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FPSC - Records/Reporting

MEMORANDUM

October 23, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (HAYO)

FROM: DIVISION OF WATER & WASTEWATER (CASEY, EDWARDS) *MC*
DIVISION OF LEGAL SERVICES (JAEGER) *JA*

RE: DOCKET NO. 970645-WS - J. SWIDERSKI UTILITIES, INC.
(KINGS COVE SYSTEM) - INVESTIGATION OF POSSIBLE
OVEREARNINGS
COUNTY: LAKE

AGENDA: 11/04/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\970645WS.RC2

CASE BACKGROUND

J. Swiderski Utilities, Inc. is a Class C utility operating the Kings Cove water and wastewater systems in Lake County. The Kings Cove systems serve approximately 182 water and 177 wastewater customers.

On February 12, 1990, the utility filed an application with this Commission for the transfer of assets from Kings Cove Utilities, Inc. to J. Swiderski Utilities, Inc. Kings Cove was owned by the Citizens National Bank of Leesburg (CNB) who obtained the utility as well as vacant land within the Kings Cove subdivision through foreclosure and operated the utility pending a resale. Under a separate contract, Mr. Swiderski also purchased the lots within the Kings Cove subdivision owned by CNB. The contract for the sale of the utility contained the provision that closing would not occur until the transfer is approved by this Commission.

The Commission found the transfer to be in the public interest, approved the transfer and amended J. Swiderski Utilities, Inc. certificates to include the territory served by Kings Cove Utilities, Inc. through Commission Order No. 23378 issued August 21, 1990, the same Order which acknowledged their corporate status.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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Kings Cove received a staff assisted rate case (SARC) in Docket No. 940496-WS. Commission Order No. PSC-95-0129-FOF-WS, issued January 26, 1995, granted increased rates and issued a show cause action against the utility for disconnecting a customer's service in violation of Rule 25-30.320, Florida Administrative Code. The utility received a list of customers from CNB and one customer was outside the utility's certificated area, so the utility disconnected him.

The show cause action was resolved by Order No. PSC-95-0510-FOF-WS, issued April 26, 1995, which assessed a \$250 fine against the utility. The utility has since amended its certificated area to include the customer who was outside its certificated area.

In preparation for this report, staff has audited the utility's records for compliance with Commission rules and orders and determined all components necessary for determination of possible overearnings. The staff engineer has also conducted a field investigation of the utility's water and wastewater plants and the service area. A review of the utility's operation expenses, maps, and files was also done to obtain information about the physical plant and operating costs.

Staff selected an historical test year ending December 31, 1996, which is the year staff's annual report review showed possible overearnings. During that period, the utility's books reflected unaudited operating revenues of \$53,630 for water and \$60,650 for wastewater, which resulted in net operating income of \$20,848 for water and \$13,082 for wastewater. The effect was a 26.85% return for the water system, a 8.92% return for the wastewater system, and a 15.13% return for the overall utility.

Staff made a recommendation to the Commission at the June 24, 1997 agenda conference to hold \$18,991 of annual revenues subject to refund based upon the annual report review. Order No. PSC-97-0815-FOF-WS, issued July 7, 1997 approved initiation of an overearnings investigation and ordered the utility to hold \$18,991 of annual revenue subject to refund, pending a staff audit of the utility books.

Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District. The district has designated the region as a critical use area.

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DISCUSSION OF ISSUES

ISSUE 1: Did J. Swiderski Utilities, Inc. Kings Cove Systems earn in excess of its last authorized rate of return on equity (ROE) for 1996?

RECOMMENDATION: No, J. Swiderski Utilities, Inc., Kings Cove Systems earned an overall 11.68% ROE for the year 1996, which is within the utility's last authorized range of reasonableness on rate of return on equity. (CASEY, EDWARDS, JAEGER)

STAFF ANALYSIS: An annual report review of Kings Cove showed unaudited operating revenues of \$53,630 for water and \$60,650 for wastewater, which resulted in net operating income of \$20,848 for water and \$13,082 for wastewater. Order No. PSC-97-0815-FOF-WS, issued July 7, 1997 approved initiation of an overearnings investigation and ordered the utility to hold \$18,991 of annual revenue subject to refund, pending a staff audit of the utility books. The staff audit produced the following results.

RATE BASE

Based on a staff analysis, rate base was calculated as \$102,417 for water and \$154,740 for wastewater. Since the last staff assisted rate case, the utility added new water distribution and wastewater collection lines to provide service to a new seventh addition of the Kings Cove subdivision, but failed to include the utility plant in the utility's's annual report, which resulted in staff's initial determination of overearnings.

Utility Plant: The utility's books showed a utility plant-in-service balance of \$97,782 for water and \$184,630 for wastewater. Staff made an adjustment of \$123,477 to water and \$155,948 to wastewater to include the new utility plant and reconcile the utility balance to the last Commission Order. Staff calculated utility plant-in-service of \$221,259 for water and \$340,578 for wastewater.

The staff engineer reviewed the plant to determine if a non-used and useful adjustment was necessary, and determined the water treatment plant, wastewater treatment plant, water distribution system, and wastewater collection systems should all be considered 100% used and useful. (See Attachments A, B, C, and D)

Land: The utility did not record any land value for the test year. Land values of \$1,901 for water and \$13,314 for wastewater were established by Order No. PSC-95-0129-FOF-WS and no changes have

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occurred since the Order; therefore staff recommends water land of \$1,901, and wastewater land of \$13,314.

Contributions in Aid of Construction (CIAC): The utility books reflected no CIAC balance at the end of the test year. Order No. PSC-95-0129-FOF-WS, issued January 26, 1995, established CIAC of \$62,062 for water and \$116,281 for wastewater. The utility has added a number of new customers since the last SARC, but made a developer related decision not to charge the approved service availability charges, which include a \$100 meter installation charge, a \$300 water plant capacity charge, a \$500 water main extension charge, a \$300 wastewater plant capacity charge and a \$1,000 wastewater main extension charge, all of which were approved in Order 24941, issued August 20, 1991. Staff imputed CIAC which should have been charged new customers. Staff recommends CIAC of \$92,213 for water and \$158,530 for wastewater.

Accumulated Depreciation: The utility books reflected an accumulated depreciation balance of (\$23,610) for water and (\$43,063) for wastewater at the end of the test year. Staff calculated accumulated depreciation in accordance with Rule 25-30.140, Florida Administrative Code, and started with balances established by Order No. PSC-95-0129-FOF-WS, issued January 26, 1995. Staff made adjustments of (\$35,725) to water and (\$64,740) to wastewater to bring the utility's figures to staff's calculated amount. Staff recommends accumulated depreciation balances of (\$59,335) for water and (\$107,803) for wastewater.

Accumulated Amortization: The utility books reflected no accumulated amortization balance at the end of the test year. Staff calculated accumulated amortization starting with balances established by Order No. PSC-95-0129-FOF-WS, issued January 26, 1995, which were \$18,606 for water and \$43,865 for wastewater. Staff used a yearly composite rate to determine annual CIAC amortization and made adjustments of \$27,368 to water and \$62,422 to wastewater to bring the utility's figures to staff's calculated amount. Staff recommends accumulated amortization balances of \$27,368 for water and \$62,422 for wastewater.

Working Capital Allowance: Staff calculated working capital allowance using the one-eighth of operation and maintenance expense formula approach. Applying that formula, staff recommends a working capital allowance of \$3,437 for water and \$4,759 for wastewater (based on operation & maintenance expenses (O&M) of \$27,493 for water and \$38,071 for wastewater).

Rate Base Summary: Based on the foregoing, the appropriate balance of Kings Cove test year rate base should be \$102,417 for water and

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\$154,740 for wastewater. Staff's recommended rate base is shown on Schedules Nos. 1 and 1A, and adjustments are shown on Schedule No. 1B.

OPERATING REVENUES AND EXPENSES

Staff reviewed the utility's 1996 revenues and found no discrepancies. Operating expense adjustments of \$3,437 for water and \$3,612 for wastewater were made and are detailed on Schedules Nos. 3, 3A, and 3B.

COST OF CAPITAL

Commission Order PSC-95-0129-FOF-WS, issued January 26, 1995, established a rate of return on equity of 11.34%, with a range of 10.34% to 12.34%. For purposes of this overearnings investigation, staff used the maximum allowable rate of return of 12.34% on equity to determine if utility overearned in 1996. The following results are from staff's analysis of 1996 ROE.

Overall Utility ROE

Actual ROE	\$14,584	11.68%
Maximum Allowable ROE	\$15,401	12.34%
(Deficiency) or Excess of Maximum ROE	\$ (818)	-0.66%

Water System ROE

Actual ROE	\$12,513	25.17%
Maximum Allowable ROE	\$ 6,134	12.34%
(Deficiency) or Excess of Maximum ROE	\$ 6,380	12.83%

Wastewater System ROE

Actual ROE	\$ 2,070	2.76%
Maximum Allowable ROE	\$ 9,267	12.34%
(Deficiency) or Excess of Maximum ROE	\$ (7,197)	-9.58%

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Although the utility's water system shows \$6,380 (before gross-up) over the maximum allowable rate of return, the utility's wastewater system shows \$7,197 (before gross-up) below the maximum allowable rate of return, for an offset of (\$818) before gross-up. Since the utility's water and wastewater systems have a common service area and basically common customers (182 water and 177 wastewater), staff believes it is appropriate in this instance to consider the water and wastewater systems on a combined basis and net the two amounts. The Commission has previously allowed netting in overearnings cases. In Order No. PSC-1205-FOF-WS, issued on September 23, 1996, in Indiantown Company, Inc.'s overearnings case, the Commission found that it was appropriate to combine the water and wastewater systems for the purpose of establishing overearnings. The effect of netting was small, and both systems had a common service area, and, for the most part, common customers.

Based on this analysis, the utility is earning within their last authorized range of reasonableness of rate of return on equity, and not overearning.

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ISSUE 2: What is the appropriate disposition of the irrevocable letter of credit in the amount of \$9,762, submitted by United Southern Bank on behalf of J. Swiderski Utilities, Inc.?

RECOMMENDATION: The irrevocable letter of credit in the amount of \$9,762 provided by United Southern Bank on behalf of J. Swiderski Utilities, Inc. should be canceled. (JAEGER, CASEY, EDWARDS)

STAFF ANALYSIS: Order No. PSC-97-0815-FOF-WS, issued July 7, 1997 ordered the utility to hold \$18,991 of annual revenue subject to refund, pending a staff audit of the utility books. Based on a six-month estimated timeframe, the Commission ordered the utility to secure \$9,762 of revenues subject to refund.

The utility made arrangements with United Southern Bank in Eustis, Florida for an irrevocable letter of credit in the amount of \$9,762 to comply with the Commission Order. Based on staff's analysis, the utility is earning within their authorized rate of return on equity. Therefore, the irrevocable letter of credit should be canceled since it is not needed.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed if no person, whose interests are substantially affected by the proposed action, files a protest within the 21-day protest period. (JAEGER, CASEY, EDWARDS)

STAFF ANALYSIS: Staff is recommending this docket be closed. No further action is necessary regarding Kings Cove 1996 earnings unless a person whose interests are substantially affected by the proposed action herein files a protest within the 21-day protest period.

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
 DOCKET NO. 970645-WS

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$ 97,782	\$ 123,477 A	\$ 221,259
LAND/NON-DEPRECIABLE ASSETS	0	1,901 B	1,901
NON-USED AND USEFUL PLANT	0	0	0
CIAC	0	(92,213) C	(92,213)
ACCUMULATED DEPRECIATION	(23,610)	(35,725) D	(59,335)
AMORTIZATION OF CIAC	0	27,368 E	27,368
WORKING CAPITAL ALLOWANCE	0	3,437 F	3,437
WATER RATE BASE	\$ 74,172	\$ 28,245	\$ 102,417

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
 DOCKET NO. 970645-WS

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$ 184,630	\$ 155,948 A	\$ 340,578
LAND/NON-DEPRECIABLE ASSETS	0	13,314 B	13,314
NON-USED AND USEFUL PLANT	0	0	0
CIAC	0	(156,530) C	(158,530)
ACCUMULATED DEPRECIATION	(43,063)	(64,740) D	(107,803)
AMORTIZATION OF CIAC	0	62,422 E	62,422
WORKING CAPITAL ALLOWANCE	0	4,759 F	4,759
WASTEWATER RATE BASE	\$ 141,567	\$ 13,173	\$ 154,740

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
 DOCKET NO. 970645-WS

	WATER	WASTEWATER
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To bring utility balance to staff's recommended amount	\$ <u>123,477</u>	\$ <u>155,948</u>
B. <u>LAND</u>		
1. To include land cost allowed in Order No PSC-93-0930-FOF-WS.	\$ <u>1,901</u>	\$ <u>13,314</u>
C. <u>CIAC</u>		
1. To bring utility balance to staff's recommended amount	\$ <u>(92,213)</u>	\$ <u>(158,530)</u>
D. <u>ACCUMULATED DEPRECIATION</u>		
1. To bring utility balance to staff's recommended amount	\$ <u>(35,725)</u>	\$ <u>(64,740)</u>
E. <u>AMORTIZATION OF CIAC</u>		
1. To bring utility balance to staff's recommended amount	\$ <u>27,368</u>	\$ <u>62,422</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses	\$ <u>3,437</u>	\$ <u>4,759</u>

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 970645-W5

	PER UTILITY	STAFF ADJUST TO UTIL. BAL.	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$ 156,487	\$ 0	\$ 124,807	48.53%	12.34%	5.99%
NOTES PAYABLE (UNITED SOUTHERN)	127,895	0	102,003	39.67%	9.25%	3.67%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	5,000	0	3,988	1.55%	7.25%	0.11%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	3,000	0	2,393	0.93%	11.00%	0.10%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,000	0	1,595	0.62%	11.00%	0.07%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	5,000	0	3,988	1.55%	11.00%	0.17%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	6,300	0	5,025	1.95%	10.00%	0.20%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	10,000	0	7,978	3.10%	9.50%	0.29%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,000	0	1,595	0.62%	8.50%	0.05%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,000	0	1,595	0.62%	8.50%	0.05%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	250	0	199	0.08%	7.50%	0.01%
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,500	0	1,994	0.78%	7.50%	0.06%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 322,432	\$ 0	\$ 257,157	100.00%		10.77%

*High end of range of reasonableness was used to determine possible 1996 overearnings

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.34%	12.34%
OVERALL RATE OF RETURN	9.80%	10.77%

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 970645-WS

	TEST YEAR PER UTILITY	STAFF ADJ. TO UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER STAFF
OPERATING REVENUES	\$ 53,630	\$ 0	\$ 53,630	\$ (6,680) D	\$ 46,950
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	27,841	(348) A	27,493	0	27,493
DEPRECIATION (NET)	3,433	1,252 B	4,685	0	4,685
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,508	2,533 C	4,041	(301) E	3,740
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 32,782	\$ 3,437	\$ 36,219	\$ (301)	\$ 35,918
OPERATING INCOME/(LOSS)	\$ 20,848		\$ 17,411		\$ 11,032
WATER SYSTEM RATE BASE			\$ 102,417		\$ 102,417
RATE OF RETURN ON RATE BASE			17.00%		10.77%
RATE OF RETURN ON EQUITY			25.17%		12.34%

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
 DOCKET NO. 970645-WS

	TEST YEAR PER UTILITY	STAFF ADJ. TO UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER STAFF
OPERATING REVENUES	\$ 60,650	\$ 0	\$ 60,650	\$ 7,536 D	\$ 68,186
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	40,061	(1,990) A	38,071	0	38,071
DEPRECIATION (NET)	5,982	2,283 B	8,265	0	8,265
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,525	3,319 C	4,844	339 E	5,183
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 47,568	\$ 3,612	\$ 51,180	\$ 339	\$ 51,519
OPERATING INCOME/(LOSS)	\$ 13,082		\$ 9,470		\$ 16,667
WASTEWATER RATE BASE			\$ 154,740		\$ 154,740
RATE OF RETURN ON RATE BASE			6.12%		10.77%
RATE OF RETURN ON EQUITY			2.76%		12.34%

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 1 of 2)
 DOCKET NO. 970645-WS

	<u>WATER</u>	<u>WASTEWATER</u>
A. OPERATION AND MAINTENANCE EXPENSES		
1. Sludge Removal Expense		
a. To reflect test year sludge expense.	\$ <u>0</u>	\$ <u>4,134</u>
2. Purchased Power		
a. To adjust to audited purchased power expense.	\$ <u>408</u>	\$ <u>611</u>
3. Fuel for Power Production		
a. To include fuel for diesel generator.	\$ <u>63</u>	\$ <u>0</u>
4. Chemicals		
a. To include test year chemical expense.	\$ <u>742</u>	\$ <u>502</u>
5. Contractual Services		
a. To remove balance recorded on annual report.	\$ (7,115)	\$ (15,594)
b. To include operator cost for test year.	3,102	4,651
c. To include accounting cost.	300	300
d. To include test year R & M expense.	2,997	3,428
e. To include test year DEP testing.	1,099	1,833
f. To include test year meter reading expense.	480	0
g. To include amortized expense from last SARC.	0	501
h. To include test year consultant expense.	43	43
	\$ <u>906</u>	\$ <u>(4,838)</u>
6. Rent		
a. To adjust to test year rent expense.	\$ <u>93</u>	\$ <u>0</u>
7. Transportation Expenses		
a. To reflect audited transportation expense.	\$ <u>26</u>	\$ <u>0</u>
8. Regulatory Commission Expense		
a. To reclassify regulatory assessment fees.	\$ (1,937)	\$ (2,184)
b. To include amortized rate case expense.	125	125
	\$ <u>(1,812)</u>	\$ <u>(2,059)</u>
9. Miscellaneous Expenses		
a. To adjust to audited test year amount.	\$ <u>(774)</u>	\$ <u>(340)</u>
TOTAL O & M ADJUSTMENTS	\$ <u>(348)</u>	\$ <u>(1,990)</u>

<u>B. DEPRECIATION EXPENSE</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	\$ 4,600	\$ 9,533
2. To include staff calculated amortization expense.	(3,348)	(7,250)
	<u>\$ 1,252</u>	<u>\$ 2,283</u>
 <u>C. TAXES OTHER THAN INCOME</u>		
1. To adjust regulatory assessment fees on test year revenue.	\$ 905	\$ 1,204
2. To include payroll tax on test year salaries.	955	955
3. To include annual state corporate tax.	50	50
4. To include personal property tax.	568	926
5. To include occupational license.	30	30
6. To include miscellaneous tax.	2	2
7. To include real estate tax.	23	152
	<u>\$ 2,533</u>	<u>\$ 3,319</u>
 <u>D. OPERATING REVENUES</u>		
1. To reflect staff's recommended decrease in revenue.	\$ (6,680)	\$ 7,536
 <u>E. TAXES OTHER THAN INCOME</u>		
1. To reflect regulatory assessment fee associated with recommended revenue requirement.	\$ (761)	\$ (318)

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C
 DOCKET NO. 970645-WS

	<u>TOTAL</u> <u>PER UTIL.</u>	<u>STAFF</u> <u>ADJUST.</u>	<u>TOTAL</u> <u>PER STAFF</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$ 2,460	\$ 0	\$ 2,460
(603) SALARIES AND WAGES - OFFICERS	7,200	0	7,200
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,194	408	4,602
(616) FUEL FOR POWER PRODUCTION	0	63	63
(618) CHEMICALS	0	742	742
(620) MATERIALS AND SUPPLIES	733	0	733
(630) CONTRACTUAL SERVICES	7,115	906	8,021
(640) RENTS	1,456	93	1,549
(650) TRANSPORTATION EXPENSE	275	26	301
(655) INSURANCE EXPENSE	765	0	765
(665) REGULATORY COMMISSION EXPENSE	1,937	(1,812)	125
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	1,706	(774)	932
	<u>\$ 27,841</u>	<u>\$ (348)</u>	<u>\$ 27,493</u>

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)
 TEST YEAR ENDING DECEMBER 31, 1996
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D
 DOCKET NO. 970645-WS

	<u>TOTAL</u> <u>PER UTIL.</u>	<u>STAFF</u> <u>ADJUST.</u>	<u>TOTAL</u> <u>PER STAFF</u>
(701) SALARIES AND WAGES - EMPLOYEES	\$ 2,460	\$ 0	\$ 2,460
(703) SALARIES AND WAGES - OFFICERS	7,200	0	7,200
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	4,134	4,134
(715) PURCHASED POWER	7,057	611	7,668
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	502	502
(720) MATERIALS AND SUPPLIES	826	0	826
(730) CONTRACTUAL SERVICES	15,594	(4,838)	10,756
(740) RENTS	1,642	0	1,642
(750) TRANSPORTATION EXPENSE	311	0	311
(755) INSURANCE EXPENSE	863	0	863
(765) REGULATORY COMMISSION EXPENSES	2,184	(2,059)	125
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	1,924	(340)	1,584
	\$ 40,061	\$ (1,990)	\$ 38,071

WATER TREATMENT PLANT

Attachment A
USED AND USEFUL DATA

Docket No. 970645-WS Utility J. SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity of Plant 378,000 gallons per day
 - 2) Maximum Daily Flow 232,000 gallons per day
 - 3) Average Daily Flow 206,200 gallons per day
 - 4) Fire Flow Capacity 120,000 gallons per day
 - a) Needed Fire Flow 120,000 gallons per day
 - 5) Margin Reserve 17,811 gallons per day
 - *Not to exceed 20% of present customers
 - a) Test Year Customers in ERC's - Begin 169 End 182 Av. 176
 - b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 9 ERC's
 - c) Construction Time for Additional Capacity 1.5 Years
- (b) $x \odot x \left[\frac{2}{(a)} \right] = \underline{17,811}$ gallons per day Margin Reserve
- 6) Excessive Unaccounted for Water N/A gallons per day
 - a) Total Amount _____ gallons per day _____% of Av. Daily Flow
 - b) Reasonable Amount _____ gallons per day _____% of Av. Daily Flow
 - c) Excessive Amount _____ gallons per day _____% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{(2 + 5) + 4a - 6}{1} \right] = \underline{.98} \underline{100}^{**}\% \text{ Used and Useful}$$

** The number has been rounded.

 J. P. Edwards Engineer

WATER DISTRIBUTION SYSTEM

Attachment B
USED AND USEFUL DATA

Docket No. 970645-WS Utility J. SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity 200 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 176 ERC's day
- a) Begin Test Year 169 ERC's
- b) End Test Year 182 ERC's
- c) Average Test Year 176 ERC's
- 3) Margin Reserve 13.5 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 9 ERC's
- c) Construction Time for Additional Capacity 1.5 Years
- (a) x (b) = 13.5 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \frac{195}{100} \text{**} \text{ Used and Useful}$$

** The number has been rounded.



Engineer

WASTEWATER TREATMENT PLANTUSED AND USEFUL DATADocket No. 970645-WS Utility J. SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity of Plant 55,000 gallons per day
 2) Maximum Daily Flow 23,400 gallons per day
 3) Average Daily Flow 20,400 gallons per day
 4) Fire Flow Requirements NOT APPLICABLE gallons per day
 5) Margin Reserve 1,795 gallons per day
 *Not to exceed 20% of present customers

a) Test Year Customers in ERC's - Begin 169 End 182 Av. 176b) Customer Growth Using Regression Analysis in ERC's
for Mos' Recent 5 Years Including Test Year 9 ERC'sc) Construction Time for Additional Capacity 1.5 Years(b) x c x $\left[\frac{2}{(a)} \right] =$ 1795 gallons per day

6) Excessive Infiltration gallons per day

a) Total Amount _____ gallons per day _____ % of Av. Daily Flowb) Reasonable Amount _____ gallons per day _____ % of Av. Daily Flowc) Excessive Amount _____ gallons per day _____ % of Av. Daily FlowPERCENT USEDAND USEFUL FORMULA

$$\frac{[(3) + (5)] - 6}{1} = 40\% \text{ USE } (.97) \text{ } 100^{**} \text{ Used and Useful}$$

*97% is recommended because the plant is built to accommodate the development of 195 build out connections, using design flow criteria rather than actual. Using 176 avg. test year connection plus 13.5 for margin reserve divided by 195 buildout connections= 97%

** The number has been rounded.



Engineer

WASTEWATER COLLECTION SYSTEMUSED AND USEFUL DATADocket No. 970645-WS Utility J. SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity 195 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 171 ERC's day
- a) Begin Test Year 165 ERC's
- b) End Test Year 177 ERC's
- c) Average Test Year 171 ERC's
- 3) Margin Reserve 13.5 ERC's

Customer Growth Using Regression Analysis in ERC's for Most Recent
5 Years Including Test Year 9 ERC's

- c) Construction Time for Additional Capacity 1.5 Years
- (a) x (b) = 13.5 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \frac{(95)}{100} \times 100 \text{** \% Used and Useful}$$

** The number has been rounded.



Engineer