

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate) DOCKET NO. 940847-WS
increase in Duval County by) ORDER NO. PSC-95-1376-FOF-WS
ORTEGA UTILITY COMPANY.) ISSUED: November 6, 1995
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING

APPEARANCES:

B. Kenneth Gatlin, Esquire, Gatlin, Woods & Carlson, The Mahan Station, 1709-D Mahan Drive, Tallahassee, Florida 32308

On behalf of Ortega Utility Company.

Jack Shreve, Public Counsel and Harold McLean, Associate Public Counsel, Office of Public Counsel, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400

On behalf of the Citizens of the State of Florida.

Marc S. Nash, Scott K. Edmonds, and Lila A. Jaber, Esquires, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0863

On behalf of the Commission Staff.

FINAL ORDER ESTABLISHING INCREASED RATES AND CHARGES

BY THE COMMISSION:

BACKGROUND

Ortega Utility Company (Ortega or utility) is a Class B water and wastewater utility providing service for approximately 1,342 water and 1,211 wastewater customers in Duval County. The utility is contained within the St. Johns River Water Management District which is a critical use area. For the test year ended June 30, 1994, the utility reports water operating revenues of \$528,199 and wastewater operating revenues of \$726,091.

We last established rates for this utility in a limited proceeding in Docket No. 911168-WS. By Order No. PSC-92-0633-FOF-WS, issued July 8, 1992, we addressed the utility's petition for

DOCUMENT RECORDED

10907 NOV-6 1995

FPSC-REGISTRATION REPORTING

emergency and permanent rate relief, and the interconnection of the Herlong water and wastewater systems with the City of Jacksonville. The last full rate proceeding was held in Docket No. 871262-WS, and the resulting final order, Order No. 21137, was issued April 27, 1989. The utility has received price index rate adjustments for the years 1991 through 1994.

On December 21, 1994, the utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081(2), 367.081(3) and 367.082, Florida Statutes. The utility did not satisfy the minimum filing requirements (MFRs), and a letter was sent to the utility notifying it of its deficiencies on January 5, 1995. On February 20, 1995, the utility satisfied the MFRs and this date was designated as the official filing date.

Ortega has requested interim and final water rates designed to generate annual revenues of \$549,549 and wastewater rates designed to generate annual revenues of \$899,000. The requested water revenues exceed adjusted test year revenues by \$11,922, or 2.22%. The requested wastewater revenues exceed adjusted test year revenues by \$157,657, or 21.27%.

A prehearing conference was held on July 6, 1995, in which 33 issues were identified. The hearing was held in Jacksonville on July 20 and 21, 1995. The Office of Public Counsel (OPC) intervened on the first day of the hearing. Ortega timely filed its brief on August 14, 1995. OPC did not file a brief.

FINDINGS OF FACT, LAW, AND POLICY

Having heard the evidence presented at the hearing in this proceeding and having reviewed the recommendation of the Commission Staff (Staff), as well as the utility's brief, we now enter our findings and conclusions.

STIPULATIONS

Prior to the hearing, a number of stipulations were identified. At the hearing, we found the stipulations were reasonable. Accordingly, the stipulations were accepted. The stipulations have been identified below.

1. The 4 inch meter is not adequate for providing the code required fire flows for multi-family projects within Duval County. Therefore, the utility will obtain a meter large enough to allow ample fire flows.

2. Pro forma costs for the plant additions at the Airport water treatment plant for compliance with the Lead and Copper Rule should be included in plant in service, pending receipt of contracts and/or bids to ascertain costs.
3. The used and useful percentage for the Airport System, with the exception of 450 feet of transmission and distribution lines and 450 feet of gravity collection system, is 100%. The Herlong transmission and distribution lines and the collection system are all 100% used and useful in service to the customers. The water distribution system and the wastewater collection system of the Blanding System are 100% used and useful.
4. The following adjustments are necessary to record the retirement of the Herlong water and wastewater treatment plants.

	Acct. No.	Debit	Credit
(1)			
Plant Held for Future Use	103-304.2	\$ 5,664	
Utility Plant in Service	101.304.2		\$ 5,664
Accum. Deprec.			
- Plant in Service	108-304	855	
Accum. Deprec.			
- Plant Held for Future Use	108-304		855
Misc. Nonutility Expenses	426	170	
Depreciation - Water	403		170
		<u>\$ 6,689</u>	<u>\$ 6,689</u>
To reclassify water plant held for future use.			
(2)			
Accumulated Depreciation	108	\$ 17,582	
Utility Plant in Service	101-380.4		\$ 17,582
Accumulated Amort. of CIAC	272		20,388
CIAC - Wastewater	271	20,388	
Accumulated Depreciation	108-380	2,298	
Accumulated Amort. of CIAC	272		2,193
Retained Earnings	215		60
Depreciation - Wastewater	403		45
To record retirement of			
Herlong			
Wastewater Plant		<u>\$ 52,776</u>	<u>\$52,776</u>

	Acct. No.	Debit	Credit
(3)			
Unamortized Property			
Losses	182	\$ 12,165	
Amortization of			
Property Losses	407-2	3,842	
Accumulated Depreciation	108	15,769	
CIAC - Water	271	15,877	
Utility Plant in Service	101-304.2		\$13,235
Utility Plant in Service	101-311.2		9,753
Utility Plant in Service	101-320.3		5,651
Utility Plant in Service	101-330.4		13,330
Accumulated Amort. of CIAC	272		8,672
Retained Earnings (Deprec.)	215		1,220
Retained Earnings (Amort.)	215	5,123	
Depreciation - Water	403		915
To record retirement of Herlong			
Water Plant		<u>\$ 52,776</u>	<u>\$52,776</u>

5. Working capital shall be calculated using the formula method.
6. The cost of equity shall be established using the current leverage graph at the time the Commission makes its decision in this case.
7. Ortega shall flow back, through cost of service, the benefit of tax depreciation taken on contributed assets. The adjustment shall be identifiable on the utility's balance sheet and income statement.
8. The utility's base facility and gallonage charge rate structure is conservation oriented.
9. Wastewater miscellaneous expenses should be reduced by \$550.
10. The miscellaneous service charges shall be in accordance with second revised Staff Advisory Bulletin No. 13.
11. The appropriate method to reconcile rate base is to make all known and measurable changes to the capital structure, and then make any pro rata adjustments which are necessary.

QUALITY OF SERVICE

In accordance with Rule 25-30.433(1), Florida Administrative Code, our evaluation of quality of service is based upon three components of water and wastewater utility operations: (1) the quality of the utility's product; (2) the operational conditions of the utility's plant and facilities; and (3) the utility's efforts to address customer satisfaction. The rule also states that sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and County Health Departments (HRS) or lack thereof over the preceding three year period shall be considered. Customer and DEP and HRS officials' testimony concerning quality of service shall also be considered.

Quality of the Utility's Product - Water

Ortega has two water treatment plants, the Airport plant and the Blanding plant. In addition, it purchases water from the City of Jacksonville for its Herlong service territory. Staff witness Hamilton of HRS testified that the utility is meeting all primary and secondary water quality standards, with one exception noted at the Airport plant.

Mr. Hamilton stated that the Airport plant exceeded the action level for copper, and as a result, the utility needs to include corrosion control treatment at the plant. The utility stipulated that the pro forma costs for the plant additions should be included in plant in service, pending receipt of contracts and/or bids to ascertain costs. During cross-examination, utility witness Mr. Potter, Jr. testified that the utility had not obtained bids or contract amounts for the necessary upgrades. The utility estimated the capital costs for the corrosion control upgrades to be \$20,950, with an estimated yearly expense of \$1,218. We find these costs to be reasonable; however, the stipulation clearly states the need for bids and/or contracts to ascertain costs. Accordingly, we find that the estimated capital costs for the corrosion control cannot be included in rate base at this time. However, as the corrosion control is necessary and mandated by DEP, when the utility has completed the necessary upgrades, it may file a limited proceeding to include those costs in rate base.

As the utility has planned for, permitted, and is poised to proceed with the corrosion control treatment at the Airport plant, we find that the quality of the two water treatment plants' product is satisfactory.

Quality of the Utility's Product - Wastewater

Ortega has two wastewater treatment plants, the Airport plant and the Blanding plant. It also purchases sewage treatment from the City of Jacksonville for its Herlong territory. Staff witness Smeltzer of DEP testified that the utility is in compliance with its permits, that it is meeting the applicable effluent limitations and disposal requirements, and that neither plant has been subject to DEP enforcement within the past two years. In addition, Staff witness Hubsch, also of DEP, testified that neither plant has been the subject of any major enforcement from the Jacksonville Regulatory and Environmental Services Department. We therefore find that the quality of the two wastewater treatment plants' product is satisfactory.

Operational Conditions

Utility witness Potter, Jr. testified that the utility does not have a regular line flushing program. However, he testified that the utility routinely monitors chlorine residual throughout the system, and if the residual begins to drop in an area, the utility flushes the hydrants in that area. We find that the utility is monitoring the distribution system water quality effectively. However, the utility does not estimate the amount of water used when flushing hydrants. Although the overall unaccounted for water for this utility is not excessive, it is not burdensome to include this information on the daily operating reports. Therefore, the utility shall estimate the amount of water used for flushing.

Airport Plant

Although Rule 25-30.433(1), Florida Administrative Code, requires the review of sanitary surveys, consent orders, citations and violations during the preceding three year period, we believe that if new, and known, deficiencies have occurred, they too should be reviewed. A sanitary survey dated March 30, 1995, for the Airport water treatment plant notes seven deficiencies. Mr. Potter, Jr. testified that several of the items have been addressed. Mr. Potter, Jr. testified that only one item could be considered a violation of DEP rules. Our review of the sanitary survey shows DEP rule citations for all but one of the seven deficiencies. We raised two of the deficiencies as issues in this proceeding -- the missing high service pump and the need for a backflow prevention device at a lift station. These items will be addressed in detail below.

Another concern we have is the lack of sufficient auxiliary power for the Airport water and wastewater treatment plants. These plants are located at the same site, and the utility uses one generator for both plants. The current generator is an Onan 85 kW. Mr. Potter, Jr. testified that a 250 kW diesel generator is needed. The need for a new generator will be addressed in more detail below. When our concerns regarding the high service pump, backflow prevention device, and generator have been addressed, we believe the operational conditions of the Airport plants will be satisfactory.

Blanding Plant

Mr. Potter, Jr. testified that during peak flow periods, the code required fire flow is not available at the eastern end of the Blanding system. The utility stated that installation of a fifth high service pump should become a priority when funds become available. We find that the utility has sufficient need for the fifth high service pump, and this matter is addressed in greater detail below.

Further, the need for an additional generator at the Blanding site was discussed during the hearing. Like the Airport plants, the Blanding plants are located at the same site and currently share one generator. The current generator is 155 kW. Mr. Potter, Jr. testified that the water plant and wastewater plant each need a 350 kW generator. We are concerned about the utility's ability to purchase three new generators at one time. Therefore, the need for more auxiliary power at the Blanding site is addressed in greater detail below. When our concerns for a fifth high service pump and additional auxiliary power are addressed, we believe the operational conditions of the Blanding plants and facilities will be satisfactory.

Herlong Service Territory

The utility retained the site where it used to treat water and wastewater for the Herlong service territory. Mr. Hamilton testified that the 4" master water meter which supplies water for the entire territory is inadequate for fire protection. The utility has stipulated to the need for a larger meter and stated that it would obtain a meter large enough to allow ample fire flows. Mr. Hamilton also testified that the utility needs to properly abandon the Herlong water plant and convert it to a consecutive water system. We find that the utility has begun monitoring, as required, for a consecutive water system. We hereby direct the utility to contact HRS and obtain the proper permit for abandoning the water plant. When the water plant has been properly

abandoned, we believe that the operational conditions at Herlong will be satisfactory.

Customer Satisfaction

Two customers testified during the hearing. We believe their concerns have been addressed. A review of our complaint tracking system showed no complaints during the test year. As the utility is meeting the primary drinking water standards and will be addressing corrosion control for the Airport water plant in the near future, and because there were relatively few customer complaints, we find that the utility is addressing customer satisfaction adequately.

Based on the above, we find that the utility is meeting all three conditions for providing satisfactory quality of service. However the utility needs to address the following specific concerns: the utility needs to add corrosion control at its Airport water treatment plant, install a third high service pump at the Airport plant, install a fifth high service pump at the Blanding plant, install a backflow prevention device at the Airport plant, and address the need for additional power generation at both the Airport and Blanding plants. Each of these items, with the exception of the corrosion control, is addressed in detail below. In addition, the utility shall estimate water used for flushing lines. Finally, the utility shall contact HRS to determine how to properly abandon the Herlong water plant.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedules Nos. 1-A and 1-B, and our adjustments are itemized on Schedule No. 1-C. 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.

Pro Forma Adjustments

Third High Service Pump for Airport Water System

As stated above, a recent sanitary survey of the Airport water treatment plant indicated the need for a third high service pump. Mr. Potter, Jr. testified that the high service pump needs to be installed to provide reliable service in the event there are difficulties with one of the other two pumps at the plant. We have reviewed the exhibit submitted by the utility, which shows the

material cost for the high service pump to be \$4,460. Additionally, a proposal is provided for installation to be \$44,350. We find that the material cost is reasonable, and have included tax of 6.5%, which brings the amount to \$4,750. We are concerned, however, with the installation costs. The proposal for installing the high service pump outlines several activities, including enlarging the pump house and relocating the generator. We are not convinced that enlarging the building is necessary, as there was a third pump, albeit smaller, in place at the Airport plant at one time. Costs for relocating the generator are discussed further below. Since there is no cost breakdown by activity in the utility's exhibit, we cannot remove the costs for enlarging the pump house and relocating the generator. Accordingly, we find it appropriate to include \$22,575, which is the amount the utility projected for the fifth high service pump (discussed in further detail below) and its installation, as there is a good deal of similarity between these pumps. We agree with the utility that the proper account is 311.2. As this is a pro forma item, we find it appropriate to set a time limit for the utility to purchase and install this item. We find that one year from the issuance date of this order will give the utility ample time to complete these tasks.

Fifth High Service Pump for Blanding Water System

Mr. Potter, Jr. testified that the utility would be unable to meet requirements for peak flows plus fire flows in certain sections of the Blanding territory if one of the existing pumps went down. He further testified that there is a pump that currently needs to be serviced, but cannot be brought off-line for maintenance due to water demands. We have reviewed the exhibit submitted by the utility, which shows the material costs for the high service pump to be \$4,460. We have included tax of 6.5%, bringing the material costs to \$4,750. Additionally, the proposal provided for installation of this pump is \$17,825. We agree with the utility that the proper account is 311.2. As this is a pro forma item, we find it appropriate to set a time limit for the utility to purchase and install this item. We find that one year from the issuance date of this order will give the utility ample time to complete these tasks.

Auto-Dialers for Sewage Pumping Stations

We first became concerned with the need for emergency information at the plant sites and lift stations as a result of the engineering site visit and subsequent discovery. The utility purchased and installed signs providing emergency information for each plant site and lift station subsequent to the engineering site

visit. Mr. Potter, Jr. testified that seven of the utility's sewage pumping stations are critical, and that disruption in its operation would cause either a problem to a customer or to the environment. We note that currently, the utility's lift stations meet DEP requirements with respect to location, reliability and safety. However, we agree with the utility that auto-dialers would lessen the time between equipment failure and response by utility personnel. The utility also states that auto-dialers connected to alarm systems provide a significant benefit to both the utility and the public in reducing and, in some instances, eliminating costly, offensive and environmentally destructive equipment failures. Based on the potential benefit to customers and the environment, we find that the auto-dialers would be a prudent investment, and hereby include their costs and expenses as a pro forma adjustment.

Ortega presented documentation showing costs it believed were necessary for the equipment. We agree with Ortega that costs of \$596 and \$298 should be included for seven auto-dialers and the power supplies, respectively. However, the utility requested a cost for labor/installation of \$137.41 per site. There was no evidence presented to include it, and as such, we do not find it appropriate to include this amount. The costs for the phone line, per site, is itemized as \$184.11. We have reviewed the detailed phone billing and find that certain line items need to be removed from the \$184.11 amount. That billing shows charges for one month's service and a partial month's service totaling \$49.91. Monthly charges shall be included under operations and maintenance expenses. It is improper to include them again here. Accordingly, we find that the appropriate amount to include for the phone line is \$134.20 per site. The utility did not include the costs for the phone jack and miscellaneous items in its brief; however, the exhibit includes a receipt for \$6.14 for a phone jack, extension cord, and another item listed as "phone patc". The costs for these items for seven sites is \$43.00. Upon consideration, we find it appropriate to include this amount.

There is also a difference between the annual expenses we find appropriate and what the utility is requesting. The utility's exhibit supports a monthly charge of \$43.22 per site, or \$518.64 per year. The utility listed this amount as \$531.12 per year at the hearing. We do not agree with this amount based on the documentation provided. Accordingly, we find it appropriate to include capital costs of \$1,876 in account 389.3, and a yearly operation and maintenance expense of \$3,630 in account 775. As these are pro forma items, we find it appropriate to set a time limit for the utility to purchase and install these items. We find that one year from the issuance date of this order will give the utility ample time to complete these tasks.

Generators for the Airport and Blanding Sites

Mr. Potter, Jr. testified that the current 85 kW generator located at the Airport site is insufficient as it serves both the water and the wastewater plant. He further testified that the utility needs a 250 kW generator at this site. Mr. Potter, Jr. testified that the current 155 kW generator located at the Blanding site is insufficient as it serves both the water and the wastewater plant. His analysis of the Blanding plants indicates a need for a 350 kW generator at the water plant and a 350 kW generator at the wastewater plant. Based on the testimony in the record, we find that the utility needs a new generator at the Airport site and at the Blanding water plant.

Backflow Prevention Device for Airport Water Treatment Plant

As a result of the recent Sanitary Survey conducted for the Airport water plant, DEP cited the lack of a backflow preventor as a deficiency and recommended that the utility install proper protection. We agree as to the need for the device. There is a difference, however, as to the amount to be booked to account 389.2. The utility filed evidence in the form of a quote of \$274 for the backflow preventor. We have added 6.5% tax to this price, which totals \$292. The utility, in its brief, added an installation cost of \$208.19. We do not disagree that there would be a cost for installation; however, the utility has provided no documentation to support the amount. Therefore, we find that only \$292 shall be allowed as a pro forma adjustment, and that it shall be booked to account 389.2. (As this is a pro forma item, the utility shall purchase and install the backflow preventor within one year from the issuance date of this Order).

We raised the question of adequate auxiliary power at the Airport site based on the engineering site visit. At that time, it was our understanding that the utility intended to move the existing Airport generator to the Blanding site to supplement the generator already there, and then obtain a new generator for the Airport plants. However, since that time, Mr. Potter, Jr. testified that it would be more important and economically prudent to move the existing Airport generator to a lift station which needs backup power. He indicated that there would be significant electrical expense to move the existing generator to the Blanding site to supplement the one already there. We believe that the utility intends to keep the existing Blanding generator (155 kW) for the wastewater plant and install the new 350 kW generator to provide auxiliary power for the Blanding water plant.

The utility provided documentation showing the costs for the buying and installation of these generators. Ortega provided no documentation to support either labor or installation costs. However, Mr. Potter, Jr. testified that it would cost \$5,650 to move and install the existing generator. We would not normally include this amount due to lack of documentation; however, as noted above, there was included in the aggregate amount for the installation of the third high service pump costs to relocate the generator. As we have no way of deducing the line item amount, and since Mr. Potter, Jr. testified to the installation cost of \$5,650 at hearing for one generator, we find that the inclusion of \$11,300 for installation, split evenly between the two new generator accounts is appropriate in this instance. The utility listed labor costs totaling \$5,000 for the two generators. However, there is no supporting documentation for these costs. Since we are including the installation costs, we find that it is not appropriate to allow these amounts as well. Accordingly, we find that the inclusion of \$81,635 total for the two new generators, tax, and installation is appropriate. As these are pro forma items, we find it appropriate to set a time limit for the utility to purchase and install these items. We find that one year from the issuance date of this order will give the utility ample time to complete these tasks.

Relief Wastewater Force Main for Blanding System

The utility requested a pro forma adjustment for the relief sewer force main due to limited service to areas east of the Ortega River because of excessive pressures in the existing force main. Mr. Potter, Jr. testified that reinforcement of the force main is needed as soon as possible to reduce excessive wear on the pumps and eliminate the nuisance from cavitation noise generated at the Ortega Bluff station. The project has been permitted and construction already begun during the pendency of this docket. Mr. Potter, Jr. testified that he anticipated completion of the relief force main in September 1995. We requested documentation to verify the contracted cost for this work. The utility provided the executed contract between Ortega and Jax Utilities Construction. The contract shows the cost to be \$81,543, which is greater than the estimate the utility provided in its MFRs. Accordingly, we find that the inclusion of \$81,543 for the relief sewer force main is appropriate. As this is a pro forma item, we find it appropriate to set a time limit for the utility to purchase and install it. We find that one year from the issuance date of this order will give the utility ample time to complete these tasks.

Margin Reserve

The utility states that margin reserve is appropriate for all of its systems and characterizes margin reserve as an acknowledgement that no physical facility can ever be utilized to exactly 100%. The utility further stated that if margin reserve were offset by imputation of CIAC, sound engineering practice would be discarded and the utility would be penalized for prudently committing its resources. Staff witness Crouch testified that due to the inability of the Airport system to grow, margin reserve is zero. He further testified that the Herlong system had experienced extremely low growth, and that its margin reserve is zero. Mr. Crouch also testified that the Airport water treatment plant, the Airport wastewater treatment plant, and the transmission, distribution and collection systems for the Airport are all 100% used and useful. Our review of Mr. Crouch's calculations showed zero margin reserve in reaching this conclusion. Similarly, his testimony reflects 100% used and useful without margin reserve for the Herlong system, also stipulated to by the utility. Further, Mr. Crouch testified and the utility stipulated to the transmission, distribution, and collection systems for the Blanding plant as being 100% used and useful. Mr. Crouch did not include margin reserve in his analysis. Therefore, the only used and useful calculations in which margin reserve might be a factor is for the Blanding water and wastewater plants.

In his rebuttal testimony, Mr. Potter, Jr. stated his reasons for disagreeing with Mr. Crouch regarding the need and justification for margin reserve. In summarizing his reasoning, he blended margin reserve criteria with used and useful. He testified that five criteria must be taken into consideration when analyzing used and useful. Among those criteria are: ten percent of the capacity of a system in excess of current demand and two years' growth should always be considered in service to the public; maximum average daily flows must be considered; increments of construction must be considered; the function which is to be served must be considered; and, the removal of one unit when there are three or more. As stated, much of the utility's system had been stipulated to as 100% used and useful, without margin reserve, leaving only the two Blanding plants to be considered.

At the hearing, Mr. Crouch changed a number in his used and useful calculation for the Blanding water plant. He stated that it was necessary to make changes due to information presented by Mr. Potter, Jr. in his rebuttal testimony. Based on that change, he concluded that the Blanding water plant is 100% used and useful. Margin reserve was not a factor in determining that calculation. Late-filed Exhibit No. 20 supports Mr. Crouch's derivation of

71,137 gallons for margin reserve for the Blanding plant. Mr. Potter, Jr. stated that two years growth would be 88 gallons per minute (gpm) which equates to 126,720 gallons per day (gpd). We find, however, that neither margin reserve figure is a factor in the calculation of used and useful for the Blanding wastewater plant, which is discussed further below.

Based on Mr. Crouch's testimony, Stipulation number 3, and our findings with respect to the used and useful percentage for the Blanding wastewater plant, we find that margin reserve is zero for all three of the utility's systems. Therefore, the issue of CIAC imputation is moot.

Used and Useful for Blanding System

Mr. Crouch testified that the water plant is 100% used and useful. He further testified that the wastewater plant would be either 76.6% or 100% used and useful. The utility erroneously states in its brief that parties who presented testimony on this issue concurred that the Blanding plants are 100% used and useful. The difference allowed in Mr. Crouch's used and useful percentage outcomes for the wastewater plant depends on whether the utility demonstrated that it was prudent to expand the plant rather than correct the infiltration and inflow problem it was experiencing. We note that the prudence issue regarding the wastewater plant expansion was not addressed in Mr. Potter, Jr.'s rebuttal testimony. Mr. Potter, Jr. stated, however, in his direct testimony that it would cost more than \$800,000 to replace or reline the clay gravity mains in the Blanding system. He further testified during cross-examination that the utility could build plant for less money than the cost to reline the clay system. Additionally, Mr. Potter, Jr. stated that replacing or relining the clay gravity mains would not address infiltration attributable to customer owned and maintained clay collection mains. We believe that the utility could have gone further in analyzing and detailing its infiltration and inflow problem by: studying the problem and determining if all or portions of the clay gravity mains needed repair; looking at all options available, including expanding the plant, lining portions of the mains, and/or replacing mains; and comparing those costs and benefits. Nonetheless, we find that the Blanding wastewater plant is 100% used and useful.

Adjustment to Restore Depreciation

The utility has asked for approval of a rate base adjustment to reflect cumulative losses that it believes can be traced to unrecovered depreciation in the wastewater division. From January 1988 until June 1994, while its reported income from wastewater

service was only \$30,930, the utility believes it should have received \$752,684, thus imparting a \$721,754 earnings deficit. As partial restitution, the utility proposes a \$239,377 adjustment to rate base to match the net depreciation recorded over that period. The utility's witnesses testified that this allowance is reasonable. Ms. Merchant testified that the adjustment is a form of retroactive ratemaking which should be denied.

The utility's request for approval of a special adjustment for its wastewater division is an appeal to us to use our discretion to partially remedy a revenue shortfall attributable to prior years. Evidence of the record reveals that the utility suffered \$229,655 in cumulative losses between 1988 and June of 1994. Between 1987 and 1994, two major rate applications were filed, which resulted in Orders Nos. 21137, and PSC-92-0633-FOF-WS but the utility still incurred costs that it did not recover. Any substantial recovery effort would have been ineffective without increased revenues from customers.

We observe that a substantial portion, \$178,095, of the reported loss occurred in 1988, and most of that loss occurred before interim or final rates were established by Order No. 21137. Thus, relative to the reported \$229,665 real operating loss from 1988 to June 1994, most of that loss occurred before the two previous dockets were decided. Some of the reported loss in 1989, \$67,382, can be attributed to the rate increase in Order No. 21137, which did not take effect before April 27, 1989. Since much of this accounting information was not audited in this proceeding, our ability to rely on that information is diminished. The reported losses after Order No. 21137 was issued occurred in 1991, \$93,596, and 1992, \$15,546, but the utility did not file its request for a limited proceeding until the close of 1991, and the final order in Docket No. 911168-WS was not issued until July 8, 1992. Thus, the actual losses were either claimed in 1988 or 1989, when rate increases from Docket No. 871262-WS were not available, or in 1991 and 1992, when the rate relief provided in Order No. PSC-92-0633-FOF-WS was likewise not available.

We believe the proposal to restore depreciation produces a "regulatory asset." It is a correction to the company's net plant balance that must be approved by a regulatory body. The suggested adjustment does not qualify as a prior period adjustment: the plant's service life is not being extended, nor does it correct an obvious error.

We believe that the request for authority to reverse depreciation expense that has already been recognized is a request to recover past losses. Granting the request would be a form of

retroactive ratemaking because it seeks to recover past losses, however the utility wishes to define which accounting terms might be affected. Whether that adjustment is titled a correction to accumulated depreciation or a correction to CIAC, the impact is the same, rate base is increased to eliminate a loss that has already been recorded.

Ortega, based on the record in this case, by asking for a one-time adjustment to rate base to recover past losses, is asking us to authorize retroactive ratemaking. See City of Miami v. Florida Public Service Commission, 208 So. 2d 249, 259 (Fla. 1968), Gulf Power Co. v. Cresse, 410 So. 2d 492 (Fla. 1982), and Citizens of the State of Florida v. Florida Public Service Commission, 448 So. 2d 1024 (Fla. 1984), for the principle that retroactive ratemaking occurs when new rates are applied to prior consumption. In this case, we believe that by making an adjustment to rate base for past losses, increased rates would apply to prior consumption, thus retroactively raising rates. Accordingly, we hereby deny the utility's request.

However, we do find that the reported balances for accumulated depreciation of plant and accumulated amortization of CIAC shall be reduced to remove the increment associated with adoption of guideline rates for MFR reporting purposes before service rates were increased to recover that added expense. Referring to Order No. 21137, we note that pro forma adjustments appear on the accounting schedules to illustrate the impact of using guideline rates. Accounting schedules in the utility's MFRs, likewise, indicate that guideline rates were used in 1988 and 1989. However, Order No. 21137, which grants additional rates to reflect application of guideline depreciation rates, was not issued until April 27, 1989. Accordingly, adjustments to remove the excess accruals are appropriate. We derived the adjustments as follows: first, the pro forma adjustments in Order No. 21137 are reversed. Next, the previously used 2.5% depreciation rate is substituted for the guideline rates reported in the MFRs (3.45% for water and 4.46% for wastewater) to show reversal of excess accruals for 1988 and half of 1989. When the offsetting reserve accounts are netted, rate base is increased by \$23,110 for water service and \$18,297 for wastewater service.

These adjustments differ from the \$239,377 reversal of "uncompensated" depreciation proposed by the utility. That adjustment would eliminate all wastewater depreciation charges from 1988 until June of 1994 because income was presumably deficient. Our adjustment covers a different period, from January 1987 until June 1989, when the rates approved in Docket No. 871262-WS had not yet been implemented. Our adjustment covers depreciation expenses

that were approved but were designed to be recovered on a prospective basis; the utility's proposed adjustment addresses a failure to achieve sufficient income which the utility believes can be attributed to depreciation in general.

Working Capital

Pursuant to Rule 25-30.433, Florida Administrative Code, the utility has used the formula method to calculate working capital or an amount equal to one-eighth of test year operation and maintenance expenses. The requested working capital allowances were \$37,698 for water and \$63,268 for wastewater. Based on those adjusted operation and maintenance expenses, the appropriate working capital provisions are \$38,425 and \$65,315 for water and wastewater, respectively.

Test Year Rate Base

In consideration of the foregoing, we find that the average test year rate base values are \$1,043,066 and \$1,402,751 for water and wastewater, respectively.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

By stipulation, the utility has agreed that the return on equity shall be determined using the leverage formula in effect when we make our decision. Based on the current leverage graph in Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, we find the appropriate return on equity is 11.88% with a range of reasonableness of 10.88% to 12.88%. Based upon our adjustments, we find an appropriate overall cost of capital of 9.76%, with a range of reasonableness from 9.58% to 9.94%.

The projected balance for long-term debt pursuant to the MFRs was \$938,653. The utility initially anticipated that \$90,950 would be needed to finance construction of pro forma plant. The reported balance for short-term debt owed to stockholders was \$289,063.

Cost Rate for Line of Credit

The utility's MFRs reflect use of a 10.13% blended interest rate on a \$137,772 line of credit (originally \$200,000) from the

American National Bank. That rate was derived based upon collection of a 12% interest rate for part of the year and a 9% interest rate for the balance of the year. That rate also affects the weighted cost for long-term debt.

Pursuant to a letter dated June 14, 1994, the American National Bank lowered the interest rate on its loan to 9%. Mr. Potter, Jr. testified that the modified interest rate did not change other aspects of the loan and a subsequent increase in the interest rate is possible. Mr. Potter, Jr. testified that a decision to lower the interest rate from 12% to 9% would be incorrect unless we approved an immediate rate increase if the interest rate were later increased.

Mr. Potter, Jr. agreed that using a 9% interest rate for this loan would affect the 11.42% weighted cost of long-term debt. Upon such substitution, an 11.25% weighted cost of debt is derived for the \$938,653 loan amount. If the interest rate were restored to 12%, the weighted cost of debt capital would be 11.69%. The revenue impact of such a reversion would be about \$4,522 on an annual basis, or a 0.31% relative change in the revenue requirement. We find that correction is relatively minor. Accordingly, we find it appropriate to use the 9% interest rate for the \$137,772 line of credit, which produces an 11.25% weighted cost for debt capital. That rate was effective at the close of the test year and it is the rate prescribed pursuant to the current instrument. The utility's request for approval of a special rate adjustment mechanism to offset potential increases in the interest rate for that particular instrument is hereby denied.

Adjustments to Reflect Pro Forma Capital

We find that the provision for pro forma plant additions for this docket is \$210,497. Staff witness Merchant testified that any capital needed for pro forma plant additions should reflect an interest rate of prime plus 2%. She testified that the prime interest rate on the date of the hearing was 8.75%. Ms. Merchant stated that the utility's mortgage was issued in April of 1990 and had a 12% interest rate. She stated that the prime rate of interest at that time was 10%. Ms. Merchant testified that a similar differential would be appropriate for loans to finance pro forma additions, which would be 10.75% for the purpose of this proceeding. Utility witness Potter, Sr. testified that Ortega has historically relied upon capital stock issues, loans from stockholders, contributions-in-aid-of-construction (CIAC), and loans from American National Bank to fund system improvements and expansions. He further testified that Ortega has been able to continue providing utility service as a result of \$1 million of

bank loans that he and his wife endorsed and guaranteed. Utility witness Bowen testified that the utility was proposing a 12% interest rate for pro forma plant considerations because that was the anticipated rate for borrowing purposes. He stated that funds to finance projected plant additions might, of necessity, have to be obtained from the owners. Mr. Bowen stated that a 12% interest rate on stockholder loans was an adequate and deserving interest rate. Mr. Potter, Jr. testified that American National Bank loaned money to Ortega only if the owners, Mr. and Mrs. Potter, Sr., would consent to guarantee the loan in their individual capacities. He stated that such assurance was needed for the bank to have sufficient collateral to warrant any additional loans to Ortega.

The record does not disclose how the interest rate on the American National Bank mortgage was determined. Therefore, we cannot surmise how the prime interest rate affected the mortgage rate. The record indicates that owner guarantees were given to obtain the actual 12% rate. We find that the suggested use of a variable rate of prime plus 2% to anticipate future loan conditions is not appropriate in this case. No evidence was offered that the bank considered or will consider the prime interest rate when the mortgage loan is refinanced. The scheduled maturity date for this loan is April 1, 1996.

Mr. Bowen testified that he is concerned about the financial viability of the utility and its debt structure. Mr. Bowen testified that Ortega incurred a net loss of \$229,665 between January 1988 and June 1994. Mr. Potter, Sr. testified that the utility's ability to comply with regulatory mandates and to satisfy the needs of the community is "dependent on its ability to meet existing obligations and to generate sufficient cash flow to return a reasonable dividend to its investors." Mr. Potter, Sr. testified that without adequate rate relief, Ortega will become a bankrupt corporation. Given the utility's precarious financial condition and evidence that substantial losses have already occurred, we cannot presuppose that a favorable interest rate will be available for this utility. The appropriate method to reconcile rate base with the capital structure balances is to recognize all known and measurable changes. One such change concerns the \$148,318 provision for unpaid interest on stockholders loans. Mr. Bowen stated that the \$148,318 unpaid interest amount corresponds to a \$289,062 original debt owed to stockholders. Mr. Bowen testified that 12% financing on a stockholder loan is an adequate and deserving rate of interest considering the risk involved. Accordingly, we find that all pro forma debt capital should be included in the capital structure using a 12% interest rate.

Adjustment to Reflect CIAC Gross-up

The Tax Reform Act of 1986 changed the treatment of some non-shareholder contributions to corporations " . . . resulting in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. The resulting tax became quite a burden to some smaller utilities. When utilities extracted from developers a sum of money sufficient to pay the tax, that sum also was treated as income subject to tax. The process of extracting a sum sufficient to meet the full tax obligation is known as 'grossing-up'." Southwest Florida Capital Corp. v. The Florida Public Service Commission; Gulf Utility Co.; and the Florida Waterworks Ass'n, 1995 WL 492951 at 1 (Fla. 1st DCA 1995).

This adjustment involves the treatment of the \$461,477 extracted from developers and others when the utility does not follow the requirements of Orders Nos. 16971 and 23541, issued December 18, 1986 and October 1, 1990, respectively. Both Mr. Bowen and Ms. Merchant included an amount in the capital structure at zero cost. The question is not whether an amount should be included in the capital structure at zero cost but how much to include.

Ms. Merchant stated that Ortega had full use of the gross-up collected. The record supports her belief. By showing that rate base is larger than capital structure; no escrow existed for much of the time since 1987; there are no escrow records required by Order No. 23541; the existing escrow is inadequate; little of the gross-up represents actual payments to the Internal Revenue Service (IRS); the cash paid for losses from non-jurisdictional operations, to postpone debt and for investment in plant; there are no refunds to-date; and, there is no flow back of the tax-on-tax or benefits of tax depreciation. A discussion of each follows.

Ms. Merchant testified, and Mr. Bowen agreed that Ortega lacks enough capital to support rate base. Ms. Merchant stated negative working capital and the omission of CIAC gross-up almost equal the difference. Neither the MFRs nor Mr. Bowen's testimony directly discusses the cash collected from developers and others to pay the taxes on CIAC.

Order No. 16971 states that utilities shall deposit the CIAC tax impact amounts into a fully funded interest bearing escrow account. Further, Ortega's tariff requires an escrow account for gross-up funds. According to Ms. Merchant and Mr. Bowen, the utility provided for the escrow in 1994, seven years after it began collecting gross-up. Mr. Bowen also testified on cross-

examination that no escrow records required by Orders Nos. 16971 or 23541 exist.

Both Ms. Merchant and Mr. Bowen agree that Ortega has established an escrow account. However, they do not agree on the amount that should be in the escrow account. Mr. Bowen said Ms. Merchant implied that the amount should be \$461,477, while he believes that there should be some amount in escrow. The record supports the amount advocated by Ms. Merchant. In his rebuttal testimony, Mr. Bowen stated that Ortega incurred \$389,072 in taxes on CIAC and gross-up. However, his testimony further stated that Ortega paid \$127,636 in taxes in 1993 and the estimated payment for 1994 may be \$20,986. Additionally, Mr. Bowen testified that the 1993 and 1994 taxes relate to all sources of taxable income, not just CIAC and gross-up. This amount was not broken down by the amount related to CIAC and gross-up. The \$389,072 is the tax effect of the CIAC and gross-up, not a payment to the IRS because of the CIAC and gross-up. Plant investments, the tax-on-tax and non-jurisdictional, below the line losses used the \$389,072. Mr. Bowen also testified that use of the \$389,072 delayed additional debt.

The MFRs gross-up amount is net of the tax-on-tax paid in 1993 and estimated for 1994. Order No. 23541 requires the tax-on-tax to be flowed back over the unspecified lives of the related assets. Ortega intentionally chose to write-off the tax-on-tax in 1993 and 1994 instead of flowing it back, which Mr. Bowen confirmed. Ms. Merchant did not allow the tax-on-tax write off. We agree with Ms. Merchant because Order No. 23541 requires flow back, through the cost of service, the benefit of tax depreciation taken on contributed assets. Mr. Bowen gave no reasons for his failure to calculate this flow back. Furthermore, Ortega stipulated that there will be flow back of the tax depreciation.

By Order No. 23541, we require flow back to the ratepayers of the benefits of tax depreciation to be taken on contributed assets. The flow back period is the lives of the related asset. The order fails to specify whether the life is the book life or the tax life. Mr. Bowen stated a failure to book flow back over any life. When Mr. Bowen calculated his amount of un-booked flow back, he used composite book rates of 3.45% for water and 4.46% for sewer. Under cross-examination, Mr. Bowen said the tax life is 20 years. However, we believe, pursuant to Order No. 23541, that it is reasonable to use the book lives for the flow back period. Thus, all ratepayers served by the asset will receive a benefit from its tax depreciation. The record supports prospective flow back since it is the testimony of utility witness Bowen that there has been no flow back to-date. We calculated flow back by multiplying the

collections by the composite book rates. We find that the total flow back is \$18,251, which shall be divided equally between the water and wastewater systems.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedules Nos. 3-A and 3-B, and our adjustments are itemized on Schedule No. 3-C. 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. Based upon our adjustments, the appropriate test year operating incomes are \$101,488 and \$83,251 for the water and wastewater systems, respectively.

Adjustment for Non-billed Customer

Based on the usage incurred by the unbilled customer during the test year ending June 30, 1994, we calculated that operating losses of \$145 and \$106 would have been incurred for the water and wastewater systems respectively.

Mr. Potter, Jr. testified that he believed the agreement it had reached with the customer is prudent. However, if an adjustment was to be made to the operating side of the ledger, then a corresponding adjustment would have to be made to the capital side of the ledger to allow them to either purchase or condemn an easement to the property. He further testified that it would be inappropriate for the Commission to take it off one side without giving the corresponding treatment to the other side.

Mr. Potter, Jr. further testified that the decision not to bill this customer was made by Mr. Potter, Sr. and he believed that decision goes back 15 to 20 years. The existence of the lift station on this customer's property without the advantages of having an easement for an extended period of time from the initiation of service on the street would be considered historic. He believes that \$60,000 is a representative value for the duplex where service is being provided and the cost for an easement across the customer's property to be \$5,000.

Due to the minor amounts (\$145 and \$106) considered for adjustment to water and wastewater service revenues and the potential cost (\$5,000) to be incurred for provision of an easement across the customer's property, we find that no adjustment is appropriate.

Storage Tanks

As a result of the engineering site visit where rusting tanks were noted, and the notation on the utility's Schedule B-11, we agree with the utility as to the need for painting the storage tanks. Most of the tanks have already been painted, in addition to the control buildings at the Blanding site. The utility provided invoices documenting the costs of the painting, totalling \$16,478. The utility, at the hearing, included an estimated cost of \$3,500 to paint the Airport tank. We do not dispute that the tank needs painting; however, the utility failed to provide documentation which supports the cost. Therefore, we find that the total of \$16,478 is appropriate. We find that a five-year interval between tank paintings is appropriate. These costs shall be expensed and amortized over five years.

NPDES Fees

Pursuant to Rule 62-4.052, Florida Administrative Code, regulated entities must pay annual fees for National Pollutant Discharge Elimination System (NPDES) regulation. NPDES fees apply to wastewater facilities that are authorized to discharge treated effluent to surface waters. DEP was given the authority to administer this program at the state level on May 1, 1995, and invoices have already been sent. We find that although these annual fees can be handled in a pass-through proceeding, since Ortega is already before us with the instant docket, it is more efficient to incorporate these fees in this rate proceeding. The utility provided documentation containing invoices to the utility for its first annual fee payment to DEP. The invoices total \$9,375, and we agree with the utility that the appropriate expense account is 775. Accordingly, we find it appropriate to include \$9,375 as an annual operations and maintenance expense, booked to account 775.

Miscellaneous Expenses

Our review of the utility's application disclosed inclusion of \$3,100 for fines paid to regulatory agencies, which amount was charged to a miscellaneous expense account. A \$1,100 fine was paid pursuant to a Consent Order issued by the Duval County Public Health Unit, and a \$2,000 fine was paid pursuant to an order rendered by the Environmental Protection Agency (EPA). Pursuant to the company's accounting records, the \$1,100 fine was shared equally by the water and wastewater systems. However, the parties agreed that this expense should be assigned to the water division. Therefore, expenses for the wastewater division were reduced by \$550.

Mr. Potter, Jr. stated that the Duval County Consent Order found that the utility placed a distribution line into service before obtaining the clearance required by Rule 17-555.345, Florida Administrative Code. However, he stated that the fine seemed unusual since the line was providing service four years before the Consent Order was issued, and the line was repeatedly tested. Mr. Potter, Jr. stated that the utility was unable to locate any documents that would confirm that the installation was approved. However, he stated that Ortega considered this matter an isolated incident that would be more expensive to litigate than dispute.

With regard to the penalty that refers to a "Violation Fee, Clean Water Act," Mr. Potter, Jr. stated that the utility paid the \$2,000 EPA fine because it did not have an NPDES permit. He stated that the EPA did not recognize the utility as a regional plant because of confusion regarding a temporary permit issued by Duval County. However, Mr. Potter, Jr. stated that the subject wastewater plant was retired from service when the utility tied into the City of Jacksonville's regional system. Mr. Bowen agreed that, pursuant to the Uniform System of Accounts, penalties and fines for violation of statutes pertaining to regulation should be assigned to Account 426, Miscellaneous Nonutility Expenses, which is a below-the-line expense. Mr. Bowen later stated that the overall prudence of the payment decision should be considered. Payment of a fine may be justified under some circumstances when alternative costs are considered.

We find that the \$1,100 and \$2,000 fines are properly classified to Account 426: Miscellaneous Nonoperating Expenses. They are associated with some degree of violation of prescribed regulatory standards. The utility was unable to produce supporting records to avoid payment of the \$1,100 fine. The record does not reveal why the EPA enforced the \$2,000 penalty given the utility's explanation that it was not at fault. We find that removal of these charges is appropriate for other reasons: the \$1,100 fine is associated with a supposedly isolated incident, and the \$2,000 payment relates to a treatment plant that was retired from service in 1992 by Order No. PSC-92-0633-FOF-WS.

Rate Case Expense

The utility's requested provision for rate case charges has increased since the original filing: a \$58,000 estimate was reported in the MFRs; a \$102,822 sum was reported at the hearing date; and \$111,419 was reported in the utility's brief. The \$58,000 provision in the MFRs was enlarged to reflect increased discovery costs and expanded issues.

The revised \$111,419 amount includes a new \$7,247 provision for recovery of previous rate case charges. However, that \$7,247 element does not reflect the recovery method prescribed pursuant to Rule 25-30.470, Florida Administrative Code. The correct method is to amortize the approved charges over four years and to reduce rates when amortization is complete. Consistent with the allowance for rate case charges in Order No. PSC-92-0633-FOF-WS, a \$2,208 provision for prior rate case charges is included for the water division, which component will be fully amortized in 1996. The \$111,419 amount also includes \$3,069 for additional accounting and legal fees. However, those charges were not documented at the hearing. Accordingly, we find it appropriate to remove them.

Our review of rate case charges concerns the \$101,103 requested at the hearing date. Among the projected expenses that are included in that amount are: (1) \$1,719 for a second legal opinion regarding interim rates; (2) approximately \$8,030 associated with a motion for reconsideration of interim rates; (3) \$8,303 relating to correcting and revising the MFRs and testimony; and (4) \$1,500 to complete as-built drawings and maps.

Mr. Potter, Sr. testified that the utility incurred an additional expense of \$1,719 for a second legal opinion. He stated that this legal firm employed specialists in administrative law to assist in matters regarding research on interim rates. We believe that the utility is entitled to request a second opinion. Accordingly, we shall allow this cost.

With respect to the \$8,030 cost associated with the motion for reconsideration, the utility incurred \$1,620 in accounting fees and \$6,410 in legal expenses. We find that those charges are reasonable and shall be allowed.

With respect to the \$8,300 cost for correcting the MFRs and testimony, the utility incurred \$5,400 in accounting fees and \$2,930 in legal expenses. Mr. Potter, Sr. agreed that the utility's MFRs were deficient, but his accountant stated the deficiencies were not significant. Mr. Potter, Sr. also agreed that the utility's direct testimony had to be revised. We find that the utility is responsible for filing complete MFRs and submitting sufficient supporting testimony. Therefore, we find it appropriate to remove the \$8,300 amount to correct and revise the MFRs and testimony.

The requested provision for rate case costs also included a \$1,500 estimate to prepare as-built maps and drawings. This information was not presented in this docket. Accordingly, this expense shall be removed. Therefore, we find appropriate a \$91,272

total provision for rate case charges and amortization of that amount over 4 years for a \$22,818 annual expense.

REVENUE REQUIREMENT

Based upon our adjustments, we find that the appropriate annual revenue requirement for this utility is \$538,156 for the water system and \$831,429 for the wastewater system. This revenue requirement represents an annual increase in revenue of \$529 or 0.10 percent for the water system and an annual increase of \$90,086 or 12.15 percent for the wastewater system. These revenues are designed to allow the utility an opportunity to recover its allowed expenses and to earn a 9.76% rate of return on its investment in rate base.

RATES AND CHARGES

We have established final water and wastewater rates for the utility that are designed to produce annual revenues of \$520,204 for water and \$831,429 for wastewater. These approved rates represent increases of \$529 for water and \$90,086 for wastewater, excluding miscellaneous service revenues. The utility's original rates, the Commission approved interim rates, the utility's proposed final rates, and the Commission approved rates are shown on Schedules Nos. 4-A and 4-B.

The approved rates shall be effective for meter readings on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received proper notice. The utility shall file and obtain our approval of revised tariff sheets. The utility shall also file and have approved a proposed customer notice letter, pursuant to Rule 25-22.0407(10), Florida Administrative Code, prior to implementing the new rates. The utility shall provide proof of the date notice was given within ten (10) days after the date of the notice.

Reduction of Rates Following Four-Year Amortization

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of rate case expense previously authorized in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which is \$11,409 for water and \$11,409 for wastewater. The reduction in revenues will result in the rates on Schedule Nos. 5-A and 5-B. 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 increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

Refund of Interim Rates

Pursuant to Order No. PSC-95-0573-FOF-WS, issued May 9, 1995, the Commission suspended the utility's proposed rates. A \$13,455 (1.85%) increase in wastewater rates was approved subject to refund. Mr. Potter, Sr. testified that Ortega did not file tariff sheets to implement the approved rates because of the nominal impact. Since the interim wastewater rate increase was not implemented, no refund is required for that division.

However, we found that a potential overearnings condition existed with respect to the utility's water division. Because of that concern, \$28,885 (5.47%) of test year revenues for the water division was held subject to refund. In reviewing Order No. PSC-95-0573-FOF-WS, we noted that a \$31,910 adjustment was made to remove the salaries and benefits for two employees that the utility expected to hire after the test year. Our review indicates that those employees were hired and their salary costs should be counted in evaluating whether an overearnings condition occurred during the interim collection period. Since that salary consideration more than offsets the amount held subject to refund, a refund of water rates is not required.

Price Index

Ortega claims that it should be allowed to index its rates received in this proceeding to account for administrative lag between the test year and the hearing. Ortega avers that Section 367.081(3), Florida Statutes, clearly states that the Commission is to determine the cost of providing service "during the period of time the rates will be in effect following the entry of a final order relating to the rate request of the utility." Ortega goes on to state that this statute is clearly a statement of understanding by the legislature that neither time nor inflation stands still during the period between the initial request for rate relief and the ultimate action of the Commission.

The statutory language relates to the process whereby we determine the rates which will be in effect after a final order is

issued. It is not designed to create recovery during the proceeding. The interim statute provides for the recovery of increased rates during the proceeding if the utility makes the required showing. In this case, Ortega requested interim rates, and was granted a 1.85% increase in wastewater rates, but was denied an increase in water rates due to potential overearnings. Ortega did not institute the increase in wastewater rates as it would not be cost-effective.

If Ortega wanted us to consider an inflation adjustment, (also known as an attrition allowance), it should have requested one in its filing. In United Telephone Co. v. Mann, 403 So. 2d 962, 966 (Fla. 1981) the Court stated that after calculating a rate of return, the Commission can make a further adjustment to account for inflation. Further, Ortega should have filed testimony to support the need for the attrition allowance. None of this occurred.

Ortega raised this issue in its prehearing statement. Ortega presented no testimony or evidence to support its position. For these reasons, an index for administrative lag is hereby denied.

Violation of Order No. 21137

Order No. 21137, issued April 27, 1989, stated in part:

Ortega is currently 41 percent contributed for its water systems and 68 percent contributed for its sewer systems. It is somewhat difficult to project what the utility's level of contribution will be when it reaches design capacity, due to questions surrounding new construction to comply with the environmental requirements. Among other uncertainties, Ortega is presently contesting DER's proposed zero discharge order. Ortega has indicated its willingness to file a service availability case upon completion of the litigation with DER. We believe that this is reasonable, due to the fact that the cost of the proposed requirements cannot be determined until this litigation has been completed. Ortega expects that this litigation with DER will be completed by late August, 1989. We, therefore, find it appropriate to require Ortega to file a service availability case within a reasonable time thereafter.

Mr. Potter, Sr. testified that Ortega increased its service availability charge from the original \$75 per meter to \$125 per meter approximately a year before the 1987 rate case. At the February 13 and 14, 1989, hearing, which resulted in Order No. 21137, Ortega was required to refund \$50 per meter, which it did. Also at the hearing, Ortega stated that it was told that if it wanted to increase its meter fees from \$75 to \$125, it needed to file a service availability policy that would show the increased charge.

Mr. Potter, Sr. further testified that the utility was not setting that many meters, so it could not support the difference in the cost of having a rate proceeding for the amount of money that would be obtained from \$50 per meter. Therefore, Ortega declined to file the service availability case. Additionally, Mr. Potter, Sr. testified that its service availability charges today are the same as they were in 1965.

As we stated in Order No. 21137, we were concerned with the level of CIAC, not the meter installation charge. Since Rule 25-30.580, Florida Administrative Code, specifies the limits of CIAC, we are concerned with Ortega's high level of CIAC. However, we believe that it would be too much of a burden to have Ortega file a service availability case at this time, nor do we find it appropriate to initiate show cause proceedings. Accordingly, we shall evaluate Ortega's service availability situation within six months of the issuance date of this Order, and determine whether Ortega should file a service availability case.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to determine the water and wastewater rates and charges of Ortega Utility Company pursuant to Sections 367.081, Florida Statutes.
2. As the applicant in this case, Ortega Utility Company has the burden of proof that its proposed rates and charges are justified.
3. The rates and charges approved herein are just, reasonable, compensatory, not unfairly discriminatory and in accordance with the requirements of Section 367.081(2), Florida Statutes, and other governing law.
4. Pursuant to Chapter 25-9.001(3), Florida Administrative Code, no rules and regulations,

or schedules of rates and charges, or modifications or revisions of the same, shall be effective until filed with and approved by the Commission.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application by Ortega Utility Company for increased rates and charges for water and wastewater service is hereby approved to the extent 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 schedules attached hereto are, by reference, expressly incorporated herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Ortega Utility Company shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the customer notice is adequate. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Ortega Utility Company shall submit to Staff a proposed notice to its customers of the revised rates and charges and the reasons therefore. It is further

ORDERED that Ortega Utility Company's rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received proper notice. It is further

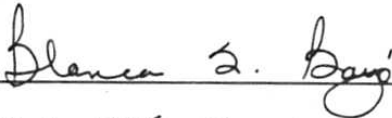
ORDERED that Ortega Utility Company shall provide proof that notice was given to its customers no later than ten (10) days after notice is served. It is further

ORDERED that the rates approved herein shall be reduced at the end of the four-year rate case expense amortization period. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction. It is further

ORDERED that this docket shall be closed after the proper revised tariff sheets have been filed by the utility and approved by staff.

ORDER NO. PSC-95-1376-FOF-WS
DOCKET NO. 940847-WS
PAGE 31

By ORDER of the Florida Public Service Commission, this 6th
day of November, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

SKE, MSN

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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of 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.

ORTEGA UTILITY COMPANY SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 06/30/94			SCHEDULE NO. 1-A DOCKET NO. 940847-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 2,276,781	\$ 20,950	\$ 2,297,731	\$ 50,700	2,348,431	
2 LAND	9,877	0	9,877	0	9,877	
3 NON-USED & USEFUL COMPONENTS	0	0	0	(8,409)	(8,409)	
4 CONSTRUCTION WORK IN PROGRESS	422	0	422	0	422	
5 ACCUMULATED DEPRECIATION	(652,549)	2,269	(650,280)	51,981	(598,299)	
6 CIAC	(1,068,554)	0	(1,068,554)	15,877	(1,052,677)	
7 AMORTIZATION OF CIAC	351,044	(2,183)	348,861	(27,545)	321,316	
8 ADVANCES FOR CONSTRUCTION	(16,020)	0	(16,020)	0	(16,020)	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	32,748	4,950	37,698	727	38,425	
RATE BASE	\$ 933,749	\$ 25,986	\$ 959,735	\$ 83,331	1,043,066	
	=====	=====	=====	=====	=====	

ORTEGA UTILITY COMPANY SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 06/30/94			SCHEDULE NO. 1-B DOCKET NO. 940847-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 3,009,892	\$ 70,000	\$ 3,079,892	\$ 9,296	3,089,188	
2 LAND	174,026	0	174,026	0	174,026	
3 NON-USED & USEFUL COMPONENTS	0	0	0	(4,500)	(4,500)	
4 CONSTRUCTION WORK IN PROGRESS	945	0	945		945	
5 ACCUMULATED DEPRECIATION	(878,778)	(2,528)	(881,306)	90,159	(791,147)	
6 CIAC	(1,677,106)	0	(1,677,106)	20,388	(1,656,718)	
7 AMORTIZATION OF CIAC	617,894	(3,855)	614,039	(78,077)	535,962	
8 ADVANCES FOR CONSTRUCTION	(10,320)	0	(10,320)	0	(10,320)	
9 ADJ. TO RESTORE DEPRECIATION	0	239,377	239,377	(239,377)	0	
10 WORKING CAPITAL ALLOWANCE	55,504	7,764	63,268	2,047	65,315	
RATE BASE	\$ 1,292,057	\$ 310,758	\$ 1,602,815	(200,064)	\$ 1,402,751	

ORTEGA UTILITY COMPANY ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 06/30/94		SCHEDULE NO. 1-C DOCKET NO. 940847-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
(1) UTILITY PLANT IN SERVICE			
a) Adjustment for proforma plant: service pump at Airport Plant (Issue 2)	\$ 22,575	\$ 0	
b) Adjustment for proforma plant: service pump at Blanding Plant (Issue 3)	22,575		
c) Adjustment for proforma plant: generators at Airport Plant (Issue 5)	19,750	13,166	
d) Adjustment for proforma plant: generators at Blanding Plant (Issue 5)	48,719		
e) Adjustment for proforma plant: auto-dialers (Issue 4)	0	1,877	
f) Adjustment for proforma plant: force main (\$81,543 - \$70,000) (Issue 6)		11,543	
g) Eliminate requested provision for plant upgrade (Lead and Copper Rule)	(20,950)		
g) Adjustment for proforma plant: backflow prevention device (Issue 17)		292	
h) Adjustment to show retirement of the Herlong plant (Stipulation 4).	(41,969)	(17,582)	
	<u>\$ 50,700</u>	<u>\$ 9,296</u>	
(2) NON-USED AND USEFUL COMPONENTS			
a) Adjustment for non-used and useful plant at the Airport System (Stipulation 3)	\$ (3,600)	\$ (4,500)	
b) Adjustment to reclassify water plant (Stipulation 4)	(4,809)		
	<u>\$ (8,409)</u>	<u>\$ (4,500)</u>	
(3) ACCUMULATED DEPRECIATION			
a) Proforma depreciation: service pumps at Airport Plant (Issue 2)	\$ (1,129)	\$	
b) Proforma depreciation: service pumps at Blanding Plant (Issue 3)	(1,129)		
c) Proforma depreciation: generators at Airport Plant (Issue 5)	(1,021)	(681)	
d) Proforma depreciation: generator at Blanding Plant (Issue 5)	(2,492)		
e) Proforma depreciation: auto-dialers for seven lift stations (Issue 4)		(113)	
f) Proforma depreciation: sewer force main (Issue 6)		(2,691)	
g) Proforma depreciation: backflow prevention devices (Issue 17)		(29)	
h) Adjustment to show retirement of the Herlong plant (Stipulation 4)	15,769	19,880	
i) Correction to beginning balance for accumulated depreciation (Issue 9)	41,983	73,793	
	<u>\$ 51,981</u>	<u>\$ 90,159</u>	
(4) CIAC			
Adjustment to show retirement of the Herlong plant (Stipulation 4)	<u>\$ 15,877</u>	<u>\$ 20,388</u>	
(5) ACCUMULATED AMORTIZATION OF CIAC			
a) Correction to beginning balance for accumulated amortization (Issue 9)	\$ (18,873)	\$ (55,496)	
b) Adjustment to show retirement of the Herlong plant (Stipulation 4)	(8,672)	(22,581)	
	<u>\$ (27,545)</u>	<u>\$ (78,077)</u>	
(6) ADJUSTMENT TO RESTORE DEPRECIATION			
To remove the utility's adjustment to restore depreciation (Issue 9)	<u>\$ 0</u>	<u>\$ (239,377)</u>	
(7) WORKING CAPITAL ALLOWANCE			
Adjustment to working capital using the formulæ method (Issue 10)	<u>\$ 727</u>	<u>\$ 2,047</u>	

ORTEGA UTILITY COMPANY
 CAPITAL STRUCTURE
 TEST YEAR ENDED 06/30/94

SCHEDULE NO. 2
 DOCKET NO. 940847-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN) *	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY							
1 LONG TERM DEBT	\$ 938,653	\$ 90,950	\$ 429,381	1,458,984	56.93%	11.42%	6.50%
2 SHORT-TERM DEBT	289,063	0	132,230	421,293	16.44%	12.00%	1.97%
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY	442,219	0	202,290	644,509	25.15%	11.34%	2.85%
5 CUSTOMER DEPOSITS	0	0	0	0	0.00%	0.00%	0.00%
6 DEFERRED ITC'S-ZERO COST	19,097	0	8,736	27,833	1.09%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	0	0	0	0	0.00%	0.00%	0.00%
8 DEFERRED INCOME TAXES	6,814	0	3,117	9,931	0.39%	0.00%	0.00%
9 TOTAL CAPITAL	\$ <u>1,695,846</u>	\$ <u>90,950</u>	\$ <u>775,754</u>	<u>2,562,550</u>	<u>100.00%</u>		<u>11.33%</u>
PER COMMISSION							
10 LONG TERM DEBT	\$ 938,653	\$ 0	\$ 11,274	949,927	38.84%	11.25%	4.37%
11 SHORT-TERM DEBT	289,063	148,318	5,253	442,634	18.10%	12.00%	2.17%
12 PRO FORMA PLANT	0	210,497	2,528	213,025	8.71%	12.00%	1.05%
13 COMMON EQUITY	442,219	0	5,311	447,530	18.30%	11.88%	2.17%
14 CUSTOMER DEPOSITS	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WEIGHTED CC	0	0	0	0	0.00%	0.00%	0.00%
16 DEFERRED ITC'S-ZERO COST	19,097	0	0	19,097	0.78%	0.00%	0.00%
17 DEFERRED INCOME TAXES	6,814	366,789	0	373,603	15.28%	0.00%	0.00%
18 TOTAL CAPITAL	\$ <u>1,695,846</u>	\$ <u>725,604</u>	\$ <u>24,367</u>	<u>2,445,817</u>	<u>100.00%</u>		<u>9.76%</u>

* Specific adjustments are explained in the recommendation.

	RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY		10.88%	12.88%
OVERALL RATE OF RETURN		9.58%	9.94%

ORTEGA UTILITY COMPANY
STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 06/30/94

SCHEDULE NO. 3-A
 DOCKET NO. 940847-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 528,199	\$ 21,350	\$ 549,549	\$(11,922)	\$ 537,627	\$ 529	\$ 538,156
OPERATING EXPENSES:						0.10%	
2 OPERATION AND MAINTENANCE	\$ 261,987	\$ 39,599	\$ 301,586	\$ 5,817	\$ 307,403	\$	\$ 307,403
3 DEPRECIATION	41,843	857	42,700	6,457	49,157		49,157
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	65,211	3,260	68,471	(536)	67,935	24	67,958
6 INCOME TAXES	35,566	(7,512)	28,054	(16,409)	11,645	190	11,835
7 TOTAL OPERATING EXPENSES	\$ 404,607	\$ 36,204	\$ 440,811	\$(4,672)	\$ 436,139	\$ 214	\$ 436,353
8 OPERATING INCOME	\$ 123,592	\$(14,854)	\$ 108,738	\$(7,250)	\$ 101,488	\$ 315	\$ 101,804
9 RATE BASE	\$ 933,749		\$ 959,735		\$ 1,043,066	\$	\$ 1,043,066
RATE OF RETURN	13.24%		11.33%		9.73%		9.76%

ORTEGA UTILITY COMPANY
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED 06/30/94

SCHEDULE NO. 3-B
 DOCKET NO. 940847-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 726,091	\$ 172,909	\$ 899,000	(\$ 157,657)	\$ 741,343	\$ 90,086	\$ 831,429
OPERATING EXPENSES						12.15%	
2 OPERATION AND MAINTENANCE	\$ 444,034	\$ 62,109	\$ 506,143	\$ 16,373	\$ 522,516	\$	\$ 522,516
3 DEPRECIATION	53,132	8,693	61,825	1,159	62,984		62,984
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	81,540	10,081	91,621	(7,095)	84,526	4,054	88,580
6 INCOME TAXES	22,277	35,535	57,812	(69,746)	(11,934)	32,374	20,440
7 TOTAL OPERATING EXPENSES	\$ 600,983	\$ 116,418	\$ 717,401	(\$ 59,309)	\$ 658,092	\$ 36,428	\$ 694,520
8 OPERATING INCOME	\$ 125,108	\$ 56,491	\$ 181,599	(\$ 98,348)	\$ 83,251	\$ 53,658	\$ 136,909
9 RATE BASE	\$ 1,292,057		\$ 1,602,815		\$ 1,402,751		\$ 1,402,751
RATE OF RETURN	9.68%		11.33%		5.93%		9.76%

EXPLANATION	WATER	WASTEWATER
ORTEGA UTILITY COMPANY ADJUSTMENTS TO OPERATING STATEMENTS TEST YEAR ENDED 06/30/94		
SCHEDULE NO. 3-C DOCKET NO. 940847-WS PAGE 1 OF 1		
(1) OPERATING REVENUES		
a) To remove the Utility's test year revenue request.	\$ <u>(11,922)</u>	\$ <u>(157,657)</u>
(2) OPERATION AND MAINTENANCE EXPENSE		
a) Provision for painting expense (Issue 18)	\$ 2,631	\$ 665
b) Adjustment for operation of auto-dialers (Issue 4)		3,630
c) Adjustment to remove fines (Issue 20)	(3,100)	
d) Add provision for NPDES program		9,375
e) Adjustment to reflect last authorized provision for rate case cost	275	
f) Adjustment for provision of new rate case expense	5,461	3,253
g) Reclassification of a miscellaneous expense (Stipulation 9)	550	(550)
Total	\$ <u>5,817</u>	\$ <u>16,373</u>
(3) DEPRECIATION EXPENSE		
a) Proforma depreciation: service pumps at Airport Plant (Issue 2)	\$ 1,129	\$
b) Proforma depreciation: service pumps at Blanding Plant (Issue 3)	1,129	
c) Proforma depreciation: generators at Airport Plant (Issue 5)	1,021	681
d) Proforma depreciation: generators at Blanding Plant (Issue 5)	2,492	
e) Proforma depreciation: auto-dialers for seven lift stations (Issue 4)		113
f) Proforma depreciation: force main for Blanding Plant (Issue 6)		381
g) Proforma depreciation: backflow prevention device at Airport Plant (Issue 17)		29
h) Eliminate provision for depreciation of plant upgrade (Copper and Lead Rule)	(943)	
h) Adjustment to show plant held for future use (Stipulation 4)	(170)	
i) Adjustment to show retirement of Herlong Plant (Stipulation No. 4)	2,927	(45)
Total	\$ <u>6,457</u>	\$ <u>1,159</u>
(4) TAXES OTHER THAN INCOME		
To remove RAF's pertaining to requested revenue increase.	\$ <u>(536)</u>	\$ <u>(7,095)</u>
(5) INCOME TAXES		
To remove taxes pertaining to requested revenue increase.	\$ <u>(16,409)</u>	\$ <u>(69,746)</u>
(6) OPERATING REVENUES		
To reflect recommended revenue requirement.	\$ <u>529</u>	\$ <u>90,086</u>
(7) TAXES OTHER THAN INCOME		
To reflect RAF's pertaining to the revenue increase.	\$ <u>24</u>	\$ <u>4,054</u>
(8) INCOME TAXES		
To reflect income taxes pertaining to the revenue requirement.	\$ <u>190</u>	\$ <u>32,374</u>

SCHEDULE NO. 4-A

SCHEDULE OF WATER RATES

Residential

Bi-Monthly Rates (payable in advance)

	<u>Utility Rates Prior to Filing</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
Base Facility Charge				
<u>Meter Size</u>				
5/8" x 3/4"	\$ 12.43	N/A	\$ 12.71	\$ 12.46
3/4"				18.70
1"	31.03		31.72	31.16
1 1/2"	62.05		63.43	62.30
2"	99.25		101.45	99.68
Gallonage Charge (per 1,000 gallons)	\$ 1.07	N/A	\$ 1.09	\$ 1.07

General Service

Monthly Rates (BFC payable in advance, gallonage in arrears)

	<u>Utility Rates Prior to Filing</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
Base Facility Charge				
<u>Meter Size</u>				
5/8" x 3/4"	\$ 6.20	N/A	\$ 6.34	\$ 6.23
3/4"				9.35
1"	15.50		15.84	15.58
1 1/2"	31.03		31.72	31.15
2"	49.64		50.74	49.84
3"	99.23		101.43	99.68
4"	155.09		158.53	155.75
6"	310.16		317.05	311.50
Gallonage Charge (per 1,000 gallons)	\$ 1.07	N/A	\$ 1.09	\$ 1.07

SCHEDULE OF WASTEWATER RATES

Residential

Bi-Monthly Rates (BFC payable in advance, gallonage in arrears)

	<u>Utility Rates Prior to Filing</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
Base Facility Charge				
<u>Meter Size</u>				
All Sizes	\$ 17.16	\$ 17.26	\$ 20.81	\$ 19.28
Gallonage Charge (per 1,000 gallons) (Maximum 20M gallons)	\$ 1.46	\$ 1.47	\$ 1.77	\$ 1.64
Maximum Bill	\$ 46.36	\$ 46.66	\$ 56.21	\$ 52.08

General Service

Monthly Rates (BFC payable in advance, gallonage in arrears)

	<u>Utility Rates Prior to Filing</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
<u>Meter Size</u>				
5/8" x 3/4"	\$ 8.59	\$ 8.64	\$ 10.42	\$ 9.64
3/4"				14.46
1"	21.44	21.57	26.00	24.10
1 1/2"	42.85	43.11	51.96	48.20
2"	68.57	68.98	83.15	77.12
3"	137.15	137.98	166.32	154.24
4"	214.27	215.57	259.85	241.00
6"	428.58	431.16	519.74	482.00
Gallonage Charge (per 1,000 gallons)	\$ 1.75	\$ 1.76	\$ 2.12	\$ 1.96

Rate Schedule
Water
Schedule of Staff Recommended
Rate Decrease in Four Years

Bi-Monthly Rates (payable in advance)

Residential

	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
Base Facility Charge		
<u>Meter Size</u>		
5/8" x 3/4"	\$ 12.46	\$ 0.06
3/4"	\$ 18.70	\$ 0.10
1"	\$ 31.16	\$ 0.18
1 1/2"	\$ 62.30	\$ 0.34
2"	\$ 99.68	\$ 0.56
Gallonge Charge per 1,000 gals.	\$ 1.07	\$ 0.01

General Service

Monthly Rates (BFC payable in advance, gallonge in arrears)

Base Facility Charge		
<u>Meter Size</u>		
5/8" x 3/4"	\$.6.23	\$ 0.03
3/4"	\$ 9.35	\$ 0.05
1"	\$ 15.58	\$ 0.09
1 1/2"	\$ 31.15	\$ 0.17
2"	\$ 49.84	\$ 0.28
3"	\$ 99.68	\$ 0.55
4"	\$ 155.75	\$ 0.86
6"	\$ 311.50	\$ 1.73
Gallonge Charge per 1,000 gals.	\$ 1.07	\$ 0.01

Rate Schedule
Wastewater
Schedule of Staff Recommended
Rate Decrease in Four Years

Bi-Monthly Rates (payable in advance)

	<u>Commission</u> <u>Approved</u> <u>Rates</u>	<u>Rate</u> <u>Decrease</u>
Base Facility Charge		
<u>Meter Size</u>		
All Meter Sizes	\$ 19.28	\$ 0.06
Gallonage Charge	\$ 1.64	\$ 0.01
(per 1,000 gallons)		
(maximum 20,000 gallons)		

General Service

Monthly rates (BFC payable in advance, gallonage in arrears)

Base Facility Charge		
<u>Meter Size</u>		
5/8" x 3/4"	\$ 9.64	\$ 0.03
3/4"	\$ 14.46	\$ 0.05
1"	\$ 24.10	\$ 0.09
1 1/2"	\$ 48.20	\$ 0.17
2"	\$ 77.12	\$ 0.28
3"	\$ 154.24	\$ 0.55
4"	\$ 241.00	\$ 0.87
6"	\$ 482.00	\$ 1.73
Gallonage Charge per 1,000 gals.	\$ 1.96	\$ 0.01
(No Maximum)		