	1,969.27
MARCH	102.43	519.96	972.05	1,469.88	2,018.41
APRIL	136.57	556.71	1,012.51	1,514.45	2,067.54
MAY	170.72	593.46	1,052.97	1,559.02	2,116.67
JUNE	204.86	630.20	1,093.42	1,603.59	2,165.80
JULY	239.01	666.95	1,133.88	1,648.16	2,214.94
AUGUST	273.15	703.70	1,174.34	1,692.73	2,264.07
SEPTEMBER	307.29	740.44	1,214.79	1,737.30	2,313.20
OCTOBER	341.44	777.19	1,255.25	1,781.87	2,362.33
NOVEMBER	375.58	813.94	1,295.71	1,826.44	2,411.46
DECEMBER	409.72	850.68	1,336.16	1,871.01	<u>2,460.60</u>

NOTE: AFPI becomes constant at the end of year 5.
 After the end of year 5 (1997), the AFPI is \$2,460.60

Based on the foregoing, it is,

ORDERED by the Florida Public Service Commission that St. Johns Landing Utilities Services, 4340 Whiting Way, Edgewater, Florida 32132, is hereby granted Certificates Nos. 541-W and 469-S to serve the territory described in Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that St. Johns Landing Utilities Services shall charge the rates and charges approved in the body of this Order until authorized to change by this Commission. It is further

ORDERED that St. Johns Landing Utilities Service shall use the return on common equity of 13.11% in future proceedings such as the calculation of AFUDC and interim rates. It is further

ORDERED that St. Johns Landing Utilities Services shall file tariff sheets reflecting the rates and charges approved herein within 30 days of the effective date of this Order. It is further

ORDERED that the rates shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets. It is further

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets. It is further

ORDERED that Allowance for Funds Prudently Invested, as set forth in the body of this Order, is hereby approved. It is further

ORDERED that the annual AFUDC rate for the water and wastewater systems is 10.88%, with a monthly discounted rate of 0.8644%. It is further

ORDERED that the provisions of this Order establishing rates and charges are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, 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 date set forth in the Notice of Further Proceedings. It is further

ORDERED that in the event that this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 27th day of April, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action establishing rates and 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 May 18, 1992. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or 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.

ATTACHMENT A

ST. JOHNS LANDING OF PUTNAM COUNTY UTILITIES SERVICES, INC.

D/B/A

ST. JOHNS LANDING UTILITIES SERVICES

TERRITORY DESCRIPTION

The following described lands located in portions of Sections 34 and 35, Township 8-South, Range 27-East, and Sections 2, 3, 4, 9, 10 and 11, Township 9-South, Range 27-East, Putnam County, Florida.

Section 34 and all of Section 35 lying south of the St. Johns Canal (St. Johns Harbor Subdivision) and west of the St. Johns River, Township 8 South, Range 27 East and all of Section 2, 3, 4, 9, 10 and 11, Township 9 South, Range 27 East, Putnam County, Florida.

Schedule No. 1

SCHEDULE OF WATER RATE BASE

	<u>Per Utility</u>	<u>Adjust.</u>	<u>Commission Approved</u>
Utility Plant in Serv.	\$429,445	\$ --	\$425,445
Land	6,322	--	6,322
Accumulated Deprec.	(40,192)	(1,552)	(41,744)
CIAC	(307,726)	--	(307,726)
Accum. Amort. CIAC	18,671	(676)	17,995
Working Capital	<u>5,031</u>	<u>--</u>	<u>5,031</u>
TOTAL	<u>\$111,551</u>	<u>\$(2,228)</u>	<u>\$109,323</u>

Schedule No. 2

SCHEDULE OF WASTEWATER RATE BASE

	<u>Per Utility</u>	<u>Adjust.</u>	<u>Commission Approved</u>
Utility Plant in Serv.	\$570,758	\$ --	\$570,758
Land	30,358	--	30,358
Accumulated Deprec.	(53,070)	(687)	(53,757)
CIAC	(468,617)	41,074	(427,543)
Accum. Amort. CIAC	27,225	(2,994)	24,231
Working Capital	<u>6,658</u>	<u>--</u>	<u>6,658</u>
TOTAL	<u>\$113,312</u>	<u>\$37,393</u>	<u>\$150,705</u>

ADJUSTMENTS TO RATE BASE

WATER SYSTEM

Accumulated Depreciation	
To adjust to Rule rate	\$ (1,552)
Accumulated Amortization	
To adjust to Rule rate	<u>(676)</u>
TOTAL ADJUSTMENT	<u>\$ (2,228)</u>

WASTEWATER SYSTEM

Accumulated Depreciation	
To adjust to Rule rate	\$ (687)
CIAC	
To adjust for error	41,074
Accumulated Amortization	
To adjust to Rule rate	<u>(2,994)</u>
TOTAL ADJUSTMENT	<u>\$37,393</u> ✓

Schedule No. 4

SCHEDULE OF WATER OPERATIONS

	<u>Per Utility</u>	<u>Adjust.</u>	<u>Commission Approved</u>
Operating Revenues	<u>\$ 71,834</u>	<u>\$(730)</u>	<u>\$ 71,104</u>
Operating and Maint.	\$ 40,246	\$ --	\$ 40,246
Depreciation Exp.	6,430	281	6,711
Taxes Other Than Inc.	11,010	(33)	10,977
Income Taxes	<u>1,097</u>	<u>184</u>	<u>1,282</u>
TOTAL OP. EXP.	<u>\$ 58,783</u>	<u>\$ 432</u>	<u>\$ 59,215</u>
NET OP. INC.	<u>\$ 13,051</u>	<u>\$(1,162)</u>	<u>\$ 11,889</u>
RATE BASE	<u>\$111,551</u>	<u>\$(2,228)</u>	<u>\$109,323</u>
RATE OF RETURN	<u>11.70%</u>		<u>10.88%</u>

Schedule No. 5

SCHEDULE OF WASTEWATER OPERATIONS

	Per <u>Utility</u>	<u>Adjust.</u>	<u>Commission Approved</u>
Operating Revenues	<u>\$ 88,488</u>	<u>\$ 4,912</u>	<u>\$ 93,400</u>
Operating and Maint.	\$ 53,263	\$ --	\$ 53,263
Depreciation Exp.	6,817	1,251	8,068
Taxes Other Than Inc.	13,687	221	13,908
Income Taxes	<u>1,463</u>	<u>304</u>	<u>1,767</u>
TOTAL OP. EXP.	<u>\$ 75,230</u>	<u>\$ 1,776</u>	<u>\$ 77,006</u>
NET OP. INC.	<u>\$ 13,258</u>	<u>\$ 3,136</u>	<u>\$ 16,394</u>
RATE BASE	<u>\$113,312</u>	<u>\$37,393</u>	<u>\$150,705</u>
RATE OF RETURN	<u>11.70%</u>		<u>10.88%</u>

ADJUSTMENTS TO OPERATIONS

WATER SYSTEM

Operating Revenues	
Fall-out adjustment	\$ (730)
Depreciation Expense (Net)	
To adjust to Rule rate	\$ 281
Taxes Other Than Income Taxes	
To adjust gross recpts. tax.	(33)
Income Taxes	
To adjust for NOI	184
NOI	
To adjust for return on invest.	\$(1,162)

WASTEWATER SYSTEM

Operating Revenues	
Fall-out adjustment	\$ 4,912
Depreciation Expense (Net)	
To adjust to Rule rate	\$ 1,251
Taxes Other Than Income Taxes	
To adjust gross recpts. tax.	221
Income Taxes	
To adjust for NOI	304
NOI	
To adjust for return on invest.	\$ 3,136

Schedule No. 7

CAPITAL STRUCTURE

Class of Capital	Capitalization Per Utility	Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discount Monthl Rate
Common Equity	89,945	0	89,945	40.00%	13.11%	5.24%	
Long Term Debt	134,918	(10,022)	124,896	55.54%	9.50%	5.28%	
Short-Term Debt	0	10,022	10,022	4.46%	8.00%	0.36%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Zero Cost	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	0	0	0	0.00%	0.00%	0.00%	
Deferred Income Taxes	0	0	0	0.00%	0.00%	0.00%	
Total	224,863	0	224,863	100.00%		10.88%	0.8643