

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff- ) DOCKET NO. 930524-WS  
Assisted Rate Case in Marion ) ORDER NO. PSC-94-0245-FOF-WS  
County by TRADEWINDS UTILITIES, ) ISSUED: March 4, 1994  
INC. )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
DIANE K. KIESLING  
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING INCREASED RATES AND CHARGES

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

Tradewinds Utilities, Inc. (Tradewinds or the utility) is a Class C water and wastewater utility located in Marion County. The Commission attained jurisdiction over Marion County on May 5, 1981. The utility was granted original Certificates Nos. 405-W and 342-S by Order No. 12183, issued July 2, 1983. The utility provides water service to approximately 299 customers and wastewater service to approximately 170 customers.

By Order No. PSC-93-0900-FOF-WS, issued June 14, 1993, this Commission amended the utility's certificated territory to reflect transfer of territory to the Resolution Trust Corporation. When

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the transfer was processed, we established a year end rate base for the remaining utility assets. We have approved rate increases for water and wastewater through the utility's applications for price indexes from 1984 through 1993.

On May 27, 1993, Tradewinds filed an application for a staff assisted rate case. We have selected a historical test year ended June 30, 1993. During that period the utility recorded test year revenues of \$59,739 for water and \$64,474 for wastewater. Test year operating expenses were \$41,438 for water and \$68,503 for wastewater resulting in operating income of \$18,301 for water and an operating loss of \$4,029 for wastewater.

Tradewinds operates in a critical use area within the St. John's River Water Management District (SJRWMD). The utility is operating under Consumptive Use Permit Number 2-083-0008-ANM2, issued by SJRWMD on May 8, 1990, and which expires on May 8, 1997. The utility's permit restricts water consumption from 200,000 maximum average gallons per day in 1993 to 260,000 maximum average gallons per day in 1997. While the permit allows the wastewater effluent to be discharged via sprayfield irrigation, we have determined that the overland spraying remains a viable method of disposal for the utility. Because the utility is adhering to the requirements of its operations as established by DEP, we believe that no additional action regarding effluent reuse is necessary.

#### QUALITY OF SERVICE

A customer meeting was held on the evening of October 28, 1993, in the Ocala City Hall, at Ocala, Florida. From a customer base of 317 connections, approximately 12 customers attended this meeting and eight customers went on record with comments and opinions. Of those that spoke, five customers had comments concerning the utility's quality of service. Their concerns were about excessive chlorine taste, bad odor, sediment, corrosion, and frequent sewage overflows at the lift stations.

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water and wastewater utility operations: (1) quality of the utility's product (water and wastewater service), (2) operational conditions of the utility's plant or facilities, and (3) customer satisfaction.

The utility has completed all the necessary water tests required by the Department of Environmental Protection (DEP) to assure the water is safe for public consumption. All test results were within the safety parameters outlined in Chapter 17-550,

Florida Administrative Code, and was found to either meet or exceed the requirements for potable water. Lab results did reveal a high pH saturation level sufficient to be scale forming (hard water), but this is not considered to be a health hazard. The cost to remove the calcium, and to properly adjust the hydrogen-ion activity (pH) would be prohibitive for a customer base the size of Tradewinds'.

Disinfection is required by Chapter 17-550.510 (6)(d), Florida Administrative Code, in that a utility "shall maintain a minimum free chlorine residual of 0.2 milligrams per liter or its equivalent throughout the distribution system at all times." The DEP does not designate a cap for the free chlorine residual. There is no current citations from the DEP concerning dosing levels, nor is there chronic bacteriological failure. We find that the utility has a satisfactory disinfection program.

The occurrence of several sewage overflows were mentioned at the customer meeting. The sewage overflows were due to an incident that occurred during May 1993, where a circuit breaker in the panel box at the lift station failed. This created a complete shut-down in lift station activity, causing a backup and overflow from the nearest manhole. The situation occurred during a weekend which extended the time between breakdown and repair. Since the utility treated the area with lime, reported the overflows to the Ocala County Health Department and repaired the panel box in a timely manner, this situation is considered resolved.

The bad odor experienced by some of the customers was related to difficulties the operator incurred while balancing the inflows between the two plants. After adjusting the floats in the surge tank to delay the influent mix between the industrial grade wastewater from the plaza with the domestic wastewater from the residential customers, the obnoxious odors were corrected.

All chemical analyses are up to date and the results are satisfactory. The utility meets or exceeds state and local safe drinking water standards. The hard water problem typical to this utility is not a health hazard and would be too cost prohibitive for this customer base to remove. There were additional concerns with housekeeping and maintenance at both the water and wastewater plants. Both plants recently underwent upgrades which caused the treatment sites to appear temporarily disarrayed in a service area that does not afford the utility the opportunity to hide their plants.

Based on the level of its customer participation at the customer meeting and the utility's compliance with state and local

health requirements, it appears that the customers are generally satisfied with the utility's provision of water and wastewater service. Therefore, we find that the quality of service rendered by Tradewinds is satisfactory.

#### RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1 and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those Schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Used and Useful

It has been determined that the utility's water treatment plant and wastewater treatment plant are 88 percent and 71.56 percent used and useful, respectively. We also find that the water distribution system and the wastewater collection system is respectively, 76.24 percent and 64.38 percent used and useful. In addition, the water meters, water services, and wastewater services to customers are 100 percent used and useful.

#### Water Treatment Plant

The water treatment plant operates as a closed system. Instantaneous fluctuations in flow demands currently rests on the capacity of the three wells and their accompanying pumps (a total of 1400 gallons per minute (gpm). Fire hydrants at the shopping plaza require the utility to provide a minimum of 500 gpm, sustainable for at least four hours. Based on minimum flow requirements along with consideration for fireflow and margin reserve, we find that the water plant is 88% used and useful.

#### Water Distribution System

With the exception of Accounts Nos. 333 on Services and 334 on Meters and Meter Installations, which we find to be 100% used and useful, we find that the water distribution system is 76.24% used and useful.

#### Wastewater Treatment Plant

The wastewater treatment facility is rated and permitted at 81,000 gallons per day. The highest five consecutive daily flows were averaged for the peak month of the test year (December 1992)

which resulted in an acreage of 54,800 gallons per day (gpd). After considering the peak flows plus margin reserve, we find that the wastewater plant is 71.56% used and useful.

#### Wastewater Collection System

The utility's collection system has the capacity to serve 344 equivalent residential connections (ERCs). During the test period, the utility provided service to 176 ERCs. With the exception of Account No. 363 for Service, which we determine to be 100% used and useful, the existing ERCs plus a margin reserve allowance of 12 ERCs were compared with the potential capacity of 344 ERCs, we find that the wastewater collection system is 64.38% used and useful.

#### Sprayfield Utilized in Treated Wastewater Disposal

The utility purchased an adjoining 20 acre tract of land for the sole purpose of spray irrigation to dispose of treated wastewater effluent. Of this 20 acre tract, 4.5 acres are used as a sprayfield, and 2.1 acres are used as a buffer zone. Therefore, we find that the property purchased solely for spray irrigation is 35.5% used and useful.

#### Utility Plant in Service (UPIS)

As of June 30, 1993, the utility's books reflect a plant balance of \$314,067 for water and \$630,424 for wastewater. In order to match the utility's totals to the audited total, we have adjusted UPIS by (\$14,076) for wastewater.

We have also adjusted plant by \$1,791 for the water system reflecting a reclassification from operation and maintenance expense. In addition, we have made an averaging adjustment of (\$1,325) for the water system and (\$4,771) for the wastewater system.

Because the utility purchased a tractor, mower, truck and trailer after the test year, it requested the costs for the equipment be included in plant. We have estimated the amount of time the equipment will be used for utility business to determine the costs to be included in rate base. Accordingly, we find it appropriate to adjust UPIS by \$3,945 for water and \$9,772 for wastewater reflecting average proforma plant.

The total adjustment to the utility plant in service is \$4,411 for water and (\$9,075) for wastewater.

### Land

The utility owns the land on which the water and wastewater plants are located. By Order No. PSC-93-0900-FOF-WS, a land value was established at \$20,000 for water and at \$36,001 for wastewater at December 31, 1991. The utility recorded land value of \$150,716 for wastewater at June 30, 1993. We have made adjustments of (\$15,715) to reflect the land value at December 31, 1991.

In 1992, the utility purchased an additional 20 acre tract of land for spray irrigation in order to dispose of treated wastewater effluent. The utility recorded the value of this land at \$99,000. However, only 6.6 acres of this land is being used for utility purposes. Of the 6.6 acres, 4.5 acres are for the spray field and 2.1 acres are for the buffer zone. We find it appropriate to adjust the additional land value by (\$66,330) to reflect a value of \$32,670 for the buffer zone and for the land on which the sprayfield is located.

Therefore, we find it appropriate to adjust the utility's land value by (\$82,045) for the wastewater system.

### Plant Held for Future Use

As discussed above there were used and useful plant adjustments made to the utility's treatment and distribution system plant accounts. The water treatment system is 87.99% used and useful, and the water distribution system is 76.24% used and useful. The wastewater treatment system is 71.56% used and useful and the wastewater collection system is 64.38% used and useful.

By applying the corresponding non-used and useful percentages times average balances of plant and accumulated depreciation, we adjusted plant held for future use (PHFU) by (\$40,492) for water and by (\$130,938) for wastewater, to reflect the average plant held for future use net of non-used and useful accumulated depreciation.

We find the total adjustments for plant held for future use of (\$40,492) for water and of (\$130,938) for wastewater to be appropriate.

### Contributions-in-Aid-of-Construction (CIAC)

Order No. PSC-93-0900-FOF-WS established CIAC for test year ended December 31, 1991. The utility recorded CIAC of (\$308,698) for water and (\$403,674) for wastewater. We have adjusted CIAC by (\$13,801) for water and \$10,063 for wastewater to reflect CIAC established by Order No. PSC-93-0900-FOF-WS at December 31, 1991.

We have also adjusted CIAC by (\$3,850) for water to include unrecorded connection fees. The utility has been authorized to gross up for CIAC. The utility's recorded CIAC includes taxes collected on CIAC. We have adjusted CIAC by \$56,576 and \$68,051 for water and wastewater, respectively to remove the taxes collected on CIAC.

An averaging adjustment of CIAC of \$1,950 has also been made for water. CIAC for wastewater remained constant from the beginning to the end of the test year and an averaging adjustment was not necessary. We find that the appropriate adjustment for CIAC is \$40,875 for water and \$78,114 for wastewater.

#### Advances for Construction

The utility recorded cash advances for construction of (\$47,046) for water and (\$179,969) for wastewater at June 30, 1993. According to the Commission approved developer agreement, a scheduled date for repayment of the cash advances was not stated. However, the utility began making payments to the developer in 1992, at the agreed rate of 15% of gross revenue received by the utility that is generated by the developer's project until full payment is made. These advances were paid to the utility for water and wastewater plant improvements required to provide service to the developer's a shopping center.

When this case was originally addressed at the December 7, 1993 Agenda Conference, this Commission was concerned with why the water rate base was negative and whether the water customers have paid for all of the water plant. Therefore, we considered alternative means of treating the cash advances. We considered removing the cash advances from rate base and including the cash advances in the capital structure as cost free debt. This resulted in a positive rate base of \$13,855 for water and \$170,701 for wastewater, which also resulted in an overall rate of return decrease to 3.65%. This alternative did not change water rates. However, the wastewater gallonage charge increased from \$4.79 to \$5.06 per 1,000 gallons for residential customers and from \$5.75 to \$6.08 for general service customers. This did not change the base facility charge.

We also considered netting the positive rate base for the wastewater system against the positive rate base for the water system. Netting the negative and positive rate bases would result in a reduction of \$.22 in the wastewater gallonage charge for residential customers and a reduction of \$.26 in the wastewater gallonage charge for general service customers. It has never been our practice to net positive and negative rate bases.

We find it appropriate to include the used and useful refundable cash advances of (\$47,046) for water and (\$179,969) for wastewater in rate base. Though these cash advances have the same impact as CIAC on rate base, they are not amortized as CIAC. After these advances are refunded, the value of the utility's investment increases. As a result, customers would not have paid for all of the water plant.

Furthermore, a non-used and useful adjustment has been made on the plant which was paid for with the cash advances. The non-used and useful adjustment is \$5,650 for water and \$52,435 for wastewater. These adjustments are based on the non-used and useful percentages we have approved herein. In addition, an averaging adjustment of (\$300) for water and (\$743) for wastewater was made. Considering the advances for construction, we find it appropriate to adjust water by \$5,350 and wastewater by \$51,692 to reflect an average cash advance of (\$41,696) for water and (\$128,277) for wastewater.

#### Accumulated Depreciation

By Order No. PSC-93-0900-FOF-WS, we established accumulated depreciation totals as of December 31, 1991. The utility recorded accumulated depreciation of (\$68,239) for water and \$159,882 for wastewater. We reconciled the utility's recorded accumulated depreciation totals with the amounts established by Order No. PSC-93-0900-FOF-WS.

Using the guidelines of Rule 25-30.140, Florida Administrative Code, we calculated depreciation expense from January 1, 1992, through June 30, 1993. Our calculated year end accumulated depreciation is (\$72,863) for water and (\$169,271) for wastewater.

Accumulated depreciation was adjusted by (\$4,624) for water and by (\$9,389) for wastewater to reflect year end accumulated depreciation. To reflect depreciation on average proforma plant, an additional adjustment of (\$658) for water and of (\$1,629) for wastewater was made. Averaging adjustments of \$5,469 for water and \$15,359 for wastewater were also made. Therefore, we find the appropriate total adjustments to accumulated depreciation are \$187 for water and \$4,341 for wastewater.

#### Amortization of CIAC

By Order No. PSC-92-0900-FOF-WS we established the level of accumulated amortization of CIAC as of December 31, 1991. The utility recorded amortization of CIAC of \$71,091 for water and



\$137,033 for wastewater. We have calculated the amortization of CIAC by using the composite depreciation rate through June 30, 1993. Therefore we made an adjustment of (\$21,418) for water and of (\$45,021) for wastewater reflecting our calculated amortization of CIAC through June 30, 1993. An adjustment has also been made of (\$4,316) for water and (\$7,976) for wastewater reflecting the averaging adjustment.

Therefore, we find that the appropriate total adjustment for amortization of CIAC is (\$25,734) for water and (\$52,997) for wastewater.

#### Working Capital Allowance

We find it appropriate to use the formula approach in calculating the working capital requirement of this utility, that is, one-eighth of operation and maintenance (O & M) expenses. Therefore, we find a working capital allowance of \$6,387 for water and \$8,684 for wastewater to be appropriate.

#### Test Year Rate Base Summary

Though the used and useful refundable cash advances of \$47,046 for water and \$149,969 for wastewater have the same impact as CIAC on rate base, they are not amortized as discussed previously. As a result of the utility repaying the full amount advanced, the value of the utility's investment increases. Therefore, we find the appropriate rate base is zero for water and \$42,424 for wastewater.

Rate base is shown on Schedules Nos. 1 and 1-A, and the adjustments are shown in Schedule No. 1-B.

#### COST OF CAPITAL

Our audit revealed that the utility's capital structure is comprised of common stock of \$200, other paid in capital of \$102,592 and negative retained earnings of \$173,563. The net of common equity components is a negative \$70,771. Following Commission practice, we adjusted the negative common equity to zero. By Order No. PSC-93-1107-FOF-WS, issued July 29, 1993, this Commission capped the return on common equity at 10.97% for all water and wastewater utilities having equity ratios of less than 40%. Since this utility's equity ratio is zero, its appropriate return on equity would otherwise be 10.97%. However, since equity has been adjusted to zero, we find it appropriate not to include the 10.97% return on equity in the overall rate of return.

The utility's capital structure also includes long term debt of \$43,317 at a cost of 10%, long term debt of \$1,094 at a cost of 12%, long term debt of \$10,000 at a cost of 9%, long term debt of \$149,246 at a cost of 7.5%, and customer deposits of \$11,239 at a cost of 8%.

Therefore, applying a pro rata share of debt and customer deposits to wastewater rate base times the appropriate cost, we find the resulting overall rate of return of 8.10% to be appropriate.

Capital structure and the overall rate of return is shown on Schedule No. 2.

#### NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedule No. 3 and our adjustments are itemized on Schedule No. 3-A. Those adjustments that are self-explanatory or essentially mechanical in nature are shown on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Test Year Operating Revenue

The utility recorded test year revenue of \$59,739 for water and \$64,474 for wastewater. Based on our audit, the utility recorded \$1,850 of CIAC in water revenues. We have adjusted water revenue by (\$1,850) to remove CIAC.

Based on our calculations, revenues have been adjusted by (\$691) for water and \$758 for wastewater reflecting an annualized revenue based on existing rates.

The appropriate test year revenue is \$59,048 for water and \$65,232 for wastewater. Test year revenues are shown on Schedules Nos. 3 and 3-A and our adjustments are shown on Schedule No. 3-B.

#### Test Year Operating Income

The test year operating revenue is \$59,048 for water and \$65,232 for wastewater. The corresponding test year operating expenses are \$59,025 for water and \$84,987 for wastewater. This results in a test year operating income of \$23 for water and a test year operating loss of \$19,755 for wastewater.

Test year operating income is shown on Schedule Nos. 3 and 3-A.

Test Year Operating Expenses

The utility's recorded test year expenses include operation and maintenance expense, depreciation expense, amortization of CIAC and taxes other than income. The utility recorded operating expenses of \$41,438 for water and \$68,503 for wastewater. A summary of adjustments to the utility's recorded expenses are as follows:

Operation and Maintenance Expenses

1) Salaries and Wages - Employees (601/701) - The utility recorded salary of \$5,893 each for water and wastewater. This expense has been adjusted by (\$697) for water to reflect a reclassification to plant.

The utility employs two part-time maintenance employees at an hourly rate of \$7.55, for \$15,701 annually. We believe \$15,701 annually for these two employees is appropriate. Therefore, we find \$6,241 for water and \$9,460 for wastewater, is appropriate.

The utility requested an annual salary of \$11,572 for its manager. However, we believe that 12 hours per week at a rate of \$15 an hour is appropriate. Therefore, we believe that an office manager salary of \$4,700 for both water and wastewater systems is appropriate.

Therefore, we find it appropriate to adjust employee salaries by \$5,048 for water and \$8,267 for wastewater.

2) Salaries and Wages - Officers (603/703) - The utility recorded an officer's salary of \$2,600 for both water and wastewater. We believe that 15 hours a week at an hourly rate of \$25 is an appropriate salary for the required duties performed. We believe that the salary of \$9,750 for each water and wastewater is appropriate. Therefore, we find it appropriate to adjust the salary by \$7,150 for both water and wastewater.

3) Pensions and Benefits (604/704) - This expense has been adjusted by \$358 for water and by \$1,222 for wastewater reflecting proforma insurance expense for employees as requested by the utility.

4) Chemicals (718) - The utility recorded \$1,484 for chemicals for wastewater. Purchases during the test period

totalled \$1,863. Therefore, this expense has been adjusted by \$379 for wastewater to reflect the actual cost during the test period.

5) Materials and Supplies (620/720) - This expense has been adjusted by (\$643) for water to reflect a reclassification of plant meters. This expense has also been adjusted by \$110 for water and (\$169) for wastewater to reflect an allocation of total material and supplies expense of 40% to water and 60% to wastewater.

Therefore, we find appropriate a total adjustment of (\$533) for water and (\$169) for wastewater.

6) Contractual Services (630/730) - The utility recorded contractual services expense of \$1,200 for water and \$3,150 for wastewater. Operator services cost \$450 a month for both water and wastewater. The annual contractual amount is \$5,400. We believe an allocation of \$2,100 for water and \$3,300 for wastewater is appropriate. Therefore, we have adjusted water by \$900 and wastewater by \$150, to reflect the appropriate contractual operator allowance.

Annual DEP required annual testing expense is \$1,261 for water and \$7,200 for wastewater. A schedule of the DEP required testing expenses and frequencies for water and wastewater follows:

<u>WATER</u>			
<u>Description</u>	<u>Frequency</u>	<u>Cost</u>	<u>Annual Cost</u>
Primary Inorganics	36 months	295/3	98
Secondary Contaminants	36 months	150/3	50
Volatile Organics	qtrly/1st yr/36 months	380/3	127
Unregulated Organics	36 months	450/3	150
Pesticides and PCB	36 months	650/3	217
Nitrate and Nitrite	qtrly/12 months	160	160
Raidoleuclides	12 months	45	45
Lead and Copper	12 months	<u>414</u>	<u>414</u>
	TOTAL	<u>\$2,544</u>	<u>\$1,261</u>

WASTEWATER

	<u>Frequency</u>	<u>Cost Per Sample</u>	<u>Annual Cost</u>
Total Suspended Solids (TSS)	monthly (10 samples)	30	3,600
Fecal Coliform Bacteriological Test	monthly (10 samples)	30	<u>3,600</u>
		TOTAL	<u>\$7,200</u>

The utility recorded testing expense of \$600 for water and \$6,407 for wastewater. This expense has been adjusted by \$661 for water and by \$793 for wastewater to reflect the appropriate annual testing expense.

We also adjusted water by \$3,910 and wastewater by \$5,485 to reflect a reclassification of contractual services expense from miscellaneous expense.

Therefore, the total adjustment for this expense is \$5,471 for water and \$6,428 for wastewater.

7) Insurance Expense (655/755) - This expense has been increased by \$272 and \$408 for water and wastewater, respectively, to reflect the insurance expense associated with pro forma plant.

8) Regulatory Commission Expense (665/675) - This expense has been adjusted by (\$2) for both water and wastewater to reflect rate case filing fee of \$150 for each system to be amortized over four years.

9) Miscellaneous Expense (675/775) - The utility recorded \$13,574 for water and \$17,255 for wastewater in miscellaneous expense. We adjusted this expense to reflect reclassifications of taxes other than income of (\$800) for both water and wastewater and to reflect a reclassification of contractual services of (\$3,625) for water. Wastewater miscellaneous expense has been adjusted by (\$285) to reflect a reclassification of water contractual services and by (\$5,485) for wastewater contractual services.

We find necessary an additional wastewater adjustment of (\$2,203) to remove non-utility expense, an adjustment of (\$4,723) to reflect the appropriate repair and maintenance expense, and an adjustment of \$439 to reflect the cost of a DEP required maintenance report amortized over three years. We find it appropriate to adjust miscellaneous expense for water by (\$4,425) and for wastewater by (\$13,057).

Depreciation Expense (Net of Amortization of CIAC)

This utility recorded a depreciation expense net of amortization of CIAC of \$133 for water and \$5,865 for wastewater. By using the rates prescribed in Rule 25-30.140, Florida Administrative Code, we have calculated the test year depreciation expense. Therefore, we found it appropriate to adjust water by \$2,559 and wastewater by \$3,628 to reflect the test year depreciation net of non-used and useful depreciation, and the amortization of CIAC.

Taxes Other Than Income

The utility recorded taxes other than income of \$3,551 for water and \$3,793 for wastewater. We found it appropriate to adjust water and wastewater by \$800 each to reflect the reclassification from O & M expense. We also found it appropriate to adjust water by \$893 and wastewater by \$1,156 to reflect the payroll taxes on the salaries approved herein. In addition, we adjusted water by (\$4) and wastewater by \$274 to reflect the appropriate regulatory assessment fee on test year revenue. Therefore, the total adjustment found to be appropriate is \$1,689 for water and \$2,230 for wastewater.

Increase in Operating Revenues and Expenses for Ratesetting Purposes

Operating Revenue: Revenue has been adjusted by (\$24) for water and \$24,284 for wastewater to reflect the decrease/increase in revenue required to cover expenses, only.

Taxes Other Than Income: This expense has been adjusted by (\$1) for water and by \$1,093 for wastewater to reflect the regulatory assessment fee at 4.5% on the increase in revenue we have approved herein.

Based on the foregoing, we find the appropriate amount of operating expenses are \$59,024 for water and \$36,080 for wastewater.

The above mentioned test year revenues, income, and operating expenses are shown in Schedules Nos. 3, 3-A, 3-B, 3-C, and 3-D, which are incorporated by reference herein.

#### REVENUE REQUIREMENT

Based on our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$59,024 for water and \$89,516 for wastewater. Accordingly, we find it appropriate to approve an annual decrease in revenue of \$24 or .04% for water and a revenue increase of \$24,284 or 37.23% for wastewater. This revenue requirement will allow the utility the opportunity to recover its operating expenses for water and allow the utility the opportunity to recover its operating expenses and earn an 8.10% return on its investment for wastewater.

The revenue requirement is shown on Schedules Nos. 3 and 3-A.

#### RATES AND CHARGES

The utility employs the base facility/gallorage charge rate structure. This rate structure is an appropriate rate structure for conservation purposes. Customer consumption is low. Therefore, we are not changing the rate structure.

During the test year, the utility provided service to approximately 299 water customers and 170 wastewater customers. The water customer base included 297 residential and 2 general service customers. The wastewater customer base included 168 residential and 2 general service customers. The two general service customers include a shopping center and a grocery store. The average water consumption for the residential customers is 6,476 gallons per month and approximately 2,113 gallons per day. The average consumption for the general service customers is 49,958 gallons per month and 1,642 gallons per day.

The utility's existing water rates will generate the appropriate revenue requirement. Therefore, no change has been made to the existing rates. Based on our calculations, wastewater rates will generate a revenue requirement of \$89,516 for wastewater. Schedules of the utility's existing rates and rate structure and approved rates and rate structure are as follows:

Water - Monthly Rates

Residential and General Service

<u>Base Facility Charge</u>	<u>Existing</u>	<u>Commission</u>
<u>Meter Size:</u>		<u>Approved</u>
		<u>Charges</u>
5/8" X 3/4"	\$ 7.66	No change
1"	19.44	"
1-1/2"	38.29	"
2"	61.24	"
3"	122.49	"
4"	191.48	"
 <u>Gallonage charge</u>		
Per 1,000 gallons	\$ 1.26	No change

Wastewater - Monthly Rates

Residential

<u>Base Facility Charge</u>	<u>Existing</u>	<u>Commission</u>
<u>Meter Size:</u>		<u>Approved</u>
		<u>Charges</u>
All Meter sizes	\$12.67	\$17.04
 <u>Gallonage charge</u>		
Per 1,000 gallons		
(10,000 gallons maximum)	\$ 3.52	\$ 4.79

General Service

<u>Base Facility Charge</u>	<u>Existing</u>	<u>Commission</u>
<u>Meter Size:</u>		<u>Approved</u>
		<u>Charges</u>
5/8" X 3/4"	\$ 12.67	\$ 17.04
3/4"	N/A	25.56
1"	31.66	42.61
1-1/2"	63.34	85.22
2"	101.32	136.35
3"	202.68	272.69
4"	316.65	426.08
6"	N/A	852.16





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 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 rate increase or decrease and the reduction in the rates due to the amortized rate case expense.

Rate reductions after the recovery of rate case expense are shown on Schedule Nos. 4 and 4-A.

Miscellaneous Service Charges

The utility's existing tariff includes miscellaneous service charges. We have modified the utility's existing charges to reflect more appropriate charges. We find it appropriate to set miscellaneous service charges designed to defray the costs associated with each service. The schedule of the utility's existing and approved charges is as follows:

WATER

	<u>Existing Charges</u>		<u>Commission Approved Charges</u>
	<u>Normal Hours</u>	<u>After Hours</u>	
Initial Connection	\$10.00	\$12.00	\$15.00
Normal Reconnection	\$15.00	\$20.00	\$15.00
Violation Reconnection	\$20.00	\$25.00	\$15.00
Premises Visit (in lieu of disconnection)	\$15.00	N/A	\$10.00

WASTEWATER

	<u>Existing Charges</u>		<u>Commission Approved Charges</u>
	<u>Normal Hours</u>	<u>After Hours</u>	
Initial Connection	\$10.00	\$12.00	\$15.00
Normal Reconnection	\$15.00	\$20.00	\$15.00

Violation Reconnection	\$20.00	\$25.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$15.00	N/A	\$10.00

When both water and wastewater services are provided, we believe that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. The definition of each charge is provided for clarification:

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

Normal Reconnection: This charge would be levied for transfer of service to a new customer account, a previously served location or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection: This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

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

These approved miscellaneous service charges shall be effective for services rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with this Commission's decision and that the proposed customer notice is adequate.

#### Service Availability Charges

Rule 25-30.580(1)(a) and (b), Florida Administrative Code, provides a guideline for the maximum and minimum CIAC levels for jurisdictional utilities. The utility's current level of CIAC is 81.45% for water and 43.90% for wastewater.

The utility has also collected cash advances for plant construction. These advances are repayable and have the same impact as CIAC on rate base until the full amount has been refunded.

to the contributor. These cash advances have not been included in the calculation of the utility's contribution level.

The utility's contribution level for water exceeds the 75% maximum but the wastewater contribution level does not. The utility's rate bases for water and wastewater include cash advances for construction. Based on the Commission approved developer agreement, these advances are not required to be refunded by a date certain. Since these advances impact rate base the same as CIAC, we believe that no change is appropriate to the utility's existing service availability charges. Therefore, we find the existing service availability charges to be appropriate. They are set forth below.

WATER

<u>Meter Size</u>	<u>Amount</u>
5/8" X 3/4"	\$100.00
1"	\$130.00
1-1/2"	\$180.00
Over 1-1/2"	Actual cost
Inspection Fee	Actual cost

Temporary Rates in the Event of Protest

This Order proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund, provided that the utility first furnish and have approved by Commission Staff adequate security for a potential refund, through a bond or letter of credit in the amount of \$16,529, or an escrow agreement, as well as a proposed customer notice and revised tariff sheets.

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

- 1) The Commission approved 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 security, it should contain the following conditions:

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the 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 Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase

should be maintained by the utility. This account must specify by whom and on whose behalf such monies are paid. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility should 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, the utility should file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Tradewinds Utilities, Inc., for an increase in its water and wastewater rates is approved in part and denied in part as set forth in the body of this Order. It is further

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

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

ORDERED that Tradewinds Utilities, Inc., is authorized to charge the new rates and charges set forth in the body of this Order. It is further

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

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

ORDERED that the customer deposits approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Tradewinds Utilities, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon our Staff's verification that it is consistent with our decision herein. It is further

ORDERED that, prior to its implementation of the rates approved herein, Tradewinds Utilities, Inc., shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that they are consistent with our decision herein and that the proposed customer notice is adequate. It is further

ORDERED that the provisions of this Order are issued as proposed agency action, except for the provision for temporary rates, subject to refund, in the event of a protest, 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 below. It is further

ORDERED that, in the event of a protest by any substantially affected person other than the utility, Tradewinds Utilities, Inc., is authorized to collect the rates approved herein on a temporary basis, subject to refund, in accordance with Rule 25-30.360, Florida Administrative Code, provided that Tradewinds Utilities, Inc. has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff sheets and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the temporary rates approved herein, Tradewinds Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$16,529 or an escrow agreement as a guarantee of any potential refunds collected on a temporary basis as set forth in the body of this Order. It is further

ORDERED that, in the event no timely protest is received, and Staff has approved the revised tariff sheets and the proposed customer notice, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 4th day of March, 1994.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )  
JBL

by: Kay Flynn  
Chief, Bureau of Records

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 herein, except for providing for temporary rates, subject to refund, in the event of a protest, 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 March 25, 1994. 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 wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days 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



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DOCKET NO. 930524-WS  
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Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

TRADEWINDS UTILITIES, INC.  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 1  
 DOCKET NO. 930524-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 314,067 A	\$ 4,411	\$ 318,478
LAND/NON-DEPRECIABLE ASSETS	20,000 B	0	20,000
PLANT HELD FOR FUTURE USE	0 C	(40,492)	(40,492)
C.I.A.C.	(308,698)D	40,875	(267,823)
ADVANCES FOR CONSTRUCTION	(47,046)E	5,350	(41,696)
ACQUISITION ADJUSTMENT	0	0	0
ACCUMULATED DEPRECIATION	(68,239)F	187	(68,052)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	71,091 G	(25,734)	45,357
WORKING CAPITAL ALLOWANCE	0 H	6,387	6,387
	-----	-----	-----
WATER RATE BASE	\$ (18,825) \$	(9,016) \$	(27,841)
	=====	=====	=====

TRADEWINDS UTILITIES, INC.  
 SCHEDULE OF WASTEWATER RATE BASE  
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 1-A  
 DOCKET NO. 930524-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 630,424 A	\$ (9,075)	\$ 621,349
LAND/NON-DEPRECIABLE ASSETS	150,716 B	(82,045)	68,671
PLANT HELD FOR FUTURE USE	0 C	(130,938)	(130,938)
C.I.A.C.	(403,674)D	78,114	(325,560)
ADVANCES FOR CONSTRUCTION	(179,969)E	51,692	(128,277)
ACQUISITION ADJUSTMENT	0	0	0
ACCUMULATED DEPRECIATION	(159,882)F	4,341	(155,541)
AMORTIZATION OF AQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	137,033 G	(52,997)	84,036
WORKING CAPITAL ALLOWANCE	0 H	8,684	8,684
	-----	-----	-----
WASTEWATER RATE BASE	\$ 174,648	\$ (132,224)	\$ 42,424
	=====	=====	=====

TRADEWINDS UTILITIES, INC.  
Schedule of Adjustments to Rate Base

A. <u>Utility Plant In Service</u>	<u>Water</u>	<u>Wastewater</u>
1. To adjust the utility's total to audited total	\$ -0-	\$(14,076)
2. To reflect reclassification of plant cost from test year O & M expense	1,341	-0-
3. To reflect reclassification of plant cost from prior period O & M expense	450	-0-
4. To reflect average proforma plant	3,945	9,772
5. To reflect averaging adjustment	<u>(1,325)</u>	<u>( 4,771)</u>
	<u>\$ 4,411</u>	<u>\$( 9,075)</u>
B. <u>Land</u>		
1. To adjust utility's total to total established by Order No. PSC-93-0900-FOF-WS (\$150,716 - \$114,715) at 12/31/91	\$ -0-	\$(15,715)
2. To reflect used and useful land	<u>-0-</u>	<u>(66,330)</u>
	<u>\$ -0-</u>	<u>\$(82,045)</u>
C. <u>Plant Held For Future Use</u>		
1. To reflect average non-used and useful plant	\$(50,274)	\$(174,974)
2. To reflect average non-used and useful accumulated depreciation	<u>9,782</u>	<u>44,036</u>
	<u>\$(40,492)</u>	<u>\$(130,938)</u>
D. <u>Contributions In Aid Of Construction (CIAC)</u>		
1. To reconcile the utility's books with Order No. PSC-93-0900-FOF-WS	\$(13,801)	\$ 10,063
2. To record cash collected for CIAC	( 3,850)	-0-
3. To remove tax collected for CIAC	56,576	68,051
4. To reflect averaging adjustment	<u>1,950</u>	<u>-0-</u>
	<u>\$ 40,875</u>	<u>\$ 78,114</u>

TRADEWINDS UTILITIES, INC.  
Schedule of Adjustments to Rate Base

E.	<u>Advances for Construction</u>	<u>Water</u>	<u>Wastewater</u>
1.	To reflect non-used and useful advances	\$ 5,650	\$ 52,435
2.	To reflect averaging adjustment	<u>\$ ( 300)</u>	<u>\$ (743)</u>
		<u>\$ 5,250</u>	<u>\$ 51,692</u>
F.	<u>Accumulated Depreciation</u>		
1.	To reflect Commission approved depreciation at June 30, 1993	\$( 4,624)	\$( 9,389)
2.	To reflect average depreciation expense on proforma plant	( 658)	( 1,629)
3.	To reflect averaging adjustment	<u>5,469</u>	<u>15,359</u>
		<u>\$ 187</u>	<u>\$( 4,341)</u>
G.	<u>Amortization of CIAC</u>		
1.	To reflect Commission approved amortization of CIAC at June 30, 1993	\$(21,418)	\$(45,021)
		<u>( 4,316)</u>	<u>( 7,976)</u>
		<u>\$(25,734)</u>	<u>\$(52,997)</u>
H.	<u>Working Capital Allowance</u>		
1.	To reflect one-eighth of operation & maintenance expense	<u>\$ 6,387</u>	<u>\$ 8,684</u>

TRADEWINDS UTILITIES, INC.  
 SCHEDULE OF CAPITAL STRUCTURE  
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 2  
 DOCKET NO. 930524-WS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 43,371	\$ (36,732)	\$ 6,639	15.65%	10.00%	1.56%
LONG-TERM DEBT	1,094	(925)	169	0.40%	12.00%	0.05%
LONG-TERM DEBT	10,000	(8,469)	1,531	3.61%	9.00%	0.32%
LONG-TERM DEBT	149,246	(126,400)	22,846	53.85%	7.50%	4.04%
COMMON STOCK	200	(200)	0	0.00%	10.97%	0.00%
OTHER PAID IN CAPITAL	102,592	(102,592)	0	0.00%	10.97%	0.00%
RETAINED EARNINGS	(173,563)	173,563	0	0.00%	10.97%	0.00%
CUSTOMER DEPOSITS	11,239	0	11,239	26.49%	8.00%	2.12%
<b>TOTAL</b>	<b>\$ 144,179</b>	<b>\$ (101,755)</b>	<b>\$ 42,424</b>	<b>100.00%</b>		<b>8.10%</b>

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.97%	11.97%
OVERALL RATE OF RETURN	8.10%	8.10%

TRADEWINDS UTILITIES, INC.  
 SCHEDULE OF WATER OPERATING INCOME  
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO.3  
 DOCKET NO.930524-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 59,739 A	\$ (691)	\$ 59,048 E	(24) \$	59,024
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	37,754 B	13,339	51,093	0	51,093
DEPRECIATION (NET)	133 C	2,559	2,692	0	2,692
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	3,551 D	1,689	5,240 F	(1)	5,239
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 41,438	\$ 17,587	\$ 59,025	(1) \$	59,024
OPERATING INCOME/(LOSS)	\$ 18,301	\$ (18,278)	\$ 23	(23) \$	0
WATER RATE BASE	\$ (18,825)		\$ 0		\$ 0
RATE OF RETURN	-97.22%		0.00%		0.00%

TRADEWINDS UTILITIES, INC.  
SCHEDULE OF WASTEWATER OPERATING INCOME  
TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO.3-A  
DOCKET NO. 930524-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 64,474 A	\$ 758	\$ 65,232 E	\$ 24,284	\$ 89,516
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	58,845 B	10,626	69,471	0	69,471
DEPRECIATION (NET)	5,865 C	3,628	9,493	0	9,493
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	3,793 D	2,230	6,023 F	1,093	7,116
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 68,503	\$ 16,484	\$ 84,987	\$ 1,093	\$ 86,080
OPERATING INCOME/(LOSS)	\$ (4,029)	\$ (15,726)	\$ (19,755)	\$ 23,191	\$ 3,436
SEWER RATE BASE	\$ 174,648		\$ 42,424		\$ 42,424
RATE OF RETURN	-2.31%		-46.57%		8.10%



TRADEWINDS UTILITIES, INC.  
 Schedule of Adjustments to Operating Income Statements

A. <u>Revenue</u>	<u>Water</u>	<u>Wastewater</u>
1. To remove CIAC from revenue	\$(1,850)	\$ -0-
2. To reflect annualized revenue based on existing rates	<u>1,159</u>	<u>758</u>
	<u>\$( 691)</u>	<u>\$ 758</u>
B. <u>Operation and Maintenance</u>		
1. <u>Salaries and Wages - Employees</u>		
A. To reflect reclassification of labor associated with meter installation to plant	\$( 697)	\$ -0-
B. To reflect Commission approved salary for two part-time maintenance persons and an office manager	<u>5,745</u>	<u>8,267</u>
	<u>\$ 5,048</u>	<u>\$ 8,267</u>
2. <u>Salaries and Wages - Officers</u>		
A. To reflect Commission approved salary for the president of the corporation	<u>\$ 7,150</u>	<u>\$ 7,150</u>
3. <u>Pensions and Benefits</u>		
A. To reflect Commission approved insurance expense	<u>\$ 358</u>	<u>\$ 1,222</u>
4. <u>Chemicals</u>		
A. To reflect actual chemical expense	<u>\$ -0-</u>	<u>\$ 379</u>
5. <u>Materials and Supplies</u>		
A. To reflect reclassification to plant	\$( 643)	\$ -0-
B. To reflect Commission approved allocation	<u>110</u>	<u>( 169)</u>
	<u>\$( 533)</u>	<u>\$( 169)</u>

TRADEWINDS UTILITIES, INC.  
Schedule of Adjustments to Operating Income Statements

	<u>Water</u>	<u>Wastewater</u>
6. <u>Contractual Services</u>		
A. To reflect annual contractual operator services	\$ 900	\$ 150
B. To reflect DEP required annual water and wastewater testing	661	793
C. To reflect reclassification from miscellaneous expense	<u>3,910</u>	<u>5,485</u>
	<u>\$ 5,471</u>	<u>\$ 6,428</u>
7. <u>Insurance Expense</u>		
To reflect insurance expense for truck purchased outside of test year	\$ 272	\$ 408
8. <u>Regulatory Commission Expense</u>		
To reflect rate case filing fee amortized over four years	\$ ( 2)	\$ ( 2)
9. <u>Miscellaneous Expenses</u>		
A. To reflect reclassification to taxes other than income	\$ ( 800)	\$ ( 800)
B. To reflect reclassification to contractual services	\$ (3,625)	\$ ( 5,485)
C. To reflect a reclassification to water contractual services	\$ -0-	\$ ( 285)
D. To remove non-utility expenses	\$ -0-	\$ ( 2,203)
E. To adjust maintenance and repair expense to appropriate amount	\$ -0-	\$ ( 4,723)
F. To reflect DEP required maintenance report cost amortized over three years (\$1,317/3)	<u>\$ -0-</u>	<u>\$ 439</u>
	<u>\$ (4,425)</u>	<u>\$ (13,057)</u>

TRADEWINDS UTILITIES, INC.  
Schedule of Adjustments to Operating Income Statements

	<u>Water</u>	<u>Wastewater</u>
C. <u>Depreciation Expense</u>		
1. To reflect Commission approved test year depreciation expense net of non-used and useful depreciation and amortization of CIAC	\$ 2,559	\$ 3,628
D. <u>Taxes Other Than Income</u>		
1. To reflect reclassification from miscellaneous expense	\$ 800	\$ 800
2. To reflect payroll taxes on Commission approved salaries	893	1,156
3. To reflect regulatory assessment fee on test year revenue	( 4)	274
	<u>\$ 1,689</u>	<u>\$ 2,230</u>
E. <u>Operating Revenue</u>		
To reflect Commission approved increase/decrease in revenue	<u>\$ ( 24)</u>	<u>\$ 24,284</u>
F. <u>Taxes Other Than Income</u>		
To reflect regulatory assessment fees at 4.5% of Commission approved revenue increase/decrease	<u>\$ ( 1)</u>	<u>\$ 1,093</u>

TRADEWINDS UTILITIES, INC.  
 ANALYSIS OF WATER O & M EXPENSES  
 TEST YEAR ENDED JUNE 30, 1993

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 5,893	\$ 5,048	\$ 10,941
SALARIES AND WAGES - OFFICERS	2,600	7,150	9,750
PENSIONS AND BENEFITS	1,370	358	1,728
PURCHASED WATER	0	0	0
PURCHASED POWER	2,437	0	2,437
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	460	0	460
MATERIALS AND SUPPLIES	1,230	(533)	697
CONTRACTUAL SERVICES	2,830	5,471	8,301
RENTS	1,831	0	1,831
TRANSPORTATION EXPENSES	2,568	0	2,568
INSURANCE EXPENSE	2,614	272	2,886
REGULATORY COMMISSION EXPENSES	40	(2)	38
BAD DEBT EXPENSE	307	0	307
MISCELLANEOUS EXPENSES	13,574	(4,425)	9,149
TOTAL	\$ 37,754	\$ 13,339	\$ 51,093

TRADEWINDS UTILITIES, INC.  
ANALYSIS OF WASTEWATER O & M EXPENSES  
TEST YEAR ENDED JUNE 30, 1993

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 5,893	\$ 8,267	\$ 14,160
SALARIES AND WAGES - OFFICERS	2,600	7,150	9,750
PENSIONS AND BENEFITS	1,370	1,222	2,592
PURCHASED SEWAGE TREATMENT	0	0	0
SLUDGE REMOVAL EXPENSE	2,660	0	2,660
PURCHASED POWER	8,663	0	8,663
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	1,484	379	1,863
MATERIALS AND SUPPLIES	1,214	(169)	1,045
CONTRACTUAL SERVICES	10,587	6,428	17,015
RENTS	1,831	0	1,831
TRANSPORTATION EXPENSE	2,558	0	2,558
INSURANCE EXPENSE	2,614	408	3,022
REGULATORY COMMISSION EXPENSES	40	(2)	38
BAD DEBT EXPENSE	76	0	76
MISCELLANEOUS EXPENSES	17,255	(13,057)	4,198
TOTAL	\$ 58,845	\$ 10,626	\$ 69,471

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SCHEDULE NO. 4  
Rate Reduction After  
Recovery of Rate  
Case Expense

TRADEWINDS UTILITIES, INC.  
Test Year Ended June 30, 1993

Water - Monthly Rates  
Residential and General Services

<u>Base Facility Charge</u> <u>Meter Size:</u>	<u>Commission</u> <u>Approved</u> <u>Rates</u>	<u>Rate</u> <u>Decrease</u>
5/8" x 3/4"	\$ 7.66	\$ 0.01
1"	19.44	0.01
1-1/2"	38.29	0.03
2"	61.24	0.04
3"	122.49	0.08
4"	191.48	0.13
Gallage charge per 1,000 gallons	\$ 1.26	\$ 0.00

SCHEDULE NO. 4-A  
 Rate Reduction After  
 Recovery of Rate Case Expense

TRADEWINDS UTILITIES, INC.  
 Test Year Ended June 30, 1993

Wastewater - Monthly Rates  
 Residential and General Services

Base Facility Charge Meter Size:	Commission Approved Rates	Rate Decrease
All meter sizes	\$17.04	\$0.01
Gallage charge per 1,000 gallons (10,000 gallons maximum)	\$ 4.79	\$0.00

General Service

Base Facility Charge Meter Size:	Commission Approved Rates	Rate Decrease
5/8" x 3/4"	\$ 17.04	\$0.01
3/4"	25.56	0.01
1"	42.61	0.02
1-1/2"	85.22	0.04
2"	136.35	0.06
3"	272.69	0.12
4"	426.08	0.19
6"	852.16	0.38
Gallage charge per 1,000 gallons	\$ 5.75	\$0.00