

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



DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

Public Service Commission

September 27, 1996

Matthew Potter
Virginia City Utilities
5715 Main Street
New Port Richey, FL 34652

Re: Docket No. 960625-WU - Application of Virginia City Utilities, Inc. for a staff-assisted rate case in Pasco County.

Dear Mr. Potter:

This will confirm that Commission Staff will hold a customer meeting at 6:00 p.m. on Wednesday, October 23, 1996. The location of the meeting will be the New Port Richey City Hall, 5919 Main Street, New Port Richey, Florida. We ask that, if at all possible, you or another knowledgeable representative of the utility attend the meeting in order to answer customer questions.

ACK _____ The original customer meeting notice is enclosed. Please note that the date has been
 AFA _____ left blank so that you can fill in the date that the notice is sent to the customers. The
 APP _____ customers must have at least fourteen days' notice of the meeting, calculated from the day
 CAF _____ that they receive the notice. Please furnish me with a copy of the notice, as reproduced at
 CMU _____ the time it is distributed to your customers, together with a cover letter indicating the exact
_____ date(s) on which the notice was mailed or otherwise delivered to the customers.

CTR _____
 EAG _____ Two copies of the engineering report dated August 13, 1996, and the accounting
 LEG _____ report dated September 16, 1996, are enclosed. Please ensure that a copy of the complete
_____ Application for Staff Assistance and the reports are available for review by all interested

LIN _____
 OPC _____
 RCH _____
 SEC _____
 WAS _____
 OTH _____

ccy to Carol Purvis ★

DOCUMENT NUMBER-DATE

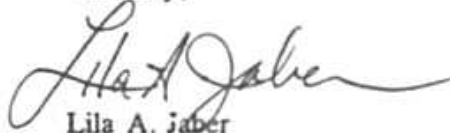
10450 SEP 30 96

Matthew Potter
September 27, 1996
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persons at the Office of Peter Altman, CPA, 5715 Main Street, New Port Richey, Florida, during its regular hours (9:00 a.m. to 5:00 p.m.).

If you have any questions, please do not hesitate to call.

Sincerely,



Lila A. Jaber
Bureau Chief, Water & Wastewater
Division of Legal Services

LAJ,HK/mw

Enclosures

cc: Office of Public Counsel
Division of Consumer Affairs (Cunningham)
Division of Records and Reporting ✓
Division of Water and Wastewater (Kemp, Edwards)
Court Reporter

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETING

TO THE CUSTOMERS OF

VIRGINIA CITY UTILITIES, INC.

AND

ALL OTHER INTERESTED PERSONS

RE: DOCKET NO. 960625-WU

APPLICATION FOR STAFF-ASSISTED RATE CASE IN
PASCO COUNTY BY VIRGINIA CITY UTILITIES, INC.

DATED: _____

NOTICE is hereby given that the Staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Virginia City Utilities, Inc. for a staff-assisted rate case in Pasco County. The meeting will be held at the following time and place:

6:00 p.m., Wednesday, October 23, 1996
New Port Richey City Hall
5919 Main Street
New Port Richey, Florida

All persons who wish to testify are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present.

Any person requiring some accommodation at this meeting because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the customer meeting. Any person who is hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at 1 (800) 955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer sworn testimony regarding the quality of service the utility provides and to ask questions and comment on Staff's preliminary rates included in this notice as well as other issues. Staff members will answer questions to the extent possible. A representative from the utility has also been invited to respond to questions.

NOTICE OF CUSTOMER MEETING
DOCKET NO. 960625-WU
PAGE 2

Any person who wishes to comment or provide information to Staff may do so at the meeting, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice.

BACKGROUND

Virginia City Utilities, Inc., is a Class C utility located in Pasco County. It provides service to 299 residential and 13 general service customers.

The test period for setting rates in the historical average twelve month period ended December 31, 1996. According to the Staff audit and preliminary analysis, the utility's test year revenues were \$74,325.88. Test year operating expenses were \$88,570. The resulting net loss is \$14,244.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further Staff review, and the final decision by the Commissioners. The utility's current and Staff's preliminary rates and charges are as follows:

MONTHLY RATES - WATER

<u>Base Facility Charge</u>	<u>Current Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Meter Sizes:</u>		
5/8" x 3/4"	\$ 3.99	\$ 6.68
3/4"	\$ 5.99	\$10.02
1"	\$ 9.98	\$16.70
1 1/2"	\$19.95	\$33.41
2"	\$31.92	\$53.45
3"		
4"		
6"		
Consumption Charge per 1,000 Gallons	\$ 3.07	\$ 3.21

MISCELLANEOUS SERVICE CHARGES

The Utility's current miscellaneous service charges are listed below. Staff does not recommend any changes to the existing miscellaneous service charges at this time.

Initial Connection	\$15
Normal Reconnection	\$15
Violation Reconnection	\$15
Premises Visit (in lieu of disconnection)	\$10

SERVICE AVAILABILITY CHARGES

The utility's tariff calls for a \$60 tap in fee for a 5/8" x 3/4" meter and actual cost for all other size meters. Staff is recommending no changes to the existing service availability charges at this time.

STAFF REPORTS AND UTILITY APPLICATION

The results of Staff's preliminary investigation are contained in an accounting report dated September 16, 1996, and an engineering report dated August 13, 1996. Copies of the reports may be examined by interested members of the public from 9:00 a.m. through 5:00 p.m., Monday through Friday, at the Office of Peter Altman, CPA, 5715 Main Street, New Port Richey, Florida.

PROCEDURES AFTER CUSTOMER MEETING

After the meeting, Staff will prepare and submit a recommendation to the Commission. The Commission will thereafter issue a proposed agency action order containing rates which may be different from those contained in Staff's final recommendation. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order may so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers and interested persons. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so by writing to the Commission at the address at the end of this notice.

NOTICE OF CUSTOMER MEETING
DOCKET NO. 960625-WU
PAGE 4

HOW TO CONTACT THE COMMISSION

Written comments regarding the utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

All correspondence should refer to "Docket No. 960625-WU - Application of Virginia City Utilities, Inc. for staff-assisted rate case in Pasco County."

If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

This notice was prepared by Commission Staff for distribution by the utility to its customers.

MEMORANDUM

August 13, 1996

TO: NEIL BETHEA, SUPERVISOR OF STAFF ASSISTED RATE CASE
SECTION - BUREAU OF SPECIAL ASSISTANCE

FROM: GERALD D. EDWARDS, ENGINEER 

RE: DOCKET NO. 960625-WU, VIRGINIA CITY UTILITIES, INC. - APPLICATION FOR A
STAFF-ASSISTED RATE CASE IN PASCO COUNTY -- ENGINEERING INVESTIGATION

INTRODUCTION

Consistent with the standard operating procedures of the division, an engineering investigation of the above referenced docket was conducted. The investigation included a field inspection of the utility's service area and water distribution system. The investigation was completed on June 26, 1996. In addition, an office study of its files, rate application, operation and maintenance expenses, utility's system used and useful, service availability and other engineering issues pertaining to this utility were reviewed for reasonableness and prudence.

1.0 HISTORY

Virginia City, Inc. (Virginia City or utility) began operation in 1970. On July 26, 1973, the utility became subject to the regulatory jurisdiction of this commission and under the rules of Chapter 367 the utility was granted water Certificate No. 149-W. On October 22, 1993, Virginia City Utilities, Inc. filed an application for a Transfer of Certificate from Virginia City, Inc. to Virginia City Utilities, Inc. The sale of the utility was basically a transaction between a father (Mr. Judson F. Potter), who owns the utility, and a son (Mr. Matthew Potter), who has managed the utility for approximately 23 years.

2.0 GENERAL INFORMATION

Virginia City Utilities, Inc. (VCUI or utility) is a class "C" water utility, located in New Port Richey, Florida, which is in Pasco County. The utility is a consecutive water system and purchases water for resale from Pasco County. The utility applied for a staff assisted rate case on May 17, 1996. The service area is physically located in the West Central region of Pasco County. The mailing address is P. O. Box 845, New Port Richey, Florida, 34656. Mr. Judson F. Potter is the president & vice president and Mr. Matthew A. Potter is the secretary & treasurer. Mr. Judson Potter maintains VCUI's business records at his home and he claims a rental fee of \$50.00 per month.

In existence since 1970, the utility provides water service to approximately 312 connections:

299	mobile homes
2	churches
6	professional offices + sprinkler system
2	gas station + sprinkler system
2	steak house + sprinkler system
<u>1</u>	mobile community/health center
312	

Primarily a permanent occupant based community, the majority of the customers are full time residential clients (an estimated 97% of the service area is built out; and an estimated 30% of the residents are migrants). In addition, most of the residents are home owners. The utility's customers are individually metered and each customer is charged for the metered usage of water service.

VCUI bills each customer for water service on a monthly basis. The service area is physically located approximately two (2) miles East of highway 19 in New Port Richey: depart highway 19 at the intersection of highway 19 and State Road 54; turn left onto State Road 54; travel East an approximate distance of two (2) miles, turn left just past Ryan Steak House into the Virginia City community (see Attachment "A"). VCUI is currently in compliance with the Department of Environmental Protection's (DEP) rules and regulations. In addition, the utility is located within the boundary of the Southwest Water Management District. VCUI is also located in a county which has water consumptive usage restrictions (a water use cautionary area).

3.0 PLANT IN SERVICE

Water Treatment Facilities - None. The utility purchases water from the Pasco County Utility Department.

Water Distribution System - The water distribution system is comprised of: 4,200 ft. of 1 inch PVC pipe, 6161 ft. of 2-1/2 inch PVC pipe, 5697 ft. of 4 inch PVC pipe and 1507 ft. of 6 inch PVC pipe. At the time of the engineering investigation, the distribution systems appeared to be operating properly.

Wastewater Treatment Facilities - None. The water customers are responsible for the disposal of their wastewater effluent (septic tanks).

Wastewater Collection System: None.

4.0 ORIGINAL COST

This is the first rate case filed by VCUI. The staff auditor has requested from the staff engineer that an original cost study of the total system be prepared. The original cost estimate of VCUI is attached (see attachment "C").

5.0 OPERATIONAL AND MAINTENANCE EXPENSES

- 5.1 Manager Salary - Mr. Judson Potter is the full-time manager and officer of the utility; His salary is \$20,000 (employee) plus \$600 (officer) annually. Mr. Matthew Potter is a part-time manager and officer of the utility; Respectively, his salary is \$1,200 (employee) plus \$600 (officer) annually. He is responsible for insuring that the meters are read, assisting management operations and assisting with the billing.
- 5.2 Purchased Power - Virginia City Utilities, Inc. does not own nor operate a water or wastewater treatment plant. Therefore, purchased power is none applicable.
- 5.3 Purchased Water - This is a consecutive water system and all of the water sold by this utility is purchased from the Pasco County Utility Plant. During the test year VCUI purchased 21,273,000 gallons of water at a cost of \$49,140.63. A review of the records indicate that these charges are prudent and should be allowed.
- 5.4 Chemicals - The chlorination media is handled by the Pasco County Utilities Department.
- 5.5 Samples and Testing - The Department of Environmental Protection does not require VCUI to test for Group 1 unregulated contaminants. However, the utility is required to monitor for Microbiological, Lead and Copper, and Asbestos.
- 5.6 General Maintenance and Repairs - During the 1995 test year, the utility incurred general maintenance and repair expenses in the form of: replacing meters and relocation of 4" PVC pipe for the new customers. A review of all other general expenses incurred by the utility appear reasonable and should be allowed.
- 5.7 Contractual Services - The utility has contractual agreements with several vendors: (1) Wray Enterprises, Inc. has a contractual agreement to perform the licensed plant operational duties at a base cost of \$131.00 per month; (2) Mr. Vernis L. Wray (Wray Enterprises, Inc.) is the operator and he has a class "C" water operator license (certificate number 835); (3) The Peter Altman, CPA firm performs the accounting and bookkeeping function at a base cost of \$100.00 per month; and (4) Mr. Curtis Hogan does the meter reading at the cost of \$135.00 per month.
- 5.8 Other Operating Expenses - The engineering staff has discussed the allocations of other expenses such as office space and supplies, fees and duties, transportation, bookkeeping, telephone, and general salaries with the auditor. These expenses should be detailed in her report.

6.0 USED AND USEFUL

6.1 Water Treatment Plant - None.

6.2 Water Distribution Systems - As permitted, the distribution system can provide service to over 300 lots (single resident homes). Presently, 312 connections are being served. According to the formula, the water distribution system illustrates a used and useful performance of 100 percent. (Attachment "B")

7.0 QUALITY OF SERVICE

A review of DEP's records has revealed that the water distribution system is in complete compliance with the appropriate environmental regulations. Although the quality of service provided to its customers appears satisfactory, a full determination of the quality of water service can not be determined until after the October 23, 1996, customer meeting.

8.0 UNACCOUNTED FOR WATER

A review of the amount of water purchased by the utility vs. water consumed by the utility's customers during the test year revealed that ten percent (10%) of total water purchased was unaccounted for. Currently, the utility's conclusion concerning the water loss is speculative, VUCI believes the unaccounted for water maybe the results of: (1) The County's personnel and the utility's personnel are not reading the meters on the same date (2) Old meters (an estimated 40 or more meters are registering over one million gallon flows). Although, ten percent (10%) of unaccounted for water is acceptable by this commission, the utility is taking steps (meter replacement program and more monitoring of the system) to try to resolve the situation.

9.0 METER REPLACEMENT

Because the meters are old and measurement accuracies are in question, most of the customer meters in service need to be replaced. The utility is in the process of replacing it's older meters, and anticipates that this program will continue until all connections have new or rebuilt meters in place. During the test year, the utility spent approximately \$1,160 on meter replacement. Staff engineer believes this expense should be allowed as an ongoing expense. At a cost of \$45 each, approximately thirty-seven - 5/8" x 3/4" meters can be purchased each year at a total cost of \$1,665. This amount could be more or less depending on if the meters are rebuilt or used, or if any additional fittings are needed, and inflation. Therefore, \$1,665 should be allowed in Operation and Maintenance Expense account. (Account 630)

10.0 VALVE REPLACEMENT

The distribution system is over 23 years old. There are some components that are in need of being replaced and the utility is in the process of initiating a gate valve replacement program. The total price of replacing twenty-four gate valves is estimated to cost \$12,183.49. This amount could be less depending on the best vendor's bid. Staff engineer concludes that because the average service life of the gate valves is twenty years all of the gate valves should be replaced as soon as possible. (Account number pending)

11.0 DEPRECIATION

The depreciation of utility assets should conform with the Commission's policy as outlined in Chapter 25-30.140 F.A.C. No adjustments are recommended at this time.

12.0 CONSTRUCTION WORK IN PROGRESS

During the investigation, there was no construction work in progress. Therefore, the engineering staff recognizes no adjustment to be addressed.

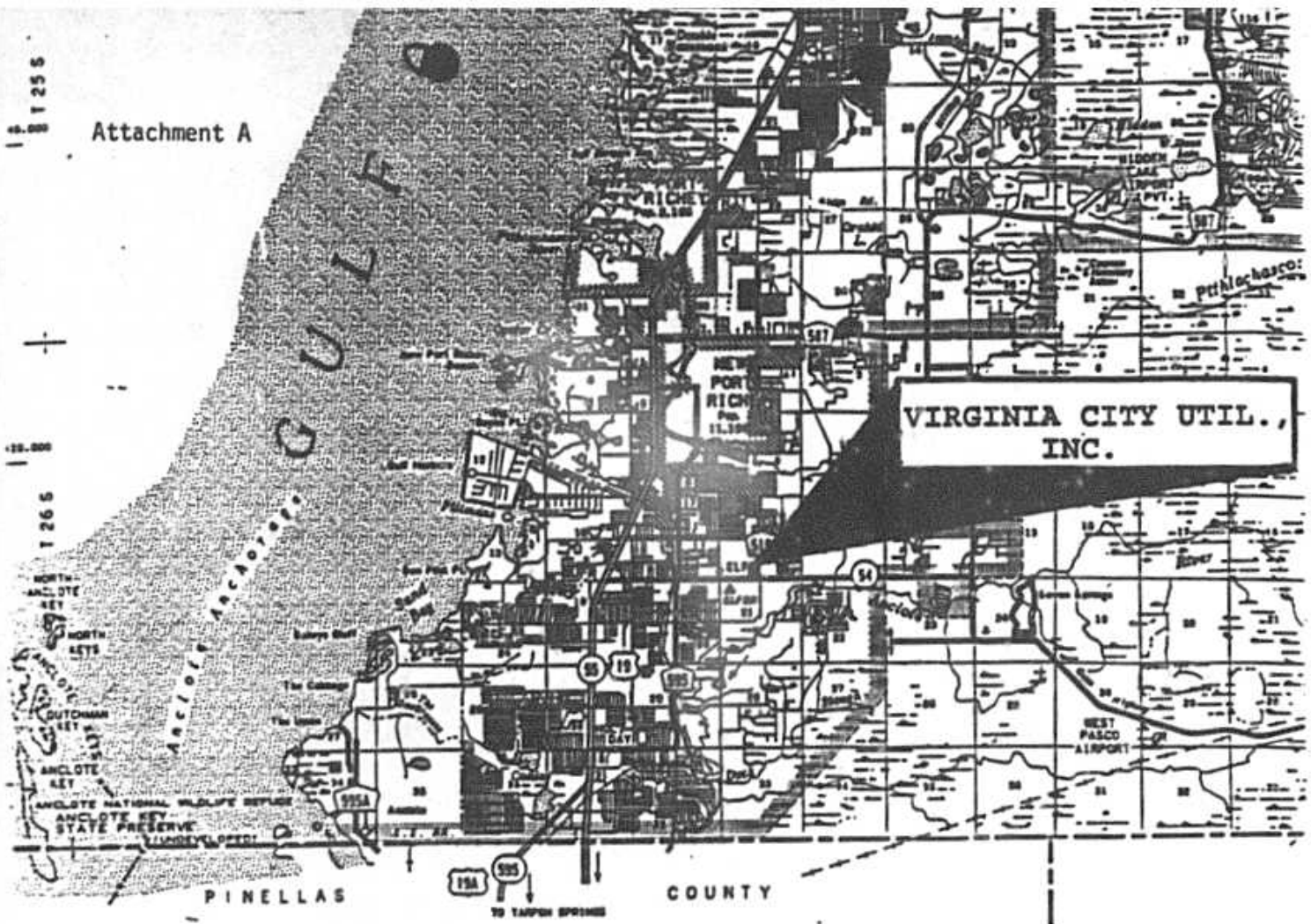
13.0 RECOMMENDATIONS

- 13.1 Meter Replacement program - It is recommended that \$1,665 annually be allowed for the meter replacement program. (Paragraph 9.0)
- 13.2 Value Replacement - Because the average service life of gate valves is approximately twenty years and according to records these valves have been in operation for over twenty-three years, It is recommended that the value be replaced as soon as possible. (Paragraph 10.0)
- 13.3 USED AND USEFUL - The utility's water distribution system used and useful calculations is 100% . (paragraph 6.0).

GDE (960625R.GDE)

cc: Division of Water and Sewer (Kemp, Bethea)
Division of Legal Services (Billmeier)

Attachment A



PASCO COUNTY FLORIDA



WATER DISTRIBUTION SYSTEM

Attachment B 1 of 1
USED AND USEFUL DATA

Docket No. 960625-WU Utility VIRGINIA CITY UTIL. INC. Date APR. 96

- 1) Capacity 271 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 270 ERC's day
- a) Begin Test Year 264 ERC's
- b) End Test Year 270 ERC's
- c) Average Test Year 267 ERC's
- 3) Margin Reserve 0 ERC's
*Not to exceed 20% of present customers
- a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year N/A ERC's
- c) Construction Time for Additional Capacity 1.5 Years
- (a) x (b) = 0 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = * 100 \% \text{ Used and Useful}$$

* ALL LOTS HAVE BEEN SOLD



Engineer

WATER X

UTILITY VIRGINIA CITY UTILITIES, INC.SUBDIVISION

SEWER

LOCATION NEW PORT RICHEY, FLORIDPHASE

DOCKE NO. 980825 - WU

AGE

28 YEARS

SHEET NO. 1 of 1

DATE

1870

NARUC	DESCRIPTION OR ITEM	QUAN	UNIT	UNIT COST	TOTAL COST	ENG FEE 6.00%	ADMIN & GENERAL 4.00%	ADJUSTED TOTAL
	Constructed in 1970 (Water system)							
309	GATE VALVES & BOX 2"	1	EA	\$65.00	\$65.00	\$3.90	\$2.76	\$71.66
309	GATE VALVES & BOX 2 1/2"	15	EA	\$70.00	\$1,050.00	\$63.00	\$44.52	\$1,157.52
309	GATE VALVES & BOX 4"	15	EA	\$110.00	\$1,650.00	\$99.00	\$69.96	\$1,818.96
309	GATE VALVES & BOX 6"	6	EA	\$130.00	\$780.00	\$46.50	\$33.07	\$859.67
331	PVC PIPE 1"	4200	LF	\$1.00	\$4,200.00	\$252.00	\$178.06	\$4,630.06
331	PVC PIPE 2 1/2"	6161	LF	\$1.20	\$7,393.20	\$443.59	\$313.47	\$8,150.26
331	PVC PIPE 4"	5897	LF	\$1.50	\$8,545.50	\$512.73	\$362.33	\$9,420.56
331	PVC PIPE 6"	1507	LF	\$2.25	\$3,390.75	\$203.45	\$143.77	\$3,737.96
331	DOUBLE SERVICE-LONG	61	EA	\$65.00	\$5,265.00	\$315.90	\$223.24	\$5,804.14
331	DOUBLE SERVICE-SHORT	97	EA	\$44.00	\$4,268.00	\$256.06	\$180.96	\$4,705.04
331	SINGLE SERVICE-LONG	7	EA	\$59.00	\$413.00	\$24.78	\$17.51	\$455.29
331	SINGLE SERVICE-SHORT	3	EA	\$32.00	\$96.00	\$5.76	\$4.07	\$105.83
334	METER AND METER INSTAL (5/8 X 3/4")	299	EA	\$35.00	\$10,465.00	\$627.90	\$443.72	\$11,536.62
334	METER AND METER INSTAL (3/4")	7	EA	\$36.00	\$266.00	\$15.96	\$11.28	\$293.24
334	METER AND METER INSTAL (1")	2	EA	\$75.00	\$150.00	\$9.00	\$6.36	\$165.36
334	METER AND METER INSTAL (1 1/2")	2	EA	\$140.00	\$280.00	\$16.80	\$11.67	\$308.67
334	METER AND METER INSTAL (2")	2	EA	\$185.00	\$370.00	\$22.20	\$15.69	\$407.89
335	HYDRANT	1	EA	\$350.00	\$350.00	\$21.00	\$14.84	\$385.84
303	LAND AND LAND RIGHTS				\$0.00	\$0.00	\$0.00	\$0.00
					\$0.00	\$0.00	\$0.00	\$0.00
	TOTALS				\$48,997.45	\$2,939.65	\$2,077.49	\$54,014.79

OCSVCULWK3

ENGINEERING REPORT
DOCKET NO. 960625-WU
September 10, 1996

VIRGINIA CITY UTILITIES, INC.

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FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

September 23, 1996

TO: NEIL BETHEA, SUPERVISOR, BUREAU OF SPECIAL ASSISTANCE

FROM: DIVISION OF WATER & WASTEWATER (KEMP) *Hy*

RE: UTILITY : VIRGINIA CITY UTILITIES, INC.
DOCKET NO.: 960625-WU
COUNTY: FASCO
CASE: STAFF ASSISTED RATE CASE

--- ACCOUNTING REPORT ---

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SEPTEMBER 23, 1996

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DOCKET NO. 960625-WU
SEPTEMBER 23, 1996

CASE BACKGROUND

Virginia City Utilities (VCUI or utility) is a class "C" water only utility located in Pasco County. VCUI resells water services to an area known as Virginia City. VCUI began operation in 1970. On July 26, 1973, the utility was granted a water certificate. On January 24, 1994, the commission granted the utility a certificate of transfer by Order No. PSC-94-0084-POF-WU in which the utility became a reseller. Previously, the utility served as a water provider.

On July 17, 1996 the utility applied for a staff assisted rate case (SARC) pursuant to Section 367.0814, the Florida Statutes. An audit and engineering investigation have been done to determine the appropriate components necessary for setting rates. Staff selected a historical test year ended December 31, 1995. The customer meeting is scheduled for October 23, 1996. The utility has taken advantage of price indexes and pass throughs over the past two years.

DOCKET NO. 960625-WU
SEPTEMBER 23, 1996

DISCUSSION OF ISSUES

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Virginia City Utilities in Pasco County satisfactory?

RECOMMENDATION: The quality of service recommendation will be determined after the scheduled October 23, 1996, customer meeting. (EDWARDS)

STAFF ANALYSIS: A review of DEP's records has revealed that the water distribution system is in complete compliance with the appropriate environmental regulations. Although the quality of service provided to its customers appears satisfactory, a full determination of the quality of water service can not be determined until after the October 23, 1996, customer meeting.

DOCKET NO. 960625-WU
SEPTEMBER 23, 1996

RATE BASE

ISSUE 2: What portions of water plant-in-service are used and useful?

RECOMMENDATION: The water the distribution system should be considered 100% used and useful. (EDWARDS)

STAFF ANALYSIS:

Water Distribution Systems: The water distribution system consists of: 4,200 ft. of 1 in. PVC pip, 6,161 ft. 2-1/2 in. of PVC pipe, 5,697 ft. of 4 in. PVC pipe and 1,507 ft. of 6 in PVC pipe. As permitted, the distribution system can provide service to over 300 single resident homes. Presently, 312 connections are being served. According to the formula, the water distribution system is 100% used and useful. (Attachment "A")

DOCKET NO. 960625-WU
SEPTEMBER 23, 1996

ISSUE 3: What is the appropriate average amount of test year rate base for this system?

RECOMMENDATION: The appropriate average amount of test year rate base for VCUI should be \$20,708. (KEMP, EDWARDS)

STAFF ANALYSIS: According to the auditor, VCUI does not have any records beyond 1993, which is when the utility received a transfer of certificate. Consequently, an Original Cost Study (OCS) was performed by the engineer. The appropriate components of rate base consist of plant, accumulated depreciation, CIAC, Amortization of CIAC and working capital allowance. Staff has used the amounts set forth in the OCS as a base for the rate base components. Further adjustments are necessary to reflect test year changes. A discussion of each adjusted component follows.

PLANT IN SERVICE: The utility recorded a plant in service balance of \$36,311. Utility plant in service has been increased by \$21,864 to reflect the correct balance as established by the engineer in the OCS as well as plant additions and retirements since the transfer of the utility in 1993. Total recommended utility plant in service is \$58,175.

Contributions in Aid of Construction (CIAC): The utility recorded test year CIAC of \$1,747. An adjustment was made to increase CIAC by \$8,363 to agree the utility's recorded amounts with amounts approved by order No. 9467. Since the order, the utility has had additions to CIAC, therefore, staff made an adjustment of \$5,150 to reflect additional CIAC. Staff also made an adjustment of \$180 to reflect average CIAC. Staff recommends an average CIAC balance of \$15,080.

Accumulated Depreciation: The utility recorded (\$28,493) in accumulated depreciation on its books. Consistent with Commission practice, accumulated depreciation was calculated using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. An adjustment of (\$10,411) was made to reflect accumulated depreciation from 1970, through 1995. Staff also made an adjustment of \$1,094 to reflect average accumulated depreciation. Staff recommends an accumulated depreciation balance of (\$37,810).

Amortization of CIAC: The utility recorded amortization of CIAC at \$117. Order No. 9467 established amortization of CIAC at \$612, therefore staff added \$495 to the utility's balance. In order to reflect amortization properly, staff made an adjustment of \$4,998 add accumulated amortization since Order No. 9467. Also, to reflect an average test year, staff made a reduction of \$277. Staff recommends an accumulated amortization of CIAC of \$5,333.

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Working Capital Allowance: Following current Commission practice and consistent with Rule 25-30.443, Florida Administrative Code, staff recommends that the one-eighth of operation and maintenance expense formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of \$10,090 (based on O&M of \$80,722).

Rate Base Summary: Based on the aforementioned adjustments, the appropriate balance of VCUI'S test year rate base is \$20,708. Rate base is shown on Schedule No. 1 and adjustments are shown on Schedule No. 1A.

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COST OF CAPITAL

ISSUE 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity is 11.88% with a range of 10.88% - 12.88% and the appropriate overall rate of return is 7.81% with a range of 7.70% - 7.91%. (KEMP)

STAFF ANALYSIS: The utility's capital structure consists of two long term debts from J. Potter for \$8,325 with an interest rate of 5% and \$15,000 with an interest rate of 10%, a \$12,775 long term debt with an interest rate 6% from F. Potter, customer deposits of \$3,040 with an interest rate of 6% and common equity of \$4,665 with an interest rate of 11.88%. Using the current leverage formula approved under Docket No. 950006-WS, Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, the rate of return on common equity is 11.88% with a range of 10.88% - 12.88%.

Applying the weighted average method to the total capital structure yields an overall rate of return of 7.81% with a range of 7.70% to 7.91%. Staff made pro rata adjustments to reconcile the capital structure downward to match the recommended rate base.

The VCUI's return on equity and overall rate of return are shown on Schedule No. 2.

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NET OPERATING INCOME

ISSUE 5: What is the appropriate test year operating revenue for this system?

RECOMMENDATION: The appropriate test year operating revenue should be \$75,739. (KEMP)

STAFF ANALYSIS: The utility recorded revenues of \$78,449 during the test period. Staff performed a billing analysis and revenue check using the utility's most recent rates in effect. Staff made an adjustment to reduce the utility's balance by \$2,710 to reflect the utility's annualized revenues.

Operating revenues are shown on Schedules Nos. 3 and 3A.

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ISSUE 6: What is the appropriate test year loss for this system?

RECOMMENDATION: The appropriate test year loss is \$11,439.

STAFF ANALYSIS: The test year revenue is \$75,739, corresponding test year operating expenses are \$87,178. This results in an operating loss of \$11,439.

The test year operating loss and gain are shown on Schedule No. 3

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ISSUE 7: What is the appropriate amount for operating expense for this system?

RECOMMENDATION: The appropriate amount for operating expenses should be \$87,793. (KEMP, EDWARDS)

STAFF ANALYSIS: The utility recorded operating expenses of \$98,042. The components of these expenses include operation and maintenance expenses, depreciation expense and taxes other than income.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect recommended allowances for plant operations.

Operation and Maintenance Expenses(O & M): The utility charged \$85,570 in O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

1) Salaries & Wages - The utility recorded wages of \$21,200 for two employees; one a full time office manager and the other, a part time office manager. The utility has contractual services for an accountant, maintenance, service and repair, a meter reader and billing services. Considering the services contracted out, and the size of the utility, staff does not deem it prudent to have a full time office manager. Staff has made an adjustment of \$9,444 to reduce the full time office manager to 20 hours per week at \$10.15 an hour for an annual salary of \$10,556. Staff recommends salaries and wages of \$11,756.

2) Purchased Water - The utility recorded test year purchased water of \$49,141. During the test year, the utility paid a bulk water rate of \$2.31 to Pasco County; as of October 1, 1996, the bulk water rate will be reduced to \$2.15. Staff has made an adjustment to reduce purchased water by \$3,404 to reflect annualized purchased water at the new rate. Staff recommends a purchased water expense of \$45,737.

3) Materials & Supplies - The utility recorded test year materials and supplies expense of \$1,513. Staff made an adjustment to increase this amount by \$60 to reflect annual cost of postage. Staff recommends materials and supplies expense of \$1,573.

4) Contractual Services - The utility recorded contractual services of \$7,408. Staff has made several adjustments to: a) reflect a gate valve change out program expense of \$12,184 amortized over five years for an adjustment of \$2,438, b) reflect a meter change out program expense of \$9,540 amortized over five years for an adjustment of \$1,908 and c) make an adjustment per the

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auditor to amortize a cost of \$350 for setting up a pension plan over four years for a reduction of \$262. Staff recommends contractual service expense of \$11,492.

5) Insurance Expense - The utility recorded an insurance expense balance of \$953. Staff made an adjustment to remove \$353 of out of period expenses. Staff recommends \$600 for insurance expense.

6) Regulatory Commission Expense - The utility did not record anything for Regulatory commission expense. Staff made an adjustment of \$490 to reflect regulatory commission expense of \$1,959 amortized over four years.

7) Miscellaneous Expense - The utility recorded misc. expenses of \$968. Staff made two adjustments to: a) reclassify license fees of \$219 from taxes other than income (TOTI), and b) include an allowance of \$500 for miscellaneous repairs and expenses.

Operation and Maintenance Expenses(O & M) Summary: Total O & M adjustments are \$7,848. Staff recommends O & M expenses of \$80,722. O & M expenses are shown in Schedule No. 3B.

Depreciation Expense: The utility recorded \$3,501 for depreciation expense during the test year. Consistent with Commission practice, staff calculated test year depreciation expense using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. Staff made an adjustment to reduce the utility's balance by \$1,210 to reflect the correct depreciation expense on test year plant. Staff also made a netting adjustment of \$555 to reflect amortization of CIAC. Staff recommends \$1,736 for depreciation expense.

Taxes Other Than Income Taxes: The utility recorded test year TOTI of \$5,971. Staff made an adjustment to reduce TOTI by \$1,251 to reflect the decrease in payroll taxes associated with the part time office manager and reduced regulatory assessment fees. The appropriate test year Taxes Other Than Income is \$4,720.

Increase in Operating Revenues and Expenses Summary:

Operating Revenues - Revenue has been increased by \$13,672 to reflect the increase in revenue required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income - This expense has been increased by \$615 to reflect regulatory assessment fee at 4.5% on the required

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revenue increase.

The application of staff's recommended adjustments to the utility's recorded operating expenses results in staff recommended operating expenses of \$87,793.

Operating expenses are shown on Schedule No. 3. Adjustments are shown on Schedule No. 3A.

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REVENUE REQUIREMENT

ISSUE 8: What is the appropriate revenue requirement for this system?

RECOMMENDATION: The appropriate revenue requirement is \$89,411.
(KEMP)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of \$13,672 (18.05%). This will allow the utility the opportunity to recover its expenses and earn a 7.81% return on its investment. The calculations are as follows:

	<u>AMOUNT</u>
Adjusted Rate Base	\$ 20,708
Rate of Return	x .0781
Return on Investment	\$ 1,617
Adjusted Operation Expenses	80,722
Depreciation Expense (Net)	1,736
Taxes Other Than Income Taxes	<u>5,335</u>
Revenue Requirement	<u>\$ 89,411</u>
Annual Revenue Increase	\$ 13,672
Percentage Increase/(Decrease)	<u>18.05%</u>

The revenue requirement and resulting annual increase are shown on Schedules No. 3.

RATES AND CHARGES

ISSUE 9: What are the appropriate rates and rate structure?

RECOMMENDATION: The recommended rates should be designed to produce revenues of \$89,411. The approved rates will 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. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (KEMP)

STAFF ANALYSIS: The utility currently employs the base facility and gallonage charge rate structure, which is the Commission's preferred rate structure. This rate structure is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable cost for providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system whereas the gallonage charge covers the variable costs. This ensures that ratepayers pay their share of the variable costs of providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge. Staff recommends that the utility retain its existing rate structure.

During the test year, the utility provided water service to approximately 299 residential and 13 general service customers. The utility's initial rates were approved by Order No. 9467, issued July 29, 1980, in Docket No. 790990-W. Staff has calculated rates based on test year revenues, annual number of bills and gallonage consumption. The metered rates have been calculated to generate staff's recommended revenue requirement. The utility's current rates and staff's preliminary rates are as follows.

RESIDENTIAL AND GENERAL SERVICE MONTHLY RATES

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Current Rates</u>	<u>Staff's Recommended</u> <u>Rates</u>
5/8 x 3/4"	\$ 3.99	\$ 6.68
3/4"	5.99	10.02
1"	9.98	16.70
1 1/2"	19.95	33.41
2"	31.92	53.45
Gallonage Charge (Per 1,000 gallons)	\$ 3.07	\$ 3.21

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The average water usage for an individually metered residential customer is approximately 5,000 gallons per month. A schedule of an average bill for a 5/8" x 3/4" meter using existing rates and recommended rates follows:

Average bill using recommended rates	\$ 22.73
Average bill using existing rates	<u>\$ 19.34</u>
Increase in Bill	\$ 3.39
Percentage increase in bill (\$3.39/\$19.34)	17.53%

Staff's recommended rate are designed to produce revenue of \$89,411. The utility should retain its existing rate structure. The 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. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge may be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event shall the rates be effective for service rendered prior to the stamped approval date.

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ISSUE 10: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: Revenues should be reduced by a total of \$489.75 annually to reflect the removal of rate case expense grossed-up for regulatory assessment fees which is being amortized over a four year period. The effect of the revenue reduction results in rate decreases as shown on Schedule No. 4. The decrease in rates should become effective immediately following the expiration of the four year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.
(KEMP)

STAFF ANALYSIS: Section 367.0816, Florida Statutes requires that the rates be reduced immediately following the expiration of the 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 \$489.75 annually. The reduction in revenues will result in the rates recommended by staff on Schedules No. 4.

The utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also should 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.

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ISSUE 11: What are the appropriate service availability charges for this utility?

RECOMMENDATION: Staff is recommending no changes to the existing service availability charges at this time. (KEMP)

STAFF ANALYSIS: The utility's current tariff authorizes the utility to collect \$60 service availability charges. Staff recommends no change at this time. A determination will be addressed in staff's final recommendation.

OTHER ISSUES

ISSUE 12: Should the recommended rates be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility?

RECOMMENDATION: Yes, the recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after staff's approval of the security for potential refund, the proposed customer notice, and the revised tariff sheets. (KEMP)

STAFF ANALYSIS: This recommendation proposes an increase in water 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 timely protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility shall be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of the security for potential refund and the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of \$9,442. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the 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 should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase should 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 should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility should file reports with the Division of Water and Water no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

VIRGINIA CITY UTILITIES, INC
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 1
DOCKET NO. 960625-WU

SCHEDULE OF WATER RATE BASE

COMPONENT	BALANCE PER UTILITY	STAFF ADJUSTMENTS	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$ 26,311	\$ 21,864	\$ 58,175
2. LAND/NON-DEPRECIABLE ASSETS	0	0	0
4. ACCUMULATED DEPRECIATION	(28,493)	(9,317)	(37,810)
4. CL/C	(1,747)	(13,333)	(15,080)
4. ACCUMULATED AMORTIZATION OF CIAC	117	5,216	5,333
5. WORKING CAPITAL ALLOWANCE	0	10,090	10,090
WATER RATE BASE	\$ 6,188	\$ 14,520	\$ 20,708

ADJUSTMENTS TO RATE BASE

EXPLANATION	WATER
A. UTILITY PLANT IN SERVICE	
1. Adjustment to reconcile utility balance to staffs	17,704
2. Adjustment to reflect plant additions	6,104
3. Retirement of meters	(1,213)
4. Reclassification from O & M	574
5. Averaging adjustment	(1,305)
	<u>\$ 21,864</u>
C. ACCUMULATED DEPRECIATION	
1. Adjustment to reconcile utility balance to staffs	(10,411)
2. To reflect averaging adjustment on Accum. Dep.	1,094
	<u>\$ (9,317)</u>
D. CIAC	
1. To reconcile utility's balance to the Order 9467	(8,363)
2. To reflect CIAC since 1980	(5,150)
3. To reflect average adjustment on CIAC	180
	<u>(13,333)</u>
F. Accum. Amortization of CIAC	
1. To reconcile utility's balance to the Order 9467	495
2. To reflect amortization of CIAC since 1980	4,998
3. To reflect average adjustment on amortization of CIAC	(277)
	<u>5,216</u>
D. WORKING CAPITAL ALLOWANCE	
1. To reflect 1/8 of test year O & M expenses	<u>\$ 10,090</u>

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 2
 DOCKET NO. 960625-WU

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	PER UTILITY	STAFF ADJUSTMENTS	BALANCE PER STAFF	% OF TOTAL	COST	WEIGHTED COST
Long Term Debt - F. Potter	\$ 12,775	\$ 0	\$ 6,039	29.16%	6.00%	1.75%
Long Term Debt - J. Potter	8,325	(4,389)	3,936	19.00%	5.00%	0.95%
EQUITY	4,665	(2,460)	2,205	10.65%	11.88%	1.27%
Long Term Debt - J. Potter	15,000	(7,909)	7,091	34.24%	10.00%	3.42%
Customer Deposits	<u>3,040</u>	<u>(1,603)</u>	<u>1,437</u>	<u>6.94%</u>	6.00%	<u>0.42%</u>
TOTAL	\$ 43,805	\$ (16,361)	\$ 20,708	100.00%		7.81%

RANGE OF REASONABLENESS

	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	10.88%	12.88%
OVERALL RATE OF RETURN	7.70%	7.91%

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 3
 DOCKET NO. 960625-WU

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	\$ 78,449	\$ (2,710)	75,739	\$ 18,672	\$ 89,411
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 88,570	(7,848)	80,722		80,722
DEPRECIATION (NET)	3,501	(1,765)	1,736		1,736
AMORTIZATION	0	0	0		0
TAXES OTHER THAN INCOME	5,971	(1,251)	4,720	615	5,335
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 98,042	\$ (10,864)	\$ 87,178	\$ 615	\$ 87,793
OPERATING INCOME/(LOSS)	\$ (19,593)		\$ (11,439)		\$ 1,617
WATER RATE BASE	\$ 6,188		\$ 20,708		\$ 20,708
RATE OF RETURN	<u>-316.63%</u>		<u>-55.24%</u>		<u>7.81%</u>

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER
A. OPERATING REVENUES	
1. To reflect annualized revenues	\$ <u>(2,710)</u>
B. OPERATION AND MAINTENANCE EXPENSES	
1. <u>Salaries & Wages</u>	
a. Adjustment to reflect reduction from full time to part time manager	\$ <u>(9,444)</u>
2. <u>Purchased Water</u>	
a. adjustment to reflect reduction in bulk water cost	\$ <u>(3,404)</u>
3. <u>Materials & Supplies</u>	
a. Adjustment to reflect annualized postage	\$ <u>60</u>
4. <u>Contractual Services</u>	
a. To reflect exp. of setting up pension plan amort. over 4 years	\$ (962)
b. Adjustment to reflect gate valve change out program amort. over 5 years.	2,438
c. Adjustment to reflect meter change out program amort. over 5 years.	<u>1,908</u>
	<u>4,084</u>
5. <u>Insurance Expenses</u>	
a. To remove out of period expenses	\$ <u>(353)</u>
6. <u>Regulatory Commission expenses</u>	
a. To reflect regulatory commission expense amort. over 4 years	\$ <u>490</u>
7. <u>Miscellaneous Expenses</u>	
a. To reflect anual allowance for miscellaneous repairs and expenses	500
b. reclassification from TOTI	<u>219</u>
	\$ <u>719</u>
TOTAL O & M EXPENSE ADJUSTMENTS	\$ <u>(7,848)</u>
C. DEPRECIATION EXPENSE (NET)	
1. To properly reflect test year depreciation expense net of used & useful and CIAC	\$ <u>(1,765)</u>
D. TAXES OTHER THAN INCOME	
1. To reflect annual payroll taxes	\$ <u>(1,251)</u>
E. OPERATING REVENUES	
1. To reflect increase in revenues per revenue requirement	\$ <u>13,672</u>
F. TAXES OTHER THAN INCOME	
1. To reflect RAF on increased revenues	\$ <u>615</u>

VIRGINIA CITY UTILITIES, INC
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 3B
 DOCKET NO. 960625-WU

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$ 21,200	\$ (9,444)	\$ 11,756
(603) SALARIES AND WAGES - OFFICERS	1,200	0	1,200
(604) EMPLOYEE PENSIONS AND BENEFITS	3,360		3,360
(610) PURCHASED WATER	49,141	(3,404)	45,737
(615) PURCHASED POWER		0	
(616) FUEL FOR POWER PRODUCTION		0	
(618) CHEMICALS		0	
(620) MATERIALS AND SUPPLIES	1,513	60	1,573
(630) CONTRACTUAL SERVICES	7,408	4,084	11,492
(640) RENTS	600	0	600
(650) TRANSPORTATION EXPENSE	1,473	0	1,473
(655) INSURANCE EXPENSE	953	(353)	600
(665) REGULATORY COMMISSION EXPENSES	0	490	490
(670) BAD DEBT EXPENSE	754	0	754
(675) MISCELLANEOUS EXPENSES	968	719	1,687
UNCLASSIFIED DISBURSEMENTS			
	\$ 88,570	\$ (7,848)	\$ 80,722

RECOMMENDED RATE REDUCTION SCHEDULE

VIRGINIA CITY UTILITIES, INC
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 4
DOCKET NO. 960625-WU

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

RESIDENTIAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
5/8"	\$6.68	0.04
3/4"	\$10.02	0.06
1"	\$16.70	0.10
1 1/2"	\$33.41	0.19
2"	\$53.45	0.31
GALLONAGE (per 1,000 gals)	\$3.21	0.02

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SEPTEMBER 23, 1996

ATTACHMENT A

WATER DISTRIBUTION SYSTEM

USED AND USEFUL DATA

Docket No. 960625-WU Utility Virginia City Utilities, Inc. Date April 96

- 1) Capacity 271 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 270 ERC's per day
 - a) Begin Test Year 264
 - b) End Test Year 270
 - c) Average Test Year 267
- 3) Margin Reserve 0
*Not to exceed 20% of present customers
 - a) Customer Growth using regression analysis in ERC's for the most recent 5 years including the test year 0
 - c) Construction Time for Additional Capacity 1.5 Years(a) x (b) = 0 Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = * 100 \% \text{ Used and Useful}$$

*ALL LOTS HAVE BEEN SOLD

Gerald Edwards - Engineer