

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Arredondo ) DOCKET NO. 951234-WS  
Utility Corporation, Inc., for a ) ORDER NO. PSC-96-0728-FOF-WS  
staff-assisted rate case in ) ISSUED: MAY 30, 1996  
Alachua County. )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER GRANTING TEMPORARY RATES IN EVENT OF PROTEST  
AND  
NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein regarding our granting of increased rates and charges is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Arredondo Utility Corporation, Inc. (Arredondo or utility), is a Class C water and wastewater utility located in Alachua County, Florida. The utility operates two water systems and one wastewater system; the Arredondo Estates water system (the Estates) and the Arredondo Farms water and wastewater systems (the Farms). The utility serves approximately 455 water customers and 224 wastewater customers.

This Commission gained jurisdiction over investor-owned water and wastewater systems in Alachua County on June 30, 1992. Arredondo was granted a grandfather certificate by Order No. PSC-92-1454-FOF-WS, issued December 15, 1992, in Docket No. 920973-WS.

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FPSC-RECORDS/REPORTING

On August 27, 1992, Arredondo applied for and received a staff-assisted rate case. By Order No. PSC-93-0509-FOF-WS, issued April 5, 1993, in Docket No. 920869-WS, the Commission established the utility's current rates.

On October 17, 1995, Arredondo applied for the instant staff-assisted rate case. The utility has paid the appropriate filing fees. We have audited the utility's books and records for compliance with Commission rules and orders and have determined all components necessary for rate setting. Moreover, we have conducted an engineering field investigation of the utility's water plants, wastewater plant, and the service area. We have also performed a review of the utility's operating expenses, maps, files, and rate application to obtain information about the physical plants and operating costs.

Water and wastewater in the utility's service area is under the jurisdiction of the St. John's River Water Management District (SJRWMD). The Commission has a memorandum of understanding with the Florida Water Management Districts, in which the Commission has recognized that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy. We have been informed by the SJRWMD that the area encompassing Arredondo is not within a critical use or water caution area.

We have selected a historical test year ended October 31, 1995, for rate setting purposes. Test year revenues were \$78,644 for water and \$32,790 for wastewater. Test year operating expenses were \$110,287 for water and \$56,132 for wastewater. This results in test year operating losses of \$31,643 for water and \$23,342 for wastewater.

#### QUALITY OF SERVICE

A customer meeting was held on the evening of March 27, 1996, at the Kimbally Wiles Elementary School on Southwest 75th Street in Gainesville. Out of the 479 customers served by this utility, eleven customers attended the meeting. The primary quality of service concern of these customers related to what was described as water hardness. Two other concerns of the customers were air buildup in the pipes and consistency of meter readings.

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

The latest sanitary surveys of the water treatment plants performed by the Department of Environmental Protection (DEP) occurred during April, 1995. The respective survey for each plant listed no plant-in-service violations. The utility is currently up-to-date with its required testing and analysis. All chemical analysis results were satisfactory, although it was indicated that the water contains minerals that classify it as "hard" water. Due to the mineral content, the treated water provided by the utility tends to form scale deposits. While this condition may be a nuisance, it is not considered a health hazard. The treated water provided by Arredondo meets or exceeds all requirements for safe drinking water.

Operational conditions at both water plants and the wastewater plant are considered normal. Housekeeping at each of the plants is also considered normal given the age of the equipment at each plant. Nothing was noted during our field investigation which would indicate a practice of deferring maintenance. To the contrary, repair parts appeared to be available, shelved, and easily accessible for emergencies. Although equipment may not have been freshly painted, it appeared well maintained. Each of the three auxiliary power generators were test started. The response was satisfactory, which indicates a readiness for emergency conditions. By all appearances, operational conditions are satisfactory.

Arredondo operates under SJRWMD's Consumptive Use Permits Nos. 2-001-0016 AUR2M, issued September 7, 1994, and 2-001-0017 AUR, issued July 12, 1994. The permits place the restriction of 16.0 million gallons per year (mgy) on the Estates MHP and 12.926 mgy on the Farms MHP for annual extraction quotas. The average test year water and wastewater consumption for individually metered residential customers was approximately 4,936 and 3,268 gallons per month, respectively. According to monthly operational reports, the utility exceeded its annual withdrawal quotas for both systems. We have contacted the SJRWMD in Palatka to discuss the actual extraction rates. At this time, the water management office is investigating the utility's need to either increase its yearly withdrawal quotas or to institute a water conservation program.

Those customers who attended the customer meeting were primarily concerned about mineral deposits on their kitchen and bath fixtures. This situation is generally treatable by lime softening. However, the cost to install lime softening equipment is from approximately \$80,000 to \$140,000 for each of the two water treatment plants. This cost would be passed on to the customers through their rates. We find that this solution would not be cost effective or prudent for this customer base. We note that

customers who find the scaling problem to be intolerable have other options. They could either have a local water softening company install a water softening unit at a variable price, or they could purchase a whole house filter system for less than \$50.00. Filter cartridges are replaced as necessary and can be purchased to screen for a variance of compounds, including excessive minerals.

Another concern of the customers was air in the lines. According to the utility, a situation occurred about ten months ago whereby the compressor used to regulate the air/water ratio in the hydropneumatic tank was mistakenly left running for an extended period of time. This caused a problem of excessive air in the lines and created a nuisance when customers opened their faucets. The utility has corrected the situation and does not anticipate this problem to reoccur.

For those customers who expressed that the utility had an inconsistent policy of meter reading, the utility was cautioned at the customer meeting about the rules and the responsibilities of consistent meter reading. The utility contends that when meters are not read, it is because those meters are within fenced yards where the gate is locked, or the yards contain unrestrained dogs, or there is too much debris covering the meter. The utility has assured us that every diligent effort will be made to read all meters on or around the 15th of each month. It has also prepared a flyer for the meter reader to leave at those residences where the meter was not read. This flyer informs the customer of the normal reading cycle, requests that proper access be given to the meter reader, discusses the utility's policy for billing when the meter cannot be read, and acts as a checklist to inform the customer why their meter was not read. We find this to be a satisfactory effort by the utility.

All things considered, we find that the utility's quality of service is satisfactory.

#### RATE BASE

Our calculation of the appropriate rate base for the water and wastewater systems are shown on Schedules Nos. 1 and 1A. Our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

## Used and Useful

### Water Treatment Plants

Arredondo's water treatment plants were calculated for used and useful by a composite of the two water plants based on a gallon per day methodology. The approved formula approach was applied to both plants with the highest capacity well from each being considered out of service in accordance with American Water Works Association (AWWA) M5. In addition, the maximum daily flow occurring at the Farms on October 16, 1995, was totaled with the daily recorded flow from the Estates for the same day and used in comparison with a sixteen hour day. The result of this calculation is 99.42%. Each of the plants' components, when evaluated separately, are considered 100% used and useful, either by regulatory mandate or readiness to serve. No less of a plant could serve the existing customer base. For these reasons, we find both water treatment plants to be 100% used and useful.

### Water Distribution Systems

For consistency in evaluation, both water distribution systems were also calculated as a composite. By formula calculation, we find that both distribution systems serving the Arredondo customers are 70.69% used and useful with the exception of Meter & Meter Installations (Account No. 334), which is 100% used and useful.

### Wastewater Treatment Plant

The wastewater treatment plant was constructed at a rated capacity of 60,000 gallons per day (gpd). The highest five-day average of daily flows during the test year occurred in August, 1995, and was 35,600 gpd. The used and useful formula, used as an indicator, yields a percentage of useful plant at 63.55%. Therefore, we find the wastewater treatment plant to be 64% used and useful.

### Wastewater Collection System

The formula approach, used as an indicator, yields 62.27% used and useful for the wastewater collection system, with the exception of Account Number 363 (Services), which is 100% used and useful. We therefore find the collection system to be 62% used and useful, except for Account Number 363 (Services), which is 100% used and useful.

Test Year Rate Base

By Order No. PSC-93-0509-FOF-WS, the Commission established rate base component balances at August 27, 1992. The Commission approved the utility plant in service amount based on an original cost study performed by staff. Because the utility had not produced competent substantial evidence of the amount of Contributions-in-aid-of-construction (CIAC), CIAC was imputed at that time according to Rule 25-30.570, Florida Administrative Code.

For the instant rate case, however, the utility has submitted competent substantial evidence of the amount of CIAC in the form of tax returns and documentation on the sale of the utility from C. L. Brice 1977 Trust to Arredondo. Using the information provided by the utility, we have determined that no CIAC was collected from customers of Arredondo Farms. Plant was capitalized on the books of C. L. Brice 1977 Trust. We shall therefore eliminate the CIAC which was imputed by Order No. PSC-93-0509-FOF-WS.

We have selected a historical test year ended October 31, 1995, for this rate case. We have calculated rate base based on the original cost provided by the utility. Rate base components have been updated through October 31, 1995, to include additions and reclassifications. A discussion of each component of rate base follows.

Utility Plant in Service (UPIS)

The utility recorded UPIS of \$272,577 for water and \$177,526 for wastewater. UPIS has been decreased by \$5,024 for water and increased by \$39,441 for wastewater to bring the utility's books to the proper amount. UPIS has been decreased by \$6,976 for water and \$3,594 for wastewater to retire a pick-up truck from plant. UPIS has been increased by \$3,602 for water to reflect recommended pro forma plant. The pro forma plant includes a dual chlorination system. Averaging adjustments were also made to reduce water UPIS by \$3,818 and wastewater UPIS by \$12,653. Our adjustments result in a decrease of \$12,216 for water and \$23,194 for wastewater.

Based on the foregoing, we find that the appropriate average amount of test year plant in service is \$260,361 for water and \$200,720 for wastewater.

Land

By Order No. PSC-93-0509-FOF-WS, the Commission approved land value of \$1,474 for water and \$5,500 for wastewater. The utility's original cost reflects land value of \$3,256 for water and \$6,936

for wastewater. We find it appropriate to increase land value by \$1,782 for water and \$1,486 for wastewater to reflect land value at original cost.

#### Non-Used and Useful Plant

We have determined the used and useful percentage of each plant account. We find that average non-used and useful plant is (\$24,870) for water and (\$75,039) for wastewater. The average non-used and useful accumulated depreciation associated with plant is \$13,639 for water and \$34,346 for wastewater.

Based on these adjustments, we find that the appropriate non-used and useful plant adjustments are (\$11,231) for water and (\$40,693) for wastewater.

#### Accumulated Depreciation

The utility's books reflected accumulated depreciation balances of \$125,350 for water and \$96,790 for wastewater. We calculated accumulated depreciation pursuant to rates set forth in Rule 25-30.140, Florida Administrative Code, using the original cost provided by the utility. We have decreased accumulated depreciation by \$12,236 for water and we have increased accumulated depreciation by \$1,846 for wastewater. We have also decreased accumulated depreciation by \$6,976 for water and \$3,594 for wastewater to retire a pick-up truck from plant. We have increased accumulated depreciation by \$106 for water only, to reflect the average accumulated depreciation on pro forma plant. We have also increased accumulated depreciation by \$226 for water and \$115 for wastewater to reflect the salvage value on a golf cart that was sold. We have also made averaging adjustments of \$5,958 for water and \$4,382 for wastewater.

Based on the foregoing, we find that the appropriate average accumulated depreciation balance is \$100,512 for water and \$90,793 for wastewater.

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

The utility recorded CIAC of \$69,350 for water and \$77,430 for wastewater, which represent the amounts imputed by Order No. PSC-93-0509-FOF-WS. As discussed above, CIAC has been decreased by \$59,274 for water and \$77,430 for wastewater to bring CIAC to the recommended test year amount. CIAC has been decreased by \$3,058 for water to reflect averaging adjustments.

Based on the foregoing, we find that the appropriate average CIAC balances are \$7,018 for water and \$0 for wastewater.

#### Amortization of CIAC

Amortization of CIAC has been calculated consistent with our calculation of accumulated depreciation. The utility recorded amortization of CIAC of \$44,787 for water and \$43,249 for wastewater due to imputation of CIAC by Order No. PSC-93-0509-FOF-WS. We have decreased CIAC amortization by \$44,201 for water and by \$43,249 for wastewater. We have reduced amortization of CIAC by \$231 for water only, to reflect averaging adjustments.

Based on the foregoing, we find that the appropriate accumulation balances are \$355 for the water facilities and \$0 for the wastewater facility.

#### Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense (O&M) formula approach for calculating working capital allowance. Applying that formula, and based on O&M of \$94,261 for water and \$52,627 for wastewater, we find that the working capital allowance is \$11,783 for water and \$6,578 for wastewater.

#### Rate Base Summary

Based on the foregoing, we find that the appropriate test year rate base balances are \$156,994 for water and \$82,748 for wastewater.

#### COST OF CAPITAL

Our calculation of the appropriate cost of capital and our adjustments are contained in Schedule No. 2. 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.

#### Return on Equity

Arredondo's capital structure includes a long term debt balance of \$327,667 and a negative common equity balance of \$208,553 for the test year. The utility's debt is at a cost rate of 10%. Using the current leverage formula approved by Order No.



PSC-95-0982-FOF-WS, issued August 10, 1995, the rate of return on common equity is 11.88%. Therefore, the resulting weighted costs of debt and customer deposits are 9.81% and .11%, respectively.

#### Overall Rate of Return

Because including a negative figure for common equity would penalize the utility's capital structure by understating the overall rate of return, we have adjusted the negative common equity to zero. We made pro rata adjustments to reconcile the capital structure downward to match the approved rate base.

The weighted costs of 9.81% for debt and 0.11% for customer deposits result in the appropriate overall rate of return of 9.92%.

#### NET OPERATING INCOME

Our calculation of net operating income is shown on Schedule No. 3 for the water systems and on Schedule No. 3A for the wastewater system. Our adjustments are itemized on Schedule No. 3B. Our analysis of O&M expense is shown on Schedule No. 3C for the water systems and on Schedule No. 3D for the wastewater system. 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.

#### Test Year Revenues

The utility recorded test year combined water systems revenues of \$75,898 and wastewater system revenues of \$35,536 during the test period. We recalculated test year revenues for each system based on the number of test year bills and consumption. Based on this analysis, we find the appropriate test year operating revenues to be \$76,158 for the water systems and \$35,795 for the wastewater system. We have increased revenue by \$260 for water and \$259 for wastewater to reflect the appropriate test year revenue.

#### Test Year Operating Expenses

The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes.

The utility's test year operating expenses have been traced to invoices. We have made adjustments to reflect unrecorded test year expenses and to reflect approved allowances for plant operations.

Operation and Maintenance Expenses (O&M)

The utility charged \$83,459 to water O&M and \$58,691 to wastewater O&M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows.

- 1) Sludge Removal Expense - The utility recorded \$2,121 in this account. We have adjusted this amount by \$89 to reflect the appropriate balance of \$2,210.
- 2) Purchased Power - The utility recorded \$7,146 for the water systems and \$6,793 for the wastewater system. The water systems' purchased power was increased by \$704 and the wastewater system balance was increased by \$2 to reflect the appropriate balance of \$7,850 for water and \$6,795 for wastewater.
- 3) Fuel for Power Production - The utility recorded \$153 for water and \$79 for wastewater fuel for power production. We increased the water amount by \$297 and the wastewater amount by \$146 to reflect the approved amount of \$450 for water and \$225 for wastewater.
- 4) Chemicals - The utility recorded \$625 for the water systems and \$199 for the wastewater system in the chemical expense account. We adjusted these balances by \$159 and \$95, respectively, to reflect the additional allowances of chemicals expense for the water and wastewater systems.
- 5) Materials and Supplies - The utility recorded \$4,143 for the water systems and \$7,933 for the wastewater system during the test period. We decreased water and wastewater amounts to reconcile with the audited amounts of \$1,640 and \$5,251, respectively. Additionally, we reduced the reimbursed amounts of materials and supplies by \$498 for water and by \$99 for wastewater. The total approved amounts for materials and supplies are \$2,005 for water and \$2,583 for wastewater.
- 6) Contractual Services - The utility recorded \$60,502 for the water systems and \$37,328 for the wastewater system during the test year. We made several adjustments to these balances.

We have allowed mowing and groundskeeping expenses for the test year of \$720 for water and \$1,380 for wastewater.

The utility utilized a contract operator for its water and wastewater systems, resulting in expenses of \$6,967 for the water systems and \$3,707 for the wastewater system for the test year.

We have made an allowance for distribution and collection repair of \$9,517 for water and \$4,079 for wastewater.

We have allowed a wastewater inspection fee for the test year of \$750.

Auxiliary power maintenance inspection expense for the test year amounted to \$1,106 for water and \$553 for wastewater. We hereby approve a wastewater plant cleaning, dirt and grit removal expense of \$730. DEP-required testing expenses for water are \$5,712. The wastewater testing expense amounts to \$1,228.

A meter changeout expense of \$900 is allowed for the water systems.

Accounting and legal fees for the test year amounted to \$3,480 for water and \$1,792 for wastewater. We find it appropriate to approve an answering service fee for the test year of \$264 for water and \$136 for wastewater.

A paging cost for the test year of \$172 is allowed for water and \$86 is allowed for wastewater.

We made an adjustment to include a management contract. The amount of the management contract is \$39,293 for water and \$19,647 for wastewater for the test year.

We made adjustments to reduce the contractual service amount per the utility's general ledger of \$60,502 for water and \$37,328 for wastewater.

Total adjustments for this account amounted to \$7,629 for water and (\$3,240) for wastewater. We find it appropriate to approve a contractual service expense of \$68,131 for water and \$34,088 for wastewater.

- 7) Rents - The utility recorded \$0 in this account. We have adjusted this amount by \$5,172 for the water systems and by \$2,586 for the wastewater system to reflect an allowance for office space overhead.

- 8) Transportation Expenses - The utility recorded \$790 for the water systems and \$145 for the wastewater system in this account during the test period. We increased the expense by \$950 for water and \$725 for wastewater to reflect test year transportation expense.
- 9) Insurance Expense - The utility recorded \$5,710 for the water systems and \$2,620 for the wastewater system in this account during the test period. We have reduced this expense by \$2,135 for the water systems and by \$1,294 for the wastewater system to remove that portion of expense not allocable to the test year.
- 10) Regulatory Commission Expense - The utility recorded no regulatory commission expense for the test year. We have adjusted this expense by \$648 (\$2,592/4) for the water systems and by \$365 (\$1,460/4) for the wastewater system to record the utility's rate case expenses amortized over four years.
- 11) Miscellaneous Expense - The utility recorded \$2,909 for the water systems and \$1,083 for the wastewater system. We made a pro forma adjustment to reduce the water amount by \$484 and the wastewater amount by \$249 to remove mobile phone charges from miscellaneous expense. We also reduced the wastewater expense by \$235 to remove charitable contributions, and by \$800 for a DEP fee for a wastewater permit. We made an addition of \$1,096 to wastewater to include all audited miscellaneous expense. Therefore, we have decreased this expense by \$484 for water and by \$188 for wastewater.

Operation and Maintenance Expenses (O&M) Summary

Based on the foregoing, total O&M adjustments are \$10,802 for water and (\$6,064) for wastewater. We find that the utility's test year O&M expenses are \$94,261 for water and \$52,627 for wastewater.

Depreciation Expense (net of related amortization of CIAC)

The utility recorded \$10,963 for water depreciation expense and \$23,021 for wastewater depreciation expense during the test period. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances results in depreciation expense of \$12,846 for the water systems

and \$4,703 for the wastewater system. Applying the composite depreciation rates to the appropriate CIAC account balance offsets depreciation expense by (\$479) for the water systems and \$0 for the wastewater system. The resulting net adjustment is \$12,367 for the water systems and \$4,703 for the wastewater system.

#### Taxes Other Than Income

The utility recorded taxes other than income of \$8,305 for the water systems and \$4,278 for the wastewater system. We have adjusted this account by reducing the water and wastewater amounts by \$3,558 and \$1,302, respectively, to adjust the utility balance to the balance approved herein.

#### Operating Revenues

Revenues have been adjusted by \$60,642 for water and by \$36,992 for wastewater to reflect the increase in revenue required to cover expenses and to allow the opportunity to earn its return on investment.

#### Taxes Other Than Income Taxes

We have increased this expense by \$2,729 for water and by \$1,665 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

#### Operating Expenses Summary

The application of our adjustments to the utility's test year operating expenses results in operating expenses of \$121,220 for water and \$64,575 for wastewater.

#### REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find it appropriate to allow the utility an annual increase in revenue of \$60,642 (79.63%) for the water systems and \$36,992 (103.34%) for the wastewater system. This will allow the utility the opportunity to recover its operating expenses and to earn a 9.92% return on its investment. The calculations are as follow:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$ 156,994	\$ 82,748
Rate of Return	<u>x .0992</u>	<u>x .0992</u>
Return on Investment	\$ 15,580	\$ 8,212
Adjusted Operation Expenses	94,261	52,627
Net Depreciation Expense	12,367	4,703
Taxes Other Than Income Taxes	14,592	7,245
Revenue Requirement	<u>\$ 136,800</u>	<u>\$ 72,787</u>
Annual Revenue Increase	\$ 60,642	\$ 36,992
Percentage Increase	<u>79.63%</u>	<u>103.34%</u>

The revenue requirements and resulting annual increases are shown on Schedules Nos. 3 and 3A.

#### RATES AND RATE STRUCTURE

The Commission approved the utility's current tariff by Order No. PSC-93-0509-FOF-WS. Based on the test year billing analysis, the utility provided water service to approximately 467 residential and 2 general service water customers; namely, the Estates and the Farms, and wastewater service to approximately 239 customers. There is a 7,000 gallon cap for residential wastewater service. The average residential water consumption based on our review is 4,936 gallons per month.

Rates have been calculated based on test year customers and the consumption levels as previously discussed. Schedules of the utility's existing rates and rate structure and our approved rates and rate structure are as follow:

WATER RATES

MONTHLY

Residential and General Service

Base Facility Charge

<u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$ 7.34	\$ 12.71
3/4"	11.01	19.06
1"	18.34	31.77
1 1/2"	36.70	63.54
2"	58.72	101.67
3"	117.45	203.34
4"	183.52	317.71
6"	367.04	635.42

Gallage Charge  
 Per 1,000 Gallons

\$ 1.05

\$ 2.17

WASTEWATER RATES

MONTHLY

Residential and General Service

Base Facility Charge

<u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$ 7.74	\$ 13.40
3/4"	11.60	20.10
1"	19.35	33.49
1 1/2"	38.71	66.99
2"	61.94	107.18
3"	123.88	214.36
4"	193.57	334.93
6"	387.14	669.87

RESIDENTIAL GALLONAGE CHARGE

Per 1,000 Gallons \$ 0.95  
 (7,000 gallons max.)

\$ 3.11

GENERAL SERVICE GALLONAGE CHARGE

\$ 0.95

\$ 3.73

Based on the test year billing analysis, the average water consumption for individually metered residential customers was approximately 4,936 gallons per month. A schedule of an average bill for a residential customer based on existing and our approved rates is shown below:

Average bill using approved rates	\$ 23.42
Average bill using existing rates	<u>(12.52)</u>
Increase in average bill	\$ 10.90
Percentage increase in average bill	= 87.06 (\$10.90/\$12.52)

The average number of gallons of wastewater billed for individually metered residential customers was also 3,268 gallons per month. A schedule of an average bill for a residential customer based on existing rates and our approved rates is shown below:

Average bill using approved rates	\$ 23.56
Average bill using existing rates	<u>(10.84)</u>
Increase in average bill	\$ 12.72
Percentage increase in bill	= 117.34% (\$12.72/\$10.84)

The rates approved herein are designed to produce revenue of \$136,800 for water and \$72,787 for wastewater, using the base facility charge rate structure. These rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

#### STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of a four year period by the amount of the rate case expense previously included 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 \$423 annually for water and \$327 annually for wastewater. Using the utility's current revenues, expenses, capital structure, and customer base, the reduction in revenues will result in the rate decreases as shown on Schedules Nos. 4 and 4A.

The utility shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also be required to 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 the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase, resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein on a temporary basis subject to refund provided that the utility first furnishes and has approved by Commission staff adequate security for a potential refund through a bond, letter of credit in the amount of \$67,439, or an escrow account with an independent financial institution, a proposed customer notice, and revised tariff sheets.

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

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it shall contain the following conditions:

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.

- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than twenty days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

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Upon expiration of the protest period, if a timely protest is not received, this docket shall remain open for an additional 180 days from the effective date of the Order so that our engineer may verify that pro forma plant has been completed. After the engineer verifies pro forma plant has been completed, and after the utility has submitted and has had approved revised tariff sheets reflecting the new rates, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Arredondo Utility Company, Inc.'s, application for increased water and wastewater rates is approved as set forth in the body of this Order. It is further

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

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that Arredondo Utility Company, Inc., is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Arredondo Utility Company, Inc.'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 notice. It is further

ORDERED that Arredondo Utility Company, Inc., shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, Arredondo Utility Company, Inc., shall submit and have approved a bond or letter of credit in the amount of \$67,439 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

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ORDERED that in the event of a protest by any substantially affected person other than the utility, Arredondo Utility Company, Inc., is authorized to collect the rates approved on a temporary basis, subject to refund, in accordance with Rule 25-30-360, Florida Administrative Code, provided that Arredondo Utility Company, Inc., has furnished satisfactory security for any potential refund and provided that it has submitted and staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Arredondo Utility Company, Inc., 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, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

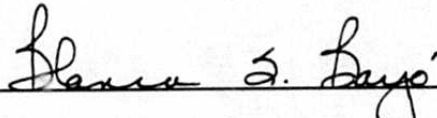
ORDERED that the provision of this Order regarding our granting of increased rates and charges is issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED by the Florida Public Service Commission that, upon expiration of the protest period, if no timely protest is received, this docket shall remain open for an additional 180 days from the effective date of the Order so that our engineer may verify that pro forma plant has been completed. It is further

ORDERED that upon staff verification that the pro forma plant has been completed, and after Arredondo Utility Company, Inc., has submitted and has had approved revised tariff sheets reflecting the new rates, this docket shall be closed administratively.

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DOCKET NO. 951234-WS  
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By ORDER of the Florida Public Service Commission, this 30th  
day of May, 1996.

  
\_\_\_\_\_  
BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

RGC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action regarding our granting of the increased rates and charges is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 20, 1996. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1  
 DOCKET NO. 951234-WS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
UTILITY PLANT IN SERVICE	\$ 272,577	\$ (12,216) A	\$ 260,361
LAND/NON-DEPRECIABLE ASSETS	1,474	1,782 B	3,256
NON USED & USEFUL PLANT	0	(11,231) C	(11,231)
ACCUMULATED DEPRECIATION	(125,350)	24,838 D	(100,512)
CIAC	(69,350)	62,332 E	(7,018)
AMORTIZATION OF CIAC	44,787	(44,432) F	355
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,783</u> G	<u>11,783</u>
WATER RATE BASE	\$ 124,138	\$ 32,856	\$ <span style="border: 1px solid black; padding: 2px;">156,994</span>

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A  
 DOCKET NO. 951234-WS

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM</u>
UTILITY PLANT IN SERVICE	\$ 177,526	\$ 23,194 A	\$ 200,720
LAND/NON-DEPRECIABLE ASSETS	5,450	1,486 B	6,936
NON USED & USEFUL PLANT	0	(40,693)C	(40,693)
ACCUMULATED DEPRECIATION	(96,790)	5,997 D	(90,793)
CIAC	(77,430)	77,430 E	0
AMORTIZATION OF CIAC	43,249	(43,249)F	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>6,578 G</u>	<u>6,578</u>
WASTEWATER RATE BASE	\$ 52,005	\$ 30,743	\$ <span style="border: 1px solid black; padding: 2px;">82,748</span>



ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B  
 DOCKET NO. 951234-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<b>A. UTILITY PLANT IN SERVICE</b>		
1. To bring utility balance to staff's audited balance.	\$ (5,024)	\$ 39,441
2. To retire pick-up truck from plant.	(6,976)	(3,594)
3. To include staff recommended pro forma.	3,602	0
4. To reflect averaging adjustment.	(3,818)	(12,653)
	<u>\$ (12,216)</u>	<u>\$ 23,194</u>
<b>B. LAND</b>		
1. To reflect cost per Order No. PSC-93-0509-FOF-WS.	\$ 1,782	\$ 1,486
<b>C. NON-USED &amp; USEFUL PLANT</b>		
1. To reflect average non-used & useful plant.	\$ (24,870)	\$ (75,039)
2. To reflect average non-used & useful accumulated depreciation associated with non-used & useful plant.	13,639	34,346
3. To reflect average non-used & useful accumulated amortization of CIAC.	0	0
4. To reflect average non-used & useful CIAC.	0	0
	<u>\$ (11,231)</u>	<u>\$ (40,693)</u>
<b>D. ACCUMULATED DEPRECIATION</b>		
1. To bring accumulated depreciation to correct amount.	\$ 12,236	\$ (1,864)
2. To retire pick-up truck from plant.	6,976	3,594
3. To reflect average accumulated dep. on pro forma.	(106)	0
4. To reflect salvage value of Golf Cart.	(226)	(115)
5. To reflect averaging adjustment.	5,958	4,382
	<u>\$ 24,838</u>	<u>\$ 5,997</u>
<b>E. CIAC</b>		
1. To bring CIAC to correct amount.	\$ 59,274	\$ 77,430
2. To reflect averaging adjustment.	3,058	0
	<u>\$ 62,332</u>	<u>\$ 77,430</u>
<b>F. AMORTIZATION OF CIAC</b>		
1. To bring CIAC amortization to correct amount.	\$ (44,201)	\$ (43,249)
2. To reflect averaging adjustment.	(231)	0
	<u>\$ (44,432)</u>	<u>\$ (43,249)</u>
<b>G. WORKING CAPITAL ALLOWANCE</b>		
1. To reflect 1/8 of test year O & M expenses.	\$ 11,783	\$ 6,578

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 951234-WS

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 327,677	\$ (92,493)	\$ 235,184	98.10%	10.00%	9.81%
COMMON EQUITY	(208,553)	208,553	0	0.00%	11.88%	0.00%
CUSTOMER DEPOSITS	6,350	(1,792)	4,558	1.90%	6.00%	0.11%
TOTAL	\$ 125,474	\$ 114,268	\$ 239,742	100.00%		9.92%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	10.88%	12.88%
OVERALL RATE OF RETURN	9.92%	9.92%

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3  
 DOCKET NO. 951234-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 75,898	\$ 260 A	\$ 76,158	\$ 60,642 F	\$ 136,800
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	83,459	10,802 B	94,261	0	94,261
DEPRECIATION (NET)	10,963	1,883 C	12,846	0	12,846
AMORTIZATION (CIAC)	0	(479) D	(479)	0	(479)
TAXES OTHER THAN INCOME	8,305	3,558 E	11,863	2,729 G	14,592
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 102,727	\$ 15,764	\$ 118,491	\$ 2,729	\$ 121,220
OPERATING INCOME/(LOSS)	\$ (26,829)		\$ (42,333)		\$ 15,580
WATER RATE BASE	\$ 124,138		\$ 156,994		\$ 156,994
RATE OF RETURN	<u>-21.61%</u>		<u>-26.96%</u>		<u>9.92%</u>

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A  
 DOCKET NO. 951234-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>35,536</u>	\$ <u>259</u> A	\$ <u>35,795</u>	\$ <u>36,992</u> F	\$ <u>72,787</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	58,691	(6,064) B	52,627	0	52,627
DEPRECIATION (NET)	23,021	(18,318) C	4,703	0	4,703
AMORTIZATION (CIAC)	0	0 D	0	0	0
TAXES OTHER THAN INCOME	4,278	1,302 E	5,580	1,665 G	7,245
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>85,990</u>	\$ <u>(23,080)</u>	\$ <u>62,910</u>	\$ <u>1,665</u>	\$ <u>64,575</u>
OPERATING INCOME/(LOSS)	\$ <u>(50,454)</u>		\$ <u>(27,115)</u>		\$ <u>8,212</u>
WASTEWATER RATE BASE	\$ <u>52,005</u>		\$ <u>82,748</u>		\$ <u>82,748</u>
RATE OF RETURN	<u>-97.02%</u>		<u>-32.77%</u>		<u>9.92%</u>

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ARREDONDO UTILITY COMPANY, INC.  
TEST YEAR ENDING OCTOBER 31, 1995  
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 38  
DOCKET NO. 951234-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<b>A. OPERATING REVENUES</b>		
1. To adjust test year revenue to test year customers and consumption through billing analysis.	\$ <u>260</u>	\$ <u>259</u>
<b>B. OPERATION AND MAINTENANCE EXPENSES</b>		
1. Sludge Removal Expense		
a. To bring sludge removal expense to the proper amount.	\$ <u>0</u>	\$ <u>89</u>
2. Purchased Power		
a. To bring purchased power to correct amount.	\$ <u>704</u>	\$ <u>2</u>
3. Fuel for Power Production		
a. To reflect the proper amount for fuel for power production.	\$ <u>297</u>	\$ <u>146</u>
4. Chemicals		
a. To bring chemical expense to proper amount.	\$ <u>159</u>	\$ <u>95</u>
5. Materials and Supplies		
a. To reconcile with audited amount.	\$ (1,640)	\$ (5,251)
b. To reflect reimbursed amounts.	(498)	(99)
	\$ <u>(2,138)</u>	\$ <u>(5,350)</u>
6. Contractual Services		
a. To record mowing and groundskeeping amount.	\$ 720	\$ 1,380
b. To record operator services amount.	6,967	3,707
c. To record distribution/collection repair amounts.	9,517	4,079
d. To record wastewater inspection fee for the test year.	0	750
e. To record auxiliary power maintenance inspection exp.	1,106	553
f. To record wastewater plant cleaning, dirt and grit removal account.	0	730
g. To bring DEP required testing to correct amount.	5,712	1,228
h. To record meter changeout expenses for the test year.	900	0
i. To record accounting and legal fees for the test year.	3,480	1,792
j. To record answering service fee for the test year.	264	136
k. To record interlink Paging cost for the test year.	172	86
l. To include management contract.	39,293	19,647
m. To remove contractual service per utility books.	(60,502)	(37,328)
	\$ <u>7,629</u>	\$ <u>(3,240)</u>
7. Rent		
a. To record rent expense for the test year.	\$ <u>5,172</u>	\$ <u>2,586</u>
8. Transportation Expense		
a. To record transportation expense for the test year.	\$ <u>950</u>	\$ <u>725</u>
9. Insurance Expense		
a. To record insurance expense for the test year.	\$ <u>(2,135)</u>	\$ <u>(1,294)</u>
10. Regulatory Commission Expense		
a. To include filing fee amortized over 4 years.	\$ <u>648</u>	\$ <u>365</u>
	\$ <u>648</u>	\$ <u>365</u>
11. Miscellaneous Expenses		
a. To remove mobile phone charges from miscellaneous exp.	\$ (484)	\$ (249)
b. To remove non-deductible charitable contributions.	0	(235)
c. To record DEP fee for wastewater permit.	0	(800)
d. To include all audited miscellaneous expenses.	0	1,096
	\$ <u>(484)</u>	\$ <u>(189)</u>
TOTAL O & M ADJUSTMENTS	\$ <u>10,802</u>	\$ <u>(8,650)</u>
<b>C. DEPRECIATION EXPENSE</b>		
1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.14D.	\$ <u>1,883</u>	\$ <u>(18,318)</u>
<b>D. AMORTIZATION EXPENSE</b>		
1. To adjust utility balance to staff calculated balance.	\$ <u>(479)</u>	\$ <u>0</u>
<b>E. TAXES OTHER THAN INCOME</b>		
1. To Adjust utility balance to staff calculated balance.	\$ <u>3,558</u>	\$ <u>1,302</u>
<b>F. OPERATING REVENUES</b>		
1. To reflect staff's recommended increase in revenue.	\$ <u>60,642</u>	\$ <u>36,992</u>
<b>G. TAXES OTHER THAN INCOME</b>		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement.	\$ <u>2,729</u>	\$ <u>1,665</u>

ARREDONDO UTILITY COMPANY, INC.  
TEST YEAR ENDING OCTOBER 31, 1995  
ANALYSIS OF WATER OPERATION AND  
MAINTENANCE EXPENSE

SCHEDULE NO. 3C  
DOCKET NO. 951234-WS

	<u>TOTAL</u> <u>PER UTIL.</u>	<u>COMM.</u> <u>ADJUST.</u>	<u>TOTAL</u> <u>PER COMM.</u>
(601) SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	\$ 0
(603) SALARIES AND WAGES – OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	7,146	704 [2]	7,850
(616) FUEL FOR POWER PRODUCTION	153	297 [3]	450
(618) CHEMICALS	625	159 [4]	784
(620) MATERIALS AND SUPPLIES	4,143	(2,138)[5]	2,005
(630) CONTRACTUAL SERVICES	60,502	7,629 [6]	68,131
(640) RENTS	0	5,172 [7]	5,172
(650) TRANSPORTATION EXPENSE	790	950 [8]	1,740
(655) INSURANCE EXPENSE	5,710	(2,135)[9]	3,575
(665) REGULATORY COMMISSION EXPENSE	0	648 [10]	648
(670) BAD DEBT EXPENSE	1,481	0	1,481
(675) MISCELLANEOUS EXPENSES	2,909	(484)[11]	2,425
	<u>\$ 83,459</u>	<u>\$ 10,802</u>	<u>\$ 94,261</u>

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995  
 ANALYSIS OF WASTEWATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D  
 DOCKET NO. 951234-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(701) SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	\$ 0
(703) SALARIES AND WAGES – OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,121	89 [1]	2,210
(715) PURCHASED POWER	6,793	2 [2]	6,795
(716) FUEL FOR POWER PRODUCTION	79	146 [3]	225
(718) CHEMICALS	199	95 [4]	294
(720) MATERIALS AND SUPPLIES	7,933	(5,350)[5]	2,583
(730) CONTRACTUAL SERVICES	37,328	(3,240)[6]	34,088
(740) RENTS	0	2,586 [7]	2,586
(750) TRANSPORTATION EXPENSE	145	725 [8]	870
(755) INSURANCE EXPENSE	2,620	(1,294)[9]	1,326
(765) REGULATORY COMMISSION EXPENSES	0	365 [10]	365
(770) BAD DEBT EXPENSE	390	0	390
(775) MISCELLANEOUS EXPENSES	1,083	(188)[11]	895
	<u>\$ 58,691</u>	<u>\$ (6,064)</u>	<u>\$ 52,627</u>

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APPROVED RATE REDUCTION SCHEDULE

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995

SCHEDULE NO. 4  
 DOCKET NO. 951234-WS

CALCULATION OF RATE REDUCTION AMOUNT  
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 12.71	0.03
3/4"	19.06	0.05
1"	31.77	0.08
1-1/2"	63.54	0.16
2"	101.67	0.25
3"	203.34	0.51
4"	317.71	0.80
6"	635.42	1.59
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (7,000 GALLON MAX. PER MONTH)	\$ 2.15	0.01



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APPROVED RATE REDUCTION SCHEDULE

ARREDONDO UTILITY COMPANY, INC.  
 TEST YEAR ENDING OCTOBER 31, 1995

SCHEDULE NO. 4A  
 DOCKET NO. 951234-WS

CALCULATION OF RATE REDUCTION AMOUNT  
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 13.40	0.08
3/4"	20.10	0.12
1"	33.49	0.20
1-1/2"	66.99	0.41
2"	107.18	0.65
3"	214.36	1.30
4"	334.93	2.04
6"	669.87	4.08
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (7,000 GALLON MAX. PER MONTH)	\$ 3.11	0.02
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	\$ 3.73	0.02