

DOCKET 950495-WS
EXHIBIT NO. 67
CASE NO. 96-04227



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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495 - WS
APPLICATION FOR A GENERAL RATE INCREASE

VOLUME I
BOOK 21 OF 22

MINIMUM FILING REQUIREMENTS
PREFILED DIRECT TESTIMONY

Containing
JOHN F. GUASTELLA

DOCUMENT NUMBER - DATE

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DIRECT TESTIMONY OF JOHN F. GUASTELLA
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
ON BEHALF OF
SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. John F. Guastella, P.O. Box 371, Peapack, New Jersey.

3 **Q. WHAT IS YOUR OCCUPATION?**

4 A. I am President of Guastella Associates, Inc. I am a licensed Professional
5 Engineer, and I have been actively engaged in matters involving utility
6 valuations, management, rates and service for thirty years. I formed
7 Guastella Associates in 1978 to provide consulting services, specializing
8 in water and sewer utilities.

9 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A. I graduated from Stevens Institute of Technology in June of 1962,
12 receiving a degree in Mechanical Engineering. I have completed courses
13 in utility regulation sponsored by the National Association of Regulatory
14 Utility Commissioners (NARUC) and conducted by the University of
15 South Florida, Florida Atlantic University, the University of Utah and
16 Florida State University.

17 I was employed by the New York State Public Service Commission
18 for sixteen years from 1962 to 1978. With the exception of two years in
19 which I was involved in the regulation of electric and gas utilities, my time
20 with the New York Commission was devoted to the regulation of water
21 utilities. After a series of promotions during the years 1962 to 1970,
22 attained through competitive examinations, I was promoted to Chief of

1 Rates and Finance in the Commission's Water Division. In 1972 I was
2 made Assistant Director of the Water Division. In 1974 I was appointed
3 by the Chairman of the Commission as Director of the Water Division, a
4 position I held until my resignation from the Commission in August of
5 1978.

6 My duties with the Commission included the performance and
7 supervision of various engineering and economic studies concerning
8 valuation of utility property, financing, rates and service of electric, gas
9 and water utilities. While in the Water Division, I either examined or
10 supervised the examination of the books and records of literally hundreds
11 of water utilities.

12 As Director of the Water Division, I was responsible for the
13 regulation of more than 450 water companies in New York State, heading
14 a professional staff consisting of 32 engineers and three technicians. One
15 of my primary duties was to advise the Commission during its adjudication
16 of formal proceedings, as well as other matters. In the course of those
17 deliberations, testimony, exhibits and briefs submitted in formal
18 proceedings were reviewed and analyzed. My duties and responsibilities
19 covered such subjects as the reasonableness of investments in utility plant,
20 appropriate depreciation, contributions in aid of construction, advances in
21 aid of construction, construction work in progress, working capital,
22 amortizations, rate base, revenue level, operation and maintenance

1 expenses, taxes, cost of capital, fundable capital, financing, capital
2 structure, rate of return, rate design, rate structure, quality of service, and
3 in general, all aspects of utility valuation, rate setting and service.

4 Another major responsibility was the review of all proposed
5 legislation affecting water utilities in New York and the subsequent
6 preparation of recommendations for use by the governor or the legislature
7 in considering such legislation. I also made legislative proposals and
8 participated directly in drafting bills that were enacted: one expanded the
9 New York Commission's jurisdiction with respect to the regulation of the
10 service provided by small water companies and another dealt specifically
11 with rate regulations and financing of developer-related water systems.
12 During my employment with the New York Commission, I handled or
13 supervised the handling of thousands of consumer complaints by
14 individuals, corporations and municipal, governmental and political
15 officials.

16 Concurrently with my position as President of Guastella Associates,
17 Inc., I served as President of Country Knolls Water Works, Inc. from 1987
18 to 1991, directing the management and operation of this utility which
19 served some 5,000 customers.

20 I have prepared appraisals and valuations of utility property,
21 depreciation studies, rate analyses, cost allocation and rate design studies,
22 and management and financial analyses. I have provided consulting

1 services for municipal and investor-owned water and sewer utilities, as
2 well as gas utilities and solid waste collection and disposal companies.

3 **Q. BEFORE WHAT REGULATORY AGENCIES AND MUNICIPAL**
4 **JURISDICTIONS HAVE YOU PREVIOUSLY PRESENTED**
5 **EXPERT TESTIMONY?**

6 A. I have testified as an expert witness in the states of Connecticut, Florida,
7 Illinois, Massachusetts, Nevada, New Jersey, New York, North Dakota,
8 Texas, Ohio, Pennsylvania, Virginia and Rhode Island.

9 **Q. BRIEFLY STATE YOUR ACTIVITIES IN CONNECTION WITH**
10 **PROFESSIONAL ORGANIZATIONS AND ASSOCIATIONS.**

11 A. I served as Vice-Chairman of the Staff-Committee on Water of the
12 National Association of Regulatory Utility Commissioners (NARUC).
13 While on that committee, I prepared a 95-page instruction manual entitled,
14 "Model Record-Keeping Manual for Small Water Companies," which was
15 published by the NARUC. The manual describes in detail the kinds of
16 operating and accounting records that should be kept by small water
17 utilities, with instructions on how to use those records in order to properly
18 operate a water system and properly keep account of the cost of providing
19 service.

20 Since 1974 I have prepared the rate case study material, assisted in
21 the coordination of the program and served as an instructor at the Annual
22 Fall Seminar on Water Rate Regulation sponsored by the NARUC and

1 conducted by the University of South Florida, Florida Atlantic University,
2 University of Utah, and currently Florida State University. This seminar
3 is recognized as being one of the best in the country for teaching rate-
4 setting principles and methodology. It is attended by representatives of
5 regulatory agencies, utilities, engineering, accounting, economic and law
6 firms throughout the country. In 1980, as a special consultant to NARUC,
7 I assisted in the establishment of another similar seminar which has been
8 held annually in the spring in the western United States.

9 I served as an instructor and panelist in a seminar on water and
10 sewer utility regulation conducted by the Independent Water and Sewer
11 Companies of Texas. As a member of the National Association of Water
12 Companies (NAWC), I serve on its Rates and Revenue Committee and
13 Small Company Committee. I am a member of the American Water
14 Works Association and served on its Water Rates Committee, and assisted
15 in the preparation of the AWWA Rates Manual, Third Edition. I have also
16 served on a joint committee on rate design composed of staff members of
17 NARUC and NAWC. In connection with my serving on these committees,
18 and in connection with cost allocation and rate design studies I have
19 performed in the course of my work, I have participated in decisional
20 meetings to determine proper engineering and construction criteria in
21 relation to costs in the design of water and sewer systems.

22 I have prepared and presented papers at a number of meetings of

1 the National Association of Water Companies, the National Association of
2 Regulatory Utility Commissioners, the New England Conference of Public
3 Utilities Commissioners, and at meetings of the Mid-America Regulatory
4 Conference, the Public Utility Law Section of the New Jersey Bar
5 Association, the Pennsylvania Environmental Council, the Southeastern
6 Association of Regulatory Utility Commissioners, and the New Jersey
7 Chapter of the American Water Works Association.

8 **Q. WHAT IS THE NATURE OF YOUR INVOLVEMENT IN THIS**
9 **PROCEEDING?**

10 A. I have been asked by SSU ("Company") to perform a cost allocation study
11 in order to determine a rate for raw water in connection with its Marco
12 Island facilities. I also was asked to testify with respect to the
13 development of an effluent reuse rate prepared in connection with
14 anticipated agreements with potential customers on Marco Island with
15 which the Company had been negotiating for the provision of effluent
16 reuse for irrigation purposes.

17 **Q. HAVE YOU PREPARED AN EXHIBIT WHICH CONTAINS YOUR**
18 **RAW WATER RATE STUDY?**

19 A. Yes, the study is attached as Exhibit ____ (JFG-1).

20 **Q. WOULD YOU PLEASE DESCRIBE THIS EXHIBIT?**

21 A. This exhibit contains an allocation of the Company's proforma 1996
22 revenue requirement components. The exhibit contains various schedules

1 and a narrative, which describe the allocations and the resultant raw water
2 rate.

3 **Q. WHAT RAW WATER RATE WAS PRODUCED BY YOUR STUDY?**

4 A. My study indicates that a raw water rate of \$1.75 per thousand gallons is
5 reasonable in order to reflect the costs associated with the supply and
6 transmission of raw water. This rate would recover only the costs
7 necessary to produce and transmit raw water from the Company's
8 mainland water sources. It does not include costs associated with
9 treatment and delivery of potable water to the Company's general service
10 customers.

11 **Q. HAVE YOU ALSO ATTACHED TO YOUR TESTIMONY AN**
12 **EXHIBIT WHICH SETS FORTH THE COST ALLOCATION AND**
13 **RATE STUDY WITH RESPECT TO EFFLUENT REUSE?**

14 A. Yes, the study is attached as Exhibit _____ (JFG-2).

15 **Q. WHAT WAS THE PURPOSE OF THAT STUDY?**

16 A. The effluent reuse rate study was performed in order to assist the
17 Company in its negotiations with potential effluent reuse customers.
18 Assuming the Company is able to enter into agreements to establish
19 general effluent reuse service for irrigation purposes, my study would
20 provide the basis for the rate for such service.

21 **Q. WOULD YOU PLEASE DESCRIBE THIS EXHIBIT?**

22 A. This exhibit contains an allocation of the Company's revenue requirement

1 components on the basis of its 1994 operations, adjusted to reflect a full
2 return on rate base. This exhibit also contains various schedules and a
3 narrative, which describe the allocations and the resultant effluent reuse
4 rate.

5 **Q. WHY DID YOU USE 1994 FIGURES FOR THIS STUDY?**

6 A. Not only were those the only complete figures available at the time of the
7 study, the Company had been negotiating with potential customers who
8 were considering whether or not the use of effluent would be an
9 economically feasible alternative to their current use of potable water for
10 irrigation purposes. In addition to the cost of effluent reuse water, each
11 of those potential customers would be contributing and/or providing
12 advance funding for a portion of the capital costs associated with the
13 installation of effluent transmission mains and related pumping and storage
14 facilities.

15 **Q. WHAT EFFLUENT REUSE RATE WAS PRODUCED BY YOUR**
16 **STUDY?**

17 A. My study produced an effluent reuse rate of \$0.87 per 1,000 gallons,
18 reflecting the costs and expenses associated with filtering, storage and
19 pumping effluent for reuse.

20 **Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?**

21 A. Yes.

SSU/COLLIER/MARCO ISLAND
RAW WATER RATE STUDY

GUASTELLA ASSOCIATES, INC.

210 Winter Street, Weymouth, Massachusetts 02188
88 Main Street, Peapack, NJ 07977

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SCHEDULE I:	Raw Water Allocation Symbols

The purpose of this study is to determine a rate for the raw water source located on the mainland and serving the Marco Island and Marco Shores service areas. The study produces a raw water rate of \$1.75 per 1,000 gallons, which is calculated on the basis of an allocation of the Company's proposed revenue requirement, using its test year ending December 31, 1996.

Each revenue requirement component has been allocated to "Raw Water" and "Other." The "Raw Water" category includes items of investment and expenses associated with the production and delivery of raw water from the mainland sources to the water treatment plant on Marco Island. The "Other" category includes all investment and expenses associated with the treatment and distribution of treated water to the customers.

Schedule A contains a summary of the allocation of each major revenue requirement component as described in column 1. Columns 2, 3 and 4 reflect the Company's development of the revenue requirement components for a 1996 proforma test year. The allocations to Raw Water (column 7) and Other (column 8) are explained by either a separate support schedule (column 5) or an allocation symbol (column 6). Explanations of the allocation symbols are shown on Schedule I. As reflected in column 7, the total revenue requirement attributed to raw water is \$2,709,285. This figure has been divided by 1,544,840 thousand gallons of raw water in order to calculate a rate of \$1.75 per thousand gallons; this calculation is also shown on Schedule A.

Schedule B contains the Rate Base allocation which, as reflected on Schedule A, is used to allocate the revenue

requirement components related to Return and Income Taxes. Schedule B has a format which is similar to Schedule A. The rate base components are set forth in column 1. The proforma figures for 1996 are developed in columns 2, 3 and 4, and the allocations to Raw Water are set forth in column 7. The allocation of each rate base component is supported by either a schedule (column 5) or an allocation symbol.

Schedule C contains the allocation to Raw Water of the utility plant in service by primary plant account. Column 5 refers to allocation symbols which are explained on Schedule I.

Schedules D, E, F and G contain the allocations of Accumulated Depreciation, CIAC and related amortization, Operation and Maintenance expenses and Depreciation Expense. Once again, the allocation symbols are explained on Schedule I. Schedule G.1 is a summary of the depreciation expense by primary plant account. Schedule H is an allocation of each component of Taxes, Other Than Income Taxes.

The information and data used to develop the allocation symbols (Schedule I) were obtained from an examination of the utility plant accounts and information furnished by the Company with respect to both the utilization of the utility's facilities and estimates of labor and other operating expenses. Where there were items of investment or expense for which no direct allocation could be made, an allocation was made based on a weighting of other allocations.

SSU - MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Schedule A

Summary of Revenue Requirement Allocations

Line No.	Col. 1 Description	Col. 2 Test Year 1996	Col. 3 Adjustmts	Col. 4 ProForma 1996	Col. 5 Support Sched	Col. 6 Alloc Symbol	Col. 7 Raw Water	Col. 8 Other
1	O & M Expense	\$ 2,792,960	\$ 0	\$ 2,792,960	F		\$ 143,655	\$ 2,649,305
2	Depreciation, Net	1,620,690	0	1,620,690	G		236,902	1,383,788
3	Amortizations	293,162	0	293,162		d	7,616	285,546
4	Taxes, Other	1,110,321	129,131	1,239,452	H		428,033	811,419
5	Income Taxes	(39,448)	1,057,266	1,017,818	B		406,008	611,810
6	Return Requirement	<u>2,044,744</u>	<u>1,683,185</u>	<u>3,727,929</u>	B		<u>1,487,071</u>	<u>2,240,858</u>
7	Revenue Requirement	\$ <u>7,822,429</u>	\$ <u>2,869,582</u>	\$ <u>10,692,011</u>			\$ <u>2,709,285</u>	\$ <u>7,982,726</u>
8	Percentage						<u>25.34%</u>	<u>74.66%</u>

Raw Water Cost per 1,000 Gallons:

$$\frac{\$2,709,285}{1,544,840 \text{ thousand gals.}} = \underline{\$1.75} \text{ per 1,000 gals.}$$

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 Raw Water Rate Study
 Cost Allocation

EXHIBIT (JFG-1)

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Rate Base Allocation

Line No.	Col. 1 Description	Col. 2 1996 Avg Balance	Col. 3 Adjustmts	Col. 4 ProForma Balance	Col. 5 Support Schedule	Col. 6 Allocation Symbol	Col. 7 Raw Water	Col. 8 Other
1	Utility Plant in Service - Water	\$ 50,846,701	\$ (468,065)	\$ 50,380,636	C		\$ 16,985,804	\$ 33,394,832
2	Construction Work in Progress	0	0	0	C		0	0
3	Accumulated Depreciation	(11,367,741)	72,429	(11,295,312)	D		(2,243,526)	(9,051,786)
4	Contributions in Aid of Constr.	(6,062,393)	5,310	(6,057,083)	E		(1,032,499)	(5,024,584)
5	Accum. Amortization of CIAC	1,571,147	(1,420)	1,569,727	E		322,359	1,247,368
6	Unfunded OPEB's	(43,493)	0	(43,493)		i	(400)	(43,093)
7	Deferred Taxes	196,578	0	196,578		b	0	196,578
8	Miscellaneous	1,319,227	0	1,319,227	C		444,711	874,516
9	Working Capital Allowance	267,851	0	267,851	F		17,957	249,894
10	Rate Base	<u>\$ 36,727,877</u>	<u>\$ (389,746)</u>	<u>\$ 36,338,131</u>			<u>\$ 14,494,406</u>	<u>\$ 21,843,725</u>
11	Percentage						<u>39.89%</u>	<u>60.11%</u>

SSU - MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Schedule C

Utility Plant in Service by Primary Account

Line No.	Col. 1 Account No. and Name	Col. 2 1996 Avg Balance	Col. 3 Col. 3 Adjustmt	Col. 4 Col. 4 Adjusted Balance	Col. 5 Col. 5 Alloc. Symbol	Col. 6 Col. 6 Raw Water	Col. 7 Col. 7 Other
1	INTANGIBLE PLANT:						
2	301.1-Organization	\$ 0	\$ 0	0	e	\$ 0	0
3	302.1-Franchises	3,759	0	3,759	e	72	3,687
4	339.1-Other Plant & Misc. Equipment	0	0	0	e	0	0
5	SOURCE OF SUPPLY / PUMPING PLANT:						
6	303.2-Land & Land Rights	9,770,953	0	9,770,953	a	9,420,855	350,098
7	304.2-Structures & Improvements	763,028	(47,308)	715,720	a	598,740	116,980
8	305.2-Collecting & Impound Reservoir	186,257	(11,548)	174,709	c	174,709	0
9	307.2-Wells & Springs	613,053	(38,009)	575,044	c	0	575,044
10	308.2-Infiltration Galleries & Tunnels	264,911	(16,424)	248,487	c	248,487	0
11	309.2-Supply Mains	5,689,938	(352,776)	5,337,162	a	3,448,958	1,888,204
12	310.2-Power Generation Equipment	296,336	0	296,336	c	296,336	0
13	311.2-Pumping Equipment	3,850,538	0	3,850,538	a	2,778,961	1,071,577
14	339.2-Other Plant & Misc. Equipment	0	0	0	a	0	0
15	WATER TREATMENT PLANT:						
16	303.3-Land & Land Rights..	0	0	0	b	0	0
17	304.3-Structures & Improvements	3,377,038	0	3,377,038	b	0	3,377,038
18	320.3-Treatment Equipment	14,597,392	0	14,597,392	b	0	14,597,392
19	321.3-Permeators	1,530,087	0	1,530,087	b	0	1,530,087
20	339.3-Other Plant & Misc. Equipment	13,901	0	13,901	b	0	13,901
21	TRANSMISSION & DISTRIBUTION PLANT:						
22	303.4-Land & Land Rights	0	0	0	b	0	0
23	304.4-Structures & Improvements	0	0	0	b	0	0
24	330.4-Distribution Reservoirs	1,906,697	0	1,906,697	b	0	1,906,697
25	331.4-Transmission & Distribution	3,681,114	0	3,681,114	b	0	3,681,114
26	333.4-Services	1,842,101	0	1,842,101	b	0	1,842,101
27	334.4-Meters & Installations	1,309,987	0	1,309,987	b	0	1,309,987
28	335.4-Hydrants	172,578	0	172,578	b	0	172,578
29	339.4-Other Plant & Misc. Equipment	0	0	0	b	0	0
30	GENERAL PLANT - SEWER:						
31	303.5-Land & Land Rights	16,575	0	16,575	e	317	16,258
32	304.5-Structures & Improvements	168,997	0	168,997	e	3,232	165,765
33	340.5-Office Furniture & Equip.	104,440	0	104,440	e	1,997	102,443
34	340.51-Computer Equipment	278,010	0	278,010	e	5,317	272,693
35	341.5-Transportation Equipment	160,387	0	160,387	e	3,067	157,320
36	342.5-Stores Equipment	1,505	0	1,505	e	29	1,476
37	343.5-Tools, Shop, Garage Equip.	58,211	0	58,211	e	1,113	57,098
38	344.5-Laboratory Equipment	52,788	0	52,788	e	1,010	51,778
39	345.5-Power Operated Equipment	66,669	0	66,669	e	1,275	65,394
40	346.5-Communication Equipment	30,250	0	30,250	e	579	29,671
41	347.5-Miscellaneous Equipment	13,600	0	13,600	e	260	13,340
42	348.5-Other Tangible Plant	25,601	0	25,601	e	490	25,111
	Total UPIS	\$ 50,846,701	\$ (466,065)	\$ 50,380,636		\$ 16,985,804	\$ 33,394,832
42	Percentage					33.71%	66.29%

SSU – MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Allocation of Operation and Maintenance Expenses

Line No.	Col. 1 Acct. No. and Description	Col. 2 1996	Col. 3 Adjustmnts	Col. 4 Adjusted Total	Col. 5 Alloc Symbol	Col. 6 Raw Water	Col. 7 Other
1	SOURCE, TREATMENT, T/D EXPENSE:						
2	601 – Salaries & Wages	\$ 560,216	\$ 0	\$ 560,216	a	\$ 7,300	\$ 552,916
3	604 – Employee Benefits	127,817	0	127,817	h	1,666	126,151
4	615 – Purchased Power	849,550	0	849,550	a	133,932	715,618
5	616 – Fuel for Power	3,171	0	3,171	b	0	3,171
6	618 – Chemicals	313,774	0	313,774	b	0	313,774
7	620 – Materials & Supplies	217,038	0	217,038	b	0	217,038
8	631 – Contract Services, Engr.	2,977	0	2,977	b	0	2,977
9	635 – Contract Services, Other	163,324	0	163,324	b	0	163,324
10	642 – Equipment Rental	1,143	0	1,143	b	0	1,143
11	650 – Transportation Exp.	28,309	0	28,309	h	369	27,940
12	658 – Workman's Comp. Ins.	8,746	0	8,746	h	114	8,632
13	675 – Misc. Expenses	29,514	0	29,514	b	0	29,514
14	CUSTOMER BILLING:						
15	601 – Salaries & Wages	69,418	0	69,418	b	0	69,418
16	604 – Employee Benefits	15,911	0	15,911	b	0	15,911
17	615 – Purchased Power	196	0	196	b	0	196
18	620 – Materials & Supplies	3,509	0	3,509	b	0	3,509
19	641 – Property Rental	0	0	0	b	0	0
20	642 – Equipment Rental	0	0	0	b	0	0
21	650 – Transportation Exp.	2,530	0	2,530	b	0	2,530
22	658 – Workman's Comp. Ins.	1,089	0	1,089	b	0	1,089
23	670 – Bad Debt Expense	8,668	0	8,668	b	0	8,668
24	675 – Misc. Expenses	20,753	0	20,753	b	0	20,753
25	GENERAL & ADMINISTRATIVE:						
26	601 – Salaries & Wages	178,138	0	178,138	f	133	178,005
27	604 – Employee Benefits	40,745	0	40,745	f	31	40,714
28	615 – Purchased Power	2,995	0	2,995	f	2	2,993
29	620 – Materials & Supplies	8,732	0	8,732	f	7	8,725
30	631 – Contract Services, Engr.	1,203	0	1,203	f	1	1,202
31	632 – Contract Services, Acctg.	6,389	0	6,389	f	5	6,384
32	633 – Contract Services, Legal	3,850	0	3,850	f	3	3,847
33	635 – Contract Services, Other	14,560	0	14,560	f	11	14,549
34	641 – Property Rental	6,608	0	6,608	f	5	6,603
35	642 – Equipment Rental	417	0	417	f	0	417
36	650 – Transportation Exp.	2,931	0	2,931	f	2	2,929
37	656 – Insurance, Vehicle	4,380	0	4,380	f	3	4,377
38	657 – Insurance, Gen. Liability	10,872	0	10,872	f	8	10,864
39	658 – Workman's Comp. Ins.	2,741	0	2,741	f	2	2,739
40	659 – Insurance, Other	894	0	894	f	1	893
41	660 – Advertising	1,854	0	1,854	f	1	1,853
42	666 – Rate Case Exp.	26,446	0	26,446	f	20	26,426
43	667 – Reg. Commission Exp.	2,124	0	2,124	f	2	2,122
44	675 – Misc. Expenses	49,428	0	49,426	f	37	49,391
45	Total	\$ 2,792,960	\$ 0	\$ 2,792,960		\$ 143,655	\$ 2,649,305
46	Percentage					5.14%	94.86%

SSU - MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Schedule G

Depreciation Expense Allocation

Line No.	Col. 1 Description	Col. 2 1996	Col. 3 Allocation Symbol	Col. 4 Raw Water	Col. 5 Other
1	Intangible Plant	\$ 94	d	\$ 2	\$ 92
2	Source of Supply	410,528	a	280,253	130,275
3	Water Treatment	1,073,078	b	0	1,073,078
4	Transmission & Distribution	252,634	b	0	252,634
5	General Plant:				
6	Other Than Transportation	76,824	d	1,240	75,584
7	Transportation Equipment	<u>26,737</u>	d	<u>432</u>	<u>26,305</u>
8	Total Depreciation - UPIS	1,839,895		281,927	1,557,968
9	Amortization of CIAC	<u>(219,205)</u>	Sch. E	<u>(45,025)</u>	<u>(174,180)</u>
10	Total Annual Depreciation	\$ <u>1,620,690</u>		\$ <u>236,902</u>	\$ <u>1,383,788</u>
11	Percentage			<u>14.62%</u>	<u>85.38%</u>

SSU - MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Depreciation Expense by Primary Account

Line No.	Col. 1 Account No. and Name	Col. 2 UPIS Balance Adj 12/31/96	Col. 3 Deprec. Rate	Col. 4 Annual Expense
1	INTANGIBLE PLANT:			
2	301.1 - Organization	\$ 0	2.50%	\$ 0
3	302.1 - Franchises	3,759	2.50%	94
4	339.1 - Other Plant & Misc. Equipment	0	4.00%	0
5	SOURCE OF SUPPLY / PUMPING PLANT:			
6	303.2 - Land & Land Rights	9,770,953	n/a	0
7	304.2 - Structures & Improvements	715,720	3.03%	21,666
8	305.2 - Collecting & Impound Reservoir	174,709	2.00%	3,494
9	307.2 - Wells & Springs	575,044	3.33%	19,149
10	308.2 - Infiltration Galleries & Tunnels	248,487	2.50%	6,212
11	309.2 - Supply Mains	5,337,162	2.86%	152,643
12	310.2 - Power Generation Equipment	296,336	5.00%	14,817
13	311.2 - Pumping Equipment	3,850,538	5.00%	192,527
14	339.2 - Other Plant & Misc. Equipment	0	4.00%	0
15	WATER TREATMENT PLANT:			
16	303.3 - Land & Land Rights	0	n/a	0
17	304.3 - Structures & Improvements	3,377,038	3.03%	102,324
18	320.3 - Treatment Equipment	14,597,392	4.55%	664,181
19	321.3 - Permeators	1,530,087	20.00%	306,017
20	339.3 - Other Plant & Misc. Equipment	13,901	4.00%	556
21	TRANSMISSION & DISTRIBUTION PLANT:			
22	303.4 - Land & Land Rights	0	n/a	0
23	304.4 - Structures & Improvements	0	3.03%	0
24	330.4 - Distribution Reservoirs	1,906,697	2.70%	51,481
25	331.4 - Transmission & Distribution	3,681,114	2.33%	85,770
26	333.4 - Services	1,842,101	2.50%	46,053
27	334.4 - Meters & Installations	1,309,987	5.00%	65,499
28	335.4 - Hydrants	172,578	2.22%	3,831
29	339.4 - Other Plant & Misc. Equipment	0	4.00%	0
30	GENERAL PLANT - SEWER:			
31	303.5 - Land & Land Rights	16,575	n/a	0
32	304.5 - Structures & Improvements	168,997	2.50%	4,225
33	340.5 - Office Furniture & Equip.	104,440	6.67%	6,966
34	340.51 - Computer Equipment	278,010	16.67%	46,344
35	341.5 - Transportation Equipment	160,387	16.67%	26,737
36	342.5 - Stores Equipment	1,505	5.56%	84
37	343.5 - Tools, Shop, Garage Equip.	58,211	6.25%	3,638
38	344.5 - Laboratory Equipment	52,788	6.67%	3,521
39	345.5 - Power Operated Equipment	66,669	8.33%	5,554
40	346.5 - Communication Equipment	30,250	10.00%	3,025
41	347.5 - Miscellaneous Equipment	13,600	6.67%	907
42	348.5 - Other Tangible Plant	25,601	10.00%	2,560
43	Allocated General Plant			0
44	Total	<u>\$ 50,380,636</u>		<u>\$ 1,839,895</u>
45	CIAC Amortization:			
46	Plant Capacity Fees	\$ 2,823,486	4.68%	\$ 132,139
47	Main Extensions	1,207,120	2.33%	28,126
48	Meter Installation Fees	188,048	5.00%	9,402
49	Contributed Lines	451,783	2.33%	10,527
50	Other Contributed Property	239,402	4.32%	10,330
51	Service Installation Fees	<u>1,147,244</u>	2.50%	<u>28,681</u>
52	Total	<u>\$ 6,057,083</u>		<u>\$ 219,205</u>

SSU - MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Schedule H

Allocation of Taxes, Other Than Income Tax

Line No.	Col. 1 Description	Col. 2 1996	Col. 3 Adjustmt	Col. 4 ProForma Amount	Col. 5 Allocation Symbol	Col. 6 Raw Water	Col. 7 Other
1	Payroll Taxes	\$ 59,533	\$ 0	\$ 59,533	i	548	\$ 58,985
2	Property Taxes	698,779	0	698,779	Sch. C	235,558	463,221
3	Revenue Taxes	<u>352,009</u>	<u>129,131</u>	<u>481,140</u>	Sch. B	<u>191,927</u>	<u>289,213</u>
4	Total Taxes, Other	<u>\$ 1,110,321</u>	<u>\$ 129,131</u>	<u>\$ 1,239,452</u>		<u>\$ 428,033</u>	<u>\$ 811,419</u>
5	Percentage					<u>34.53%</u>	<u>65.47%</u>

SSU – MARCO ISLAND
Raw Water Rate Study
Cost Allocation

Raw Water Allocation Symbols

Line No.	Allocation Symbols	Description	Allocation Factor
1	a	These items are allocated by direct cost.	
2			
3	b	These items are not necessary for producing or delivering raw water and do not impact their costs.	0.00%
4			
5			
6	c	Items bearing this symbol are allocated 100% to the production and delivery of raw water.	100.00%
7			
8			
9	d	Items bearing this symbol are allocated based on a 10% weighing of all other items.	
10			
11			
12	e	Items bearing this symbol are allocated based on a 10% weighing of all other items, excluding land.	
13			
14			
15	f	Expense items bearing this symbol are allocated based on a 10% weighing of all other items, excluding power and chemical costs.	
16			
17			
18	g	Items bearing this symbol are allocated based on the relationship of raw water plant to total plant in service.	
19			
20			
21	h	Items bearing this symbol are allocated based on the relationship of raw water field labor (source, pumping, treatment, and transmission/distribution) to total field labor costs.	1.30%
22			
23			
24		Total Field Labor	560,216
25		Raw Water Field Labor	7,300
26			
27	i	Items bearing this symbol are allocated based on the relationship of raw water labor to total labor costs.	0.92%
28			
29		Total Labor	807,772
30		Raw Water Related Labor	7,433

*SSU/COLLIER/MARCO ISLAND
EFFLUENT REUSE RATE STUDY*

GUASTELLA ASSOCIATES, INC.

*210 Winter Street, Weymouth, Massachusetts 02188
88 Main Street, Peapack, NJ 07977*

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The purpose of this study is to establish a rate for effluent reuse generally applicable for irrigation service on a contract basis to potential customers. The study produces an effluent reuse rate of \$0.87 per 1,000 gallons, which is calculated on the basis of an allocation of the Company's operating results for 1994, adjusted to reflect a full return on rate base.

Each revenue requirement component has been allocated to "Effluent Reuse" and "Other." The "Effluent Reuse" category includes items of investment and expenses associated with the filtering, pumping and distribution of effluent, excluding costs related to disposal to the deep injection well. The "Other" category includes all investment and expenses associated with the collection and treatment of wastewater.

Schedule A contains a summary of the allocation of each major revenue requirement component as described in column 1. Columns 2, 3 and 4 reflect the Company's development of the revenue requirement components for 1994, as adjusted. The allocations to effluent reuse (column 7) and Other (column 8) are explained by either a separate support schedule (column 5) or an allocation symbol (column 6). Explanations of the allocation symbols are shown on Schedule I. As reflected in column 7, the total revenue requirement attributed to effluent reuse is \$569,502. This figure has been divided by 654,138 thousand gallons of effluent in order to calculate a rate of \$0.87 per thousand gallons; this calculation is also shown on Schedule A.

Schedule B contains the Rate Base allocation which, as reflected on Schedule A, is used to allocate the revenue requirement components related to Return and Income Taxes. Schedule B has a format which is similar to Schedule A. The rate base components are set forth in column 1. The adjusted 1994 figures are developed in columns 2, 3 and 4, and the allocations to Effluent Reuse are set forth in column 7. The allocation of each rate base component is supported by either a schedule (column 5) or an allocation symbol.

Schedule C contains the allocation to Effluent Reuse of the utility plant in service by primary plant account. Column 5 refers to allocation symbols which are explained on Schedule I.

Schedules D, E, F and G contain the allocations of Accumulated Depreciation, CIAC and related amortization, Operation and Maintenance expenses and Depreciation Expense. Once again, the allocation symbols are explained on Schedule I. Schedule G.1 is a summary of the depreciation expense by primary plant account. Schedule I is an allocation of each component of Taxes, Other Than Income Taxes.

The information and data used to develop the allocation symbols (Schedule I) were obtained from an examination of the utility plant accounts and information furnished by the Company with respect to both the utilization of the utility's facilities and estimates of labor and other operating expenses. Where there were items of investment or expense for which no direct allocation could be made, an allocation was made based on a weighting of other allocations.

SSU – MARCO ISLAND
Effluent Rate Study
Cost Allocation

Schedule A

Summary of Revenue Requirement Allocations

Line No.	Col. 1 Description	Col. 2 Test Year 1994	Col. 3 Col. 3 Adjustrmts	Col. 4 Col. 4 ProForma 1994	Col. 5 Col. 5 Support Sched	Col. 6 Col. 6 Alloc Symbol	Col. 7 Col. 7 Effluent Reuse	Col. 8 Col. 8 Other
1	O & M Expense	\$ 826,047	\$ 0	\$ 826,047	F	\$ 129,848	\$ 696,199	
2	Depreciation, Net	846,922	0	846,922	G	107,813	739,109	
3	Taxes, Other	415,005	46,387	461,392	H	63,271	398,121	
4	Income Taxes	(289,117)	726,628	437,511	I	60,420	377,091	
5	Return Requirement	<u>1,244,517</u>	<u>262,722</u>	<u>1,507,239</u>	B	<u>208,150</u>	<u>1,299,089</u>	
6	Revenue Requirement	<u>\$ 3,043,374</u>	<u>\$ 1,035,737</u>	<u>\$ 4,079,111</u>		<u>\$ 569,502</u>	<u>\$ 3,509,609</u>	
7	Percentage					<u>13.96%</u>	<u>86.04%</u>	

Effluent Cost per 1,000 Gallons:

$$\frac{\$569,502}{654,138 \text{ thousand gals.}} = \underline{\underline{\$0.87}} \text{ per 1,000 gals.}$$

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Effluent Rate Study
Cost Allocation

SCHEDULE

Rate Base Allocation

Line No.	Col. 1 Description	Col. 2 12/31/94 Balance	Col. 3 Adjustmts	Col. 4 ProForma Balance	Col. 5 Support Schedule	Col. 6 Allocation Symbol	Col. 7 Effluent Reuse	Col. 8 Other
1	Utility Plant in Service—Sewer	\$22,638,736	\$	0	\$22,638,736	C	\$ 2,884,225	\$19,754,511
2	Construction Work in Progress	151,324	0	151,324	C	19,279	132,045	
3	Accumulated Depreciation	(5,552,000)	0	(5,552,000)	D	(539,981)	(5,012,019)	
4	Contributions in Aid of Constr.	(4,195,595)	0	(4,195,595)	E	(579,056)	(3,616,539)	
5	Accum. Amortization of CIAC	1,645,629	0	1,645,629	E	242,222	1,403,407	
6	Miscellaneous	0	0	0		0	0	
7	Working Capital Allowance	103,256	0	103,256	F	16,231	87,025	
8	Rate Base	<u>\$14,791,350</u>	<u>\$</u>	<u>0</u>	<u>\$14,791,350</u>		<u>\$ 2,042,920</u>	<u>\$12,748,430</u>
9	Percentage						<u>13.81%</u>	<u>86.19%</u>

SSU – MARCO ISLAND
Effluent Rate Study
Cost Allocation

Supp. C

Utility Plant in Service by Primary Account

Line No.	Col. 1 Account No. and Name	Col. 2 12/31/94 Balance	Col. 3 Adjustmt	Col. 4 Adjusted Balance	Col. 5 Alloc. Symbol	Col. 6 Effluent Reuse	Col. 7 Other
1	INTANGIBLE PLANT:						
2	351.1—Organization	\$ 0	\$ 0	0	f	\$ 0	0
3	352.1—Franchises	4,944	0	4,944	f	317	4,627
4	389.1—Other Plant & Misc. Eqpmt	0	0	0	f	0	0
5	COLLECTION PLANT:						
6	353.2—Land & Land Rights	3,479	0	3,479	b	0	3,479
7	354.2—Structures & Improvements	0	0	0	b	0	0
8	360.2—Collection Sewers—Force	304,517	0	304,517	b	0	304,517
9	361.2—Collection Sewers—Gravity	2,127,290	0	2,127,290	b	0	2,127,290
10	362.2—Special Collection Struct.	0	0	0	b	0	0
11	363.2—Services to Customers	282,225	0	282,225	b	0	282,225
12	364.2—Flow Measuring Devices	109,069	0	109,069	b	0	109,069
13	365.2—Flow Measuring Install.	0	0	0	b	0	0
14	389.2—Other Plant & Misc. Eqpmt	0	0	0	b	0	0
15	SYSTEM PUMPING PLANT:						
16	353.3—Land & Land Rights	0	0	0	b	0	0
17	354.3—Structures & Improvements	1,406	0	1,406	b	0	1,406
18	370.3—Receiving Wells	132,277	0	132,277	b	0	132,277
19	371.3—Electric Pumping Eqpmt	920,280	0	920,280	a	91,000	829,280
20	389.3—Other Plant & Misc. Eqpmt	0	0	0	b	0	0
21	TREATMENT/DISPOSAL PLANT:						
22	353.4—Land & Land Rights	207,855	0	207,855	a	0	207,855
23	354.4—Structures & Improvements	3,410,512	0	3,410,512	a	606,235	2,804,277
24	380.4—Treatment/Disposal Equip.	8,962,317	0	8,962,317	a	429,213	8,533,104
25	381.4—Plant Sewers	571,960	0	571,960	a	80,998	490,962
26	382.4—Outfall Sewers	2,729,977	0	2,729,977	a	1,519,351	1,210,626
27	389.4—Other Plant & Misc. Equip	2,587,481	0	2,587,481	a	138,958	2,448,523
28	GENERAL PLANT:						
29	353.5—Land & Land Rights	7,860	0	7,860	f	504	7,356
30	354.5—Structures & Improvements	54,705	0	54,705	f	3,507	51,198
31	390.5—Office Furniture & Equip.	114,991	0	114,991	f	7,372	107,619
32	391.5—Transportation Equipment	49,769	0	49,769	f	3,191	46,578
33	392.5—Stores Equipment	540	0	540	f	35	505
34	393.5—Tools, Shop, Garage Equip.	18,605	0	18,605	f	1,193	17,412
35	394.5—Laboratory Equipment	5,281	0	5,281	f	339	4,942
36	395.5—Power Operated Equip	18,445	0	18,445	f	1,182	17,263
37	396.5—Communication Equipment	8,392	0	8,392	f	538	7,854
38	397.5—Miscellaneous Equipment	4,436	0	4,436	f	284	4,152
40	398.5—Other Tangible Plant	123	0	123	f	8	115
41	Total	\$ 22,638,736	\$ 0	\$ 22,638,736		\$ 2,884,225	\$ 19,754,511
42	Percentage					12.74%	87.26%

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Effluent Rate Study
Cost Allocation

Schedule U

Accumulated Depreciation Allocation

Line No.	Col. 1 Account No. and Name	Col. 2 12/31/94 Balance	Col. 3 Adjustmt	Col. 4 Adjusted Balance	Col. 5 Alloc Symbol	Col. 6 Effluent Reuse	Col. 7 Other
1	INTANGIBLE PLANT:						
2	351.1-Organization	\$ 0	\$ 0	0	f	\$ 0	0
3	352.1-Franchises	41	0	41	f	2	39
4	389.1-Other Plant & Misc. Eqpmt	0	0	0	f	0	0
5	COLLECTION PLANT:						
6	353.2-Land & Land Rights	0	0	0	b	0	0
7	354.2-Structures & Improvements	0	0	0	b	0	0
8	360.2-Collection Sewers-Force	24,825	0	24,825	b	0	24,825
9	361.2-Collection Sewers-Gravity	839,105	0	839,105	b	0	839,105
10	362.2-Special Collection Struct.	0	0	0	b	0	0
11	363.2-Services to Customers	87,662	0	87,662	b	0	87,662
12	364.2-Flow Measuring Devices	109,068	0	109,068	b	0	109,068
13	365.2-Flow Measuring Install.	0	0	0	b	0	0
14	389.2-Other Plant & Misc. Eqpmt	0	0	0	b	0	0
15	SYSTEM PUMPING PLANT:						
16	353.3-Land & Land Rights	0	0	0	b	0	0
17	354.3-Structures & Improvements	58,158	0	58,158	b	0	58,158
18	370.3-Receiving Wells	64,857	0	64,857	b	0	64,857
19	371.3-Electric Pumping Eqpmt	503,340	0	503,340	a	49,772	453,568
20	389.3-Other Plant & Misc. Eqpmt	123,984	0	123,984	b	0	123,984
21	TREATMENT/DISPOSAL PLANT:						
22	353.4-Land & Land Rights	0	0	0	a	0	0
23	354.4-Structures & Improvements	493,755	0	493,755	a	87,767	405,988
24	380.4-Treatment/Disposal Equip.	2,236,844	0	2,236,844	a	107,115	2,129,529
25	381.4-Plant Sewers	147,128	0	147,128	a	20,836	126,292
26	382.4-Outfall Sewers	454,778	0	454,778	a	253,104	201,674
27	389.4-Other Plant & Misc. Equip	284,422	0	284,422	a	15,275	269,147
28	GENERAL PLANT:						
29	353.5-Land & Land Rights	0	0	0	f	0	0
30	354.5-Structures & Improvements	8,952	0	8,952	f	440	8,512
31	390.5-Office Furniture & Equip.	52,019	0	52,019	f	2,558	49,461
32	391.5-Transportation Equipment	27,603	0	27,603	f	1,358	26,245
33	392.5-Stores Equipment	156	0	156	f	8	148
34	393.5-Tools, Shop, Garage Equip.	8,782	0	8,782	f	432	8,350
35	394.5-Laboratory Equipment	2,250	0	2,250	f	111	2,139
36	395.5-Power Operated Equip	15,336	0	15,336	f	754	14,582
37	396.5-Communication Equipment	4,173	0	4,173	f	205	3,968
38	397.5-Miscellaneous Equipment	3,910	0	3,910	f	192	3,718
39	398.5-Other Tangible Plant	1,052	0	1,052	f	52	1,000
40	Total	\$ 5,552,000	\$ 0	\$ 5,552,000		\$ 539,981	\$ 5,012,019
41	Percentage					9.73%	90.27%

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Effluent Rate Study
Cost Allocation

Schedule E

CIAC and Accumulated Amortization of CIAC Allocation

Line No.	Col. 1 Account No. and Name	Col. 2 12/31/94 Balance	Col. 3 Allocation Symbol	Col. 4 Effluent Reuse	Col. 5 Other
1	Contributions in Aid of Construction:				
2	Plant Capacity Fees	\$ 3,185,252	d	\$ 478,519	\$ 2,706,733
3	Main Extensions	252,046	b	0	252,046
4	Contributed Lines	28,810	b	0	28,810
5	Other Contributed Property	676,842	e	100,537	576,305
6	Service Installation Fees	<u>52,645</u>	b	<u>0</u>	<u>52,645</u>
7	Total CIAC	<u>\$ 4,195,595</u>		<u>\$ 579,056</u>	<u>\$ 3,616,539</u>
8	Percentage			<u>13.80%</u>	<u>86.20%</u>
8	Accum. Amortization of CIAC:				
9	Plant Capacity Fees	\$ 1,526,198	d	\$ 229,280	\$ 1,296,918
10	Main Extensions	27,621	b	0	27,621
11	Contributed Lines	1,919	b	0	1,919
12	Other Contributed Property	87,127	e	12,942	74,185
13	Service Installation Fees	<u>2,764</u>	b	<u>0</u>	<u>2,764</u>
14	Total Amortization of CIAC	<u>\$ 1,645,629</u>		<u>\$ 242,222</u>	<u>\$ 1,403,407</u>
15	Percentage			<u>14.72%</u>	<u>85.28%</u>

SSU - MARCO ISLAND
Effluent Rate Study
Cost Allocation

Schedule 5

Allocation of Operation and Maintenance Expenses

Line No.	Col. 1 Acct. No. and Description	Col. 2 1994	Col. 3 Adjustments	Col. 4 Adjusted Total	Col. 5 Alloc Symbol	Col. 6 Effluent Reuse	Col. 7 Other
1	COLLECTION EXPENSE:						
2	701-Salaries & Wages	\$ 7,855	\$ 0	\$ 7,855	b	\$ 0	\$ 7,855
3	704-Employee Benefits	2,016	0	2,016	b	0	2,016
4	715-Purchased Power	31,710	0	31,710	b	0	31,710
5	716-Fuel for Power	2,473	0	2,473	b	0	2,473
6	720-Materials & Supplies	31,401	0	31,401	b	0	31,401
7	742-Equipment Rental	136	0	136	b	0	136
8	758-Workman's Comp. Ins.	168	0	168	b	0	168
9	775-Misc. Expenses	14,245	0	14,245	b	0	14,245
10	PUMPING EXPENSE:						
11	701-Salaries & Wages	11,545	0	11,545	b	0	11,545
12	704-Employee Benefits	2,964	0	2,964	b	0	2,964
13	715-Purchased Power	8,689	0	8,689	b	0	8,689
14	720-Materials & Supplies	14,550	0	14,550	b	0	14,550
15	735-Contract Services, Other	215	0	215	b	0	215
16	742-Equipment Rental	135	0	135	b	0	135
17	758-Workman's Comp. Ins.	248	0	248	b	0	248
18	TREATMENT PLANT EXPENSE:						
19	701-Salaries & Wages	222,589	0	222,589	a	55,450	167,139
20	704-Employee Benefits	57,149	0	57,149	g	14,237	42,912
21	711-Sludge Removal	44,164	0	44,164	b	0	44,164
22	715-Purchased Power	110,066	0	110,066	a	28,000	82,066
23	718-Chemicals	10,924	0	10,924	a	7,000	3,924
24	720-Materials & Supplies	60,182	0	60,182	a	14,000	46,182
25	731-Contract Services, Engr.	6,245	0	6,245	b	0	6,245
26	735-Contract Services, Other	20,989	0	20,989	b	0	20,989
27	742-Equipment Rental	1,171	0	1,171	b	0	1,171
28	750-Transportation Exp.	9,692	0	9,692	b	0	9,692
29	758-Workman's Comp. Ins.	4,771	0	4,771	g	1,189	3,582
30	CUSTOMER BILLING:						
31	701-Salaries & Wages	21,320	0	21,320	b	0	21,320
32	704-Employee Benefits	5,034	0	5,034	b	0	5,034
33	715-Purchased Power	81	0	81	b	0	81
34	720-Materials & Supplies	1,275	0	1,275	b	0	1,275
35	741-Property Rental	185	0	185	b	0	185
36	742-Equipment Rental	4	0	4	b	0	4
37	750-Transportation Exp.	520	0	520	b	0	520
38	758-Workman's Comp. Ins.	379	0	379	b	0	379
39	770-Bad Debt Expense	1,619	0	1,619	b	0	1,619
40	775-Misc. Expenses	1,520	0	1,520	b	0	1,520
41	GENERAL & ADMINISTRATIVE:						
42	701-Salaries & Wages	51,203	0	51,203	f	4,333	46,870
43	704-Employee Benefits	12,503	0	12,503	f	1,058	11,445
44	715-Purchased Power	847	0	847	f	72	775
45	720-Materials & Supplies	2,667	0	2,667	f	226	2,441
46	732-Contract Services, Acctg.	2,215	0	2,215	f	187	2,028
47	733-Contract Services, Legal	1,756	0	1,756	f	149	1,607
48	735-Contract Services, Other	6,116	0	6,116	f	518	5,598
49	741-Property Rental	1,727	0	1,727	f	146	1,581
50	742-Equipment Rental	118	0	118	f	10	108
51	750-Transportation Exp.	644	0	644	f	66	569
52	756-Insurance, Vehicle	1,454	0	1,454	f	123	1,331
53	757-Insurance, Gen. Liability	3,326	0	3,326	f	281	3,045
54	758-Workman's Comp. Ins.	761	0	761	f	64	697
55	759-Insurance, Other	302	0	302	f	26	276
56	760-Advertising	358	0	358	f	30	328
57	766-Rate Case Exp.	13,668	0	13,668	f	1,157	12,511
58	767-Reg. Commission Exp.	1,179	0	1,179	f	100	1,079
59	775-Misc. Expenses	16,974	0	16,974	f	1,437	15,537
62	Total	\$ 826,047	\$ 0	\$ 826,047		\$ 129,848	\$ 696,199
63	Percentage					15.72%	84.28%

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Schedule G

Depreciation Expense Allocation

Line No.	Col. 1 Description	Col. 2 1994	Col. 3 Allocation Symbol	Col. 4 Effluent Reuse	Col. 5 Other
1	Intangible Plant	\$ 124	f	\$ 8	\$ 116
2	Collecting System	86,664	b	0	86,664
3	Pumping System	55,305	c	4,775	50,530
4	Treatment and Disposal	855,578	d	128,533	727,045
5	General Plant:				
6	Other Than Transportation	32,914	f	2,199	30,715
7	Transportation Equipment	<u>8,295</u>	f	<u>554</u>	<u>7,741</u>
8	Total Depreciation - UPIS	1,038,880	-	136,069	902,811
9	Amortization of CIAC	<u>(191,958)</u>	Sch. E	<u>(28,256)</u>	<u>(163,702)</u>
10	Total Annual Depreciation	\$ <u>846,922</u>		\$ <u>107,813</u>	\$ <u>739,109</u>
11	Percentage			<u>12.73%</u>	<u>87.27%</u>

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Schedule G.1

Depreciation Expense by Primary Account				
Line No.	Col. 1 Account No. and Name	Col. 2 UPIS Balance Adj 12/31/94	Col. 3 Deprec. Rate	Col. 4 Annual Expense
1	INTANGIBLE PLANT:			
2	351.1 - Organization	\$ 0	2.5000%	\$ 0
3	352.1 - Franchises	4,944	2.5000%	124
4	389.1 - Other Plant & Misc. Equipment	0	5.5556%	0
5	COLLECTION PLANT:			
6	353.2 - Land & Land Rights	3,479	n/a	0
7	354.2 - Structures & Improvements	0	3.1250%	0
8	360.2 - Collection Sewers - Force	304,517	3.3333%	10,150
9	361.2 - Collection Sewers - Gravity	2,127,290	2.2222%	47,273
10	362.2 - Special Collection Struct.	0	2.5000%	0
11	363.2 - Services to Customers	282,225	2.6316%	7,427
12	364.2 - Flow Measuring Devices	109,069	20.0000%	21,814
13	365.2 - Flow Measuring Install.	0	2.6316%	0
14	389.2 - Other Plant & Misc. Equipment	0	5.5556%	0
15	SYSTEM PUMPING PLANT:			
16	353.3 - Land & Land Rights	0	n/a	0
17	354.3 - Structures & Improvements	1,406	3.1250%	44
18	370.3 - Receiving Wells	132,277	3.1250%	4,134
19	371.3 - Electric Pumping Equipment	920,280	5.5556%	51,127
20	389.3 - Other Plant & Misc. Equipment	0	5.5556%	0
21	TREATMENT/DISPOSAL PLANT:			
22	353.4 - Land & Land Rights	207,855	n/a	0
23	354.4 - Structures & Improvements	3,410,512	3.1250%	106,579
24	380.4 - Treatment/Disposal Equip.	8,962,317	5.5556%	497,910
25	381.4 - Plant Sewers	571,960	2.8571%	16,341
26	382.4 - Outfall Sewers	2,729,977	3.3333%	90,998
27	389.4 - Other Plant & Misc. Equipment	2,587,481	5.5556%	143,750
28	GENERAL PLANT - SEWER:			
29	353.5 - Land & Land Rights	7,860	n/a	0
30	354.5 - Structures & Improvements -	54,705	2.5000%	1,368
31	390.5 - Office Furniture & Equip.	114,991	6.6667%	7,666
32	391.5 - Transportation Equipment	49,769	16.6667%	8,295
33	392.5 - Stores Equipment	540	5.5556%	30
34	393.5 - Tools, Shop, Garage Equip.	18,605	6.2500%	1,163
35	394.5 - Laboratory Equipment	5,281	6.6667%	352
36	395.5 - Power Operated Equipment	18,445	8.3333%	1,537
37	396.5 - Communication Equipment	8,392	10.0000%	839
38	397.5 - Miscellaneous Equipment	4,436	6.6667%	296
39	398.5 - Other Tangible Plant	123	10.0000%	12
40	Allocated General Plant			19,651
41	Total	<u>\$ 22,638,736</u>		<u>\$ 1,038,880</u>
42	CIAC Amorization:			
43	Plant Capacity Fees	\$ 3,185,252	4.7926%	\$ 152,658
44	Main Extensions	252,046	3.1474%	7,933
45	Contributed Lines	28,810	3.3333%	960
46	Other Contributed Property	678,842	4.2879%	29,022
47	Service Installation Fees	52,645	2.6316%	1,385
48	Total	<u>\$ 4,195,595</u>		<u>\$ 191,958</u>

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Schedule n

Allocation of Taxes, Other Than Income Tax

Line No.	Col. 1 Description	Col. 2 1994	Col. 3 Adjustmt	Col. 4 ProForma Amount	Col. 5 Allocation Symbol	Col. 6 Effluent Reuse	Col. 7 Other
1	Payroll Taxes	\$ 40,294	\$ 0	\$ 40,294	h	\$ 7,659	\$ 32,635
2	Property Taxes	237,538	0	237,538	Sch. C	30,262	207,276
3	Revenue Taxes	<u>137,173</u>	<u>46,387 (1)</u>	<u>183,560</u>	Sch. B	<u>25,350</u>	<u>158,210</u>
4	Total Taxes, Other	\$ <u>415,005</u>	\$ <u>46,387</u>	\$ <u>461,392</u>		\$ <u>63,271</u>	\$ <u>398,121</u>
5	Percentage					<u>13.71%</u>	<u>86.29%</u>

Note : (1) Revenue Tax Calculation :

Pro Forma Revenue Rqt	4,079,111
Rev Tax Rate	<u>4.50%</u>
Pro Forma Revenue Tax	183,560
1994 Revenue Tax	<u>(137,173)</u>
Adj	<u>46,387</u>

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Schedule 7

Effluent Reuse Allocation Symbols

Line No.	Allocation Symbols	Description	Allocation Factor
1	a	These items are allocated by direct cost.	
2			
3	b	These items are not necessary for providing effluent service and do not impact effluent costs.	0.00%
4			
5			
6	c	Items bearing this symbol are allocated based on the relationship of effluent pumping facilities to total pumping plant.	8.63%
7			
8		Total Pumping Plant	1,053,963
9		Effluent Pumping Facilities	91,000
10			
11	d	Items bearing this symbol are allocated based on the relationship of effluent T & D facilities to total treatment and disposal plant.	15.02%
12			
13		Total T & D Plant	18,470,102
14		Effluent T & D Facilities	2,774,755
15			
16	e	Items bearing this symbol are allocated based on effluent structures, pumping equipment, treatment equipment, and meters relative to total system structures, pumping equipment, treatment equipment, and meters.	14.85%
17			
18			
19		Total System	19,293,002
20		Effluent System	2,865,755
21			
22	f	Items bearing this symbol are allocated based on a 50% weighing of all other items.	
23			
24			
25	g	Treatment & Disposal benefits and comp insurance are allocated on the basis T & D labor costs.	
26			
27			
28	h	Payroll taxes are allocated on the basis of the allocation of total labor costs.	19.01%
29		Total Labor	314,512
30		Effluent Labor Costs	59,783
31			
32	i	Income taxes are calculated as follows and allocated on the basis of the Rate Base.	
33			
34		Rate of Return	10.19%
35		Less	5.48% Wgt Cost of Debt
36		Wgt Cost Equity	4.71%
37			x 14,791,350 Rate Base
38		Equity Return	696,673
39			x 162.80% Gross-Up
40		Pre-tax Equity	1,134,184
41			x 38.575% Tax Rate
42			<u>437,511</u> FIT