

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

APRIL 30, 1998

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FPSC - Records/Reporting

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

FROM: DIVISION OF WATER & WASTEWATER (DEWBERRY, GALLOWAY, EDWARDS, MONROE) *re*
DIVISION OF LEGAL SERVICES (OTTINOTE) *OT* *MS* *BL* *nu*

RE: DOCKET NO. 971182-SU - APPLICATION FOR A STAFF-ASSISTED RATE CASE BY BFF CORPORATION

COUNTY: MARION

AGENDA: MAY 12, 1998 - REGULAR AGENDA - PROPOSED AGENCY ACTION, EXCEPT ISSUE 12 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 15 MONTHS EFFECTIVE DATE - FEBRUARY 3, 1999

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\971182SU.RCM

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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

BFF Corporation, (utility or BFF) is a Class C wastewater utility located in Marion County. The Commission acquired jurisdiction over Marion County on May 5, 1981. Pursuant to Order No. 11180, issued September 21, 1981, the utility was granted operating Certificate No. 318-S under the name Panamint Corporation. On July 6, 1983, the Commission issued Order No. 12193 which approved the transfer of Certificate No. 318-S from Panamint Corporation to LTB Utility Inc. By Order No. 22371, issued January 8, 1990, the Commission approved the transfer of Certificate No. 318-S from LTB Utility Inc. to BFF Corporation and amended the utility's certificate to include additional territory in the service area.

On February 19, 1990, through Docket No. 890916-SU, the Commission issued Order No. 22570 which established rate base for the utility on October 31, 1989 and approved rates. The utility has been granted further rate adjustments through price index and pass through applications for the years 1991 through 1997.

On September 10, 1997, BFF applied for this staff assisted rate case (SARC) pursuant to Section 367.0814, Florida Statutes. In its application, the utility requested an increase in wastewater rates. An audit of the utility's books and an engineering investigation have been done to provide information required for setting rates. Staff selected a historical test year ended October 31, 1997, for this case. Staff's adjusted test year revenues are \$42,807 and adjusted expenses are \$40,196. This results in an adjusted net income of \$2,611. This level of income allows the utility a 1.32% return on its investment which is less than staff's recommended return of 9.91%.

The utility provides wastewater service to approximately 92 residential customers. Utilities Inc., another jurisdictional utility, provides water service to BFF's customers.

On March 12, 1998, a customer meeting was held at Marion County Board of County Commissioners auditorium. Eight customers attended the meeting and three customers addressed concerns about utility operations. Two customers stated that the utility's rates are too high. Customers also addressed the appearance of the utility's plant site. They stated that streets in their neighborhood have been damaged by trucks going in and out of the utility plant site during plant construction.

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Customer Satisfaction. The final component of the overall quality of service which must be assessed is the level of customer satisfaction which results from the utility's relations with its customers. A qualitative evaluation of these relations includes a review of proper notification requirements between the utility and its customers as well as a review of action taken by the utility regarding customer complaints. For example, utility policies are reviewed in order to insure that customers have been properly notified of scheduled service interruptions.

BFF is a provider of wastewater treatment only services. Customers purchase water from Utility's Inc., a regulated utility. Staff reviewed compliance with the DEP standards. BFF is currently in compliance with DEP standards and regulations concerning collection and treatment. However, as stated earlier, the effluent disposal sprayfield is not in compliance with DEP's standards.

A customer meeting was conducted in Ocala, Florida on March 12, 1998. Less than ten customers attended the meeting. One customer expressed concern about the rate increase and another customer stated that she would not object to the potential forty-one percent (41%) rate increase if the utility did a better job of maintaining the facilities. Several customers expressed concerns regarding dirty streets caused by trucks traveling to and from the plant site. BFF's service area is adjacent to several homeowners who are not customers of the utility. Three of the non-customers who attended the customer meeting expressed dissatisfaction with the appearance of the spray field perimeter and the water ponding along the front entrance to the spray field and along the fence line.

DEP filed a consent order against the utility in the Circuit Court of the Fifth Judicial Circuit in Marion County, Case number 97-1704-CA-A. This order required the utility to install a surge tank, construct a wet well, complete spray field improvements, submit a plan concerning modification of the spray field, and submit reports concerning status. In addition, DEP required the utility to pay \$11,500 in civil penalties, plus \$1,000 for costs and expenses to be paid in five installments. The utility was also required to clean, replace and submit certification of the calibration of the flow measurement device of the lift station, submit a sludge analysis, clean out accumulated sand and grit from the aeration basins and chlorine contact chamber. The majority of DEP requirements have been addressed by the utility. However, DEP officials state there are approximately seven consent order items that have not been addressed by the utility. In fact, DEP officials state BFF is in contempt of court regarding the consent order. This

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is a list of the regulatory violations filed by DEP against the utility:

- COUNT I - OPERATING PLANT WITHOUT PERMIT
- COUNT II - DISCHARGE OF INSUFFICIENTLY TREATED SEWAGE
- COUNT III - FAILURE TO PROPERLY MAINTAIN EQUIPMENT
- COUNT IV - FAILURE TO TIMELY REPORT PLANT UPSET CONDITIONS
- COUNT V - IMPROPER LAND APPLICATION AND DISPOSAL OF EFFLUENT
Improper deposal of sludge and solids
- COUNT VI - IMPROPER LAND APPLICATION AND DISPOSAL OF EFFLUENT
Failure to provide excess control and signs
- COUNT VII - FAILURE TO SUBMIT REQUIRED REPORTS

In documentation furnished to staff by DEP, this utility has shown a pattern of noncompliance over the past eight to ten years. DEP records show that the utility was notified numerous times before action was taken. These records give credence to the opinion stated at the customer meeting that the utility was "run into the ground" with no improvements for a number of years despite the DEP notices. These facts along with extremely poor customer relations indicate the utility has been mismanaged over this time period. Staff acknowledges that this utility has spent in excess of \$100,000 on some improvements to the plant. However, staff recommends that the utility should be required to complete all of the necessary changes required by DEP.

Staff recommends that the Commission find the quality of service provided by BFF Corporation to its customers to be unsatisfactory.

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ISSUE 2: Should BFF Corporation's return on equity be reduced 100 basis points for unsatisfactory quality of service and mismanagement?

RECOMMENDATION: Yes, staff recommends that BFF Corporation's return on equity be reduced 100 basis points for unsatisfactory quality of service and mismanagement. (EDWARDS, MUNROE, OTTINOT)

STAFF ANALYSIS: Pursuant to Section 367.111, Florida Statutes, the Commission has the authority to reduce a utility's return on equity if it finds that the utility has failed to provide its customers with water and wastewater service that meets the standards promulgated by Department of Environmental Protection (DEP). Moreover, the Commission has the authority to reduce a utility's return on equity for mismanagement. However, the reduction must fall within the reasonable range of return on equity. Gulf Power v. Wilson, 597 So. 2d 270 (Fla. 1992).

As stated previously in Issue 1, BFF is currently in violation of DEP standards for effluent disposal. Attachment A to Issue 1 lists these problems over the past eight years. In particular, DEP filed a consent order against the utility in Marion County Circuit Court (Case #97-1704-CA-A). The consent order provides specific actions that the utility must take in order to comply with DEP requirements. The utility has not complied with the consent order. Consequently, BFF has been found to be in contempt of court for its failure to comply with the entire consent order.

Moreover, DEP has placed BFF under a moratorium for its failure to comply with the wastewater service standards promulgated by DEP. The moratorium prevents the utility from adding new customers due to its inability to properly dispose of the effluent generated by the treatment plant. The moratorium also prevents the utility from expanding its service area. Therefore, staff believes that the utility has failed to provide its customers with wastewater service that meets the standards promulgated by DEP.

Regarding the issue of mismanagement, staff found that BFF's management has been extremely slow in complying with DEP standards. BFF's management has a history of poor performance dating back to 1988. This poor performance is evident in the facts that: (1) BFF has not had a single satisfactory field inspection by either DEP or County Health since this date; (2) BFF has received numerous warning letters and letters of violation from DEP; (3) BFF's lack of timely performance after entering into a consent agreement with DEP; and (4) the resulting fines and possible penalties are in excess of the value of the utility's plant. Although the utility

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has made some improvements to the plant, BFF's management should have taken the necessary steps when it was first notified by DEP of its failure to comply with DEP standards. Staff found that the utility did not make any improvements to the plant after receiving several notices of violation from DEP. Staff believes that BFF's failure to respond timely to the notice of violations has caused the utility to be in contempt of court regarding the consent order.

Based on the foregoing, BFF's return on equity should be reduced 100 basis points for poor quality of service and for mismanagement. This reduction falls within the reasonable range of return of equity and is therefore consistent with Gulf. This recommendation is also consistent with past Commission decisions in this regard. See Orders Nos. 14931, 17760, and 24643, issued September 11, 1985, June 29, 1987, and June 10, 1991, respectively.

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RATE BASE

ISSUE 3: What are the appropriate used and useful percentages for the wastewater treatment plant and collection system?

RECOMMENDATION: The wastewater treatment plant should be considered 85% used and useful with the exception of the spray field, which should be considered 100% used and useful. The collection system should be considered 83% used and useful. Staff recommends no margin reserve be allowed. (EDWARDS, MUNROE)

STAFF ANALYSIS: Used and useful for this utility was previously determined by the Commission in Docket No. 890916-SU, by Order No. 22570, issued February 19, 1990. There has been no expansion or increase in capacity since that date.

Wastewater Treatment Plant - The Department of Environmental Protection (DEP) has expressed some concern regarding the accuracy of the data contained in the Monthly Operating Reports (MORs). However, utilizing the information contained in the utility's MORs which was taken from the test year, the used and useful calculation for the plant would be 88% if a margin reserve is allowed.

The system is currently under a moratorium imposed by DEP because of the effluent disposal limitation. This moratorium restricts the addition of any new customers until some additional effluent disposal method is created. Due to this moratorium, staff recommends that no margin reserve is justified; consequently, the used and useful decreases to 85%.

As mentioned above, the spray field is not capable of adequately handling the effluent it now receives (resulting in DEP's issuance of the moratorium on new customers). The spray field is, therefore, 100% used and useful. (see Attachment B)

Wastewater Collection Systems - The collection system is not built out. If a margin reserve is authorized, the collection system should be considered 85% used and useful. However, because of the moratorium, additional customers cannot be added at this time. Therefore, without a margin reserve, the collection system would decrease to 83% used and useful. Staff recommends that no margin reserve be allowed and the plant should be considered 83% used and useful. (see Attachment C)

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ISSUE 4: Should the Commission approve a year end rate base for BFF Corporation and if so, what is the appropriate year end rate base?

RECOMMENDATION: Yes, the Commission should approve a year end rate base for BFF Corporation to allow a fair return on DEP required investments and to insure compensatory rates in this rate case. The appropriate year end rate base should be \$198,380. (DEWBERRY, GALLOWAY, EDWARDS, MUNROE)

STAFF ANALYSIS: As stated in Issue 1, the utility is not in compliance with the standards for quality of service promulgated by DEP. The utility has attempted to comply with DEP standards by making over \$100,000 worth of improvement to the plant. In particular, the utility has made improvements to the spray field during the test year. These improvements resulted in a cost of \$106,559, which represents 36.07% of total plant. To allow the utility to recover the amount spent on plant improvements, the utility should be allowed a year end rate base.

The Commission should only apply a year end rate base in extraordinary circumstances. Citizens of Florida v. Hawkins, 356 So. 2d 254, 257. Staff believes that extraordinary circumstances exist in this docket. The utility has made improvements to the spray field. The year end rate base will provide the utility with an opportunity to recover the investment made to comply with DEP standards and will insure compensatory rates for this utility in this rate case. The year end rate base treatment will also assist the utility in its effort to comply with DEP standards on a going forward basis. Moreover, pursuant Section 367.081(2)(a), Florida Statutes, the Commission is required to consider the investment in plant made by the utility in the public service. Staff believes that complying with DEP standards is in the public service. Therefore, staff recommends that the Commission approve a year end rate base for this utility. This practice is consistent with the Commission's past decisions. See, Order No. PSC-96-1147-FOF-WS, issued September 12, 1996, in Docket. No. 951258-WS.

The utility's rate base was last established by Order No. 22570, issued February 19, 1990, in Docket No. 890916-SU using a test year ended October 31, 1989. We selected a test year ended October 31, 1997 for this rate case. Adjustments have been made to agree rate base component balances with the prior Commission Order and to update rate base through October 31, 1997. A summary of adjustments follows:

Utility Plant in Service (UPIS) - The utility recorded a plant balance of \$167,129 at October 31, 1989. Pursuant to Order No. 22570, issued February 19, 1990, the Commission approved a plant

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balance of \$171,304 at October 31, 1989. UPIS has been increased by \$4,175 to agree with the utility's recorded plant balances at October 31, 1989 contained in Order No. 22570.

Per the audit, several reductions to UPIS were necessary. Staff decreased Account No. 351 by \$4,628 to remove a consultant's fee which was associated with the prior rate case. Staff decreased Account No. 352 by \$2,400 to remove a prior year's DEP permit costs. Staff decreased Account Nos. 354, 362, 380 and 382 for a total of \$6,950 to reflect several reclassifications from plant to various operation and maintenance (O&M) expense accounts. Also, per the audit staff increased Account No. 362 by \$433 to reflect a reclassification from O&M expense.

During the test year the utility recorded in the UPIS accounts, a 10% construction management fee charged by M.I.R.A. International, Inc. (M.I.R.A.), a related company. The utility provided an agreement between M.I.R.A. and BFF which states that M.I.R.A. is to receive 10% of the cost of all new construction. As stated in the audit report, the traditional role of utility management is to control costs while providing service. This arrangement, with the manager's company having a straight percentage interest in construction costs, gives the appearance of a disincentive to perform the cost control function. The utility recorded \$6,533 of these costs in plant. However, these costs are not associated with the actual plant cost or installation cost. Therefore, staff believes that this cost should not be allowed. This account has been decreased by \$6,533.

In November 1997, one month after the end of the test year, the utility added \$17,163 in sprayfield additions. The utility has provided copies of invoices supporting the costs. Therefore, this account has been increased by \$17,163. The total adjustment for UPIS is \$1,260.

Additional engineering expenses: On March 27, 1998, the utility submitted invoices totaling \$4,570.11 for additional engineering expenses incurred after the test year. These invoices are for work accomplished by H.W.Barrineau and Associates, the engineering firm hired to replace the previous engineer. Many of these costs appear to be duplicative of previous engineering expenses. While these expenses may be prudent, they occurred well after the 10/31/97 test year and were not included in the auditor's report, and were not verified by staff. Staff recommends that these expenses not be included in this staff-assisted rate case.

Non-Used and Useful Plant - As discussed in Issue 2, the staff engineer has determined the useful percentage for all plant accounts. The non-used and useful percentages times the appropriate accounts reflect non-used and useful plant of \$27,194. The accumulated non-used and useful depreciation on this plant is

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\$12,696. The net non-used and useful plant is \$14,498. Net non-used and useful plant has a negative impact on rate base. Therefore, rate base has been decreased by \$14,498.

Contribution-in-Aid-of-Construction (CIAC) - The utility's existing tariff authorizes the utility to collect a system capacity charge of \$1,620 per connection. Order No. 22570 established CIAC of \$18,616 at October 31, 1989. The utility added 14 connections since the prior rate case. The utility recorded CIAC of \$34,252. Staff has imputed CIAC to reflect the year end amount to include connections since 1989 times the existing system capacity charge. Therefore, the calculated year end CIAC is \$41,296. This account has been increased by \$7,044 to reflect the imputation of CIAC on October 31, 1997.

Accumulated Depreciation - Order No. 22570 established accumulated depreciation of \$32,016 at October 31, 1989. This depreciation was calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Accumulated depreciation has been updated using the afore-mentioned prescribed rates through October 31, 1997. The resulting accumulated depreciation is \$88,823. The utility recorded accumulated depreciation of \$77,168. Therefore, staff increased this account by \$11,655 to reflect accumulated depreciation at October 31, 1997.

Amortization of CIAC - Order No. 22570 established amortization of CIAC of \$2,197 at October 31, 1989. Amortization of CIAC also has been updated through October 31, 1997. The resulting accumulated amortization is \$9,483. The utility recorded \$9,122 in this account. Therefore, staff increased this account by \$361 to reflect amortization of CIAC at October 31, 1997.

Working Capital Allowance - Consistent with Rule 25-30.443, Florida Administrative Code, staff recommends that the one-eighth of operation and maintenance expense (O&M) formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of \$3,287 (based on O&M expense of \$26,295). Working capital has been increased by \$3,287 to reflect one-eighth of staff's recommended O&M expense.

Rate Base Summary - Applying all of the above adjustments results in a year end rate base of \$198,380.

Rate base is shown on Schedule No. 1 and adjustments are shown on Schedule No. 1-A.

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COST OF CAPITAL

ISSUE 5: 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 9.14% with a range of 9.14% - 11.14% and the overall rate of return is 9.44% with a range of 9.44% - 10.38%. (DEWBERRY, GALLOWAY)

STAFF ANALYSIS: The utility's recorded capital structure includes common equity of \$105,964, long term debt of \$79,548 and customer deposits of \$1,020 for total capital of \$186,532. A review of the utility's trial balance for the test year shows that \$38,066 of DEP required plant improvements have been funded by M.I.R.A. International Inc., a related company. This account payable has been on the utility's books since 1996. Therefore, staff believes that this account payable should be recognized as debt. Long term debt has been increased by \$38,066.

Using the current leverage formula approved by Order No. PSC-97-0660-FOF-WS, issued June 10, 1997, in Docket No. 970006-WS, the rate of return on equity is 10.14% with a range of 9.14% - 11.14%. As addressed in Issue 2, we have recommended that the return on equity be reduced by 100 basis points. This reduction is due to the unsatisfactory quality of service being provided by the utility. Therefore, the return on equity for this rate case is 9.14% which is the lower end of the range.

The utility's cost of debt is prime plus 1.25%. Prime is 8.50% at this time. Therefore, the cost of debt is 9.75%. The utility's capital structure has been reconciled with staff's recommended rate base. Applying the cost times the pro rata share of each capital component results in an overall rate of return of 9.44% with a range of 9.44%-10.38%. The overall rate of return is also at the lower end of the range.

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

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NET OPERATING INCOME

ISSUE 6: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues are \$42,807.
(DEWBERRY, GALLOWAY)

STAFF ANALYSIS: During the test year the utility provided wastewater service to approximately 92 residential customers. The utility recorded revenue of \$41,536. Per the audit, the utility wrote off a prior year bad debt of \$800 against revenue for the month of December 1996. This amount represents an uncollectible back billing to a property owner for consumption by his tenant who refused to pay the bill for a prior period. Revenue has been increased by \$800 to reflect the appropriate accrued revenue for the test year.

The selected test year for this rate case includes the 12 month period from November 1996 through October 1997. Effective July 1, 1997, the Commission approved the 1997 Price Index rate increase for the utility. Annualized revenues have been calculated using test year number of bills and gallons of wastewater treatment billed times the existing rates. Annualized revenue is \$42,807. Revenue has been increased by \$471 to reflect test year annualized revenue. The total adjustment for revenue is \$1,271.

Test year revenues are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

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ISSUE 7: What is the appropriate amount of test year operating expenses?

RECOMMENDATION: The appropriate amount of test year operating expenses is \$40,956. (DEWBERRY, GALLOWAY, EDWARDS, MUNROE)

STAFF ANALYSIS: The utility's recorded operating expense includes operation and maintenance expense, depreciation and taxes other than income. Adjustments have been made to reflect annual operating costs on a going forward basis.

A summary of adjustments follows:

- 1) Sludge Removal (711) - During the test year the utility removed numerous loads of sludge to satisfy DEP requirements. The utility recorded \$1,739 in this expense and misclassified \$2,433 of sludge removal expense to plant. This expense has been increased by \$2,433 to reflect the reclassification from plant. The expense reclassified from plant plus the utility's recorded expense equals \$4,172.

The utility has improved its sprayfield as required by DEP and the frequency of sludge removal should decrease. The reclassified expense of \$2,433 includes some costs which staff believes will not be recurring. Therefore, staff has amortized these costs over 5 years ($\$2,433/5$) and decreased this expense by \$1,946. The total adjustment for this expense is an increase of \$487, allowing an annual sludge removal expense of \$2,226.

- 2) Materials and Supplies (720) - During the test year, the utility recorded materials and supplies expense of \$501. Per the audit, this expense has been increased by \$431 to reflect a reclassification from plant.
- 3) Contractual Services - Management (730) - By Order No. 22570, issued February 19, 1990, in Docket No. 890916-SU the Commission approved an annual management fee of \$850 per month and \$10,200 annually. This order states that the number of trips and hours devoted to checking and maintaining the plant exceeded the average for a plant this size, but was reasonable due to the age of the facility and the problems inherent with spray irrigation disposal.

During the test year M.I.R.A., a related company, provided management services for the utility and a list

of duties and number of hours spent conducting utility business. M.I.R.A. listed 59.75 hours for conducting utility business. Staff found that some of the duties listed were duplications of services being provided by other contractual companies. Since the utility has improved its plant, the number of hours required to manage a company this size should decrease.

By Order No. PSC-94-0244-FOF-WS, issued March 14, 1994, the Commission approved an hourly management fee of \$20.00 for a test year ended May 31, 1993. This charge indexed forward to 1997 dollars is \$21.89. The utility recorded an annual management fee of \$12,000. Staff recommends an annual management fee of \$8,400, which allows 40 hours per month at \$21.89. Staff decreased this expense by \$3,600 to reflect the recommended annual management allowance of \$8,400.

- 4) Contractual Services - Legal (731) - The utility recorded \$890 in this expense. Per the audit, this expense has been increased by \$401 to reflect a reclassification from miscellaneous expense.
- 5) Contractual Services - Testing (735) - Enviro-Masters provides operational service for the utility. The monthly charge is \$450. This charge includes \$373 for operator service and \$77 for testing. The utility recorded \$539 in testing expense. This expense has been increased by \$77 to reflect a reclassification from plant and increased by \$308 to reflect annual testing expense of \$924 (\$77 x 12). The total adjustment for this expense is an increase of \$385. A schedule of the required wastewater test, frequency and costs follows:

<u>Description</u>	<u>Frequency</u>	<u>Annual Cost</u>
CBOD	Monthly	\$240
TSS	Monthly	240
Nitrate	Monthly	264
Fecal Coliform Bacteria	Monthly	<u>180</u>

Total Amount \$924

- 6) Contractual Services - Sludge Analysis (735) - The utility did not record a sludge analysis expense. This expense has been increased by \$185 to reflect a reclassification from plant.

- 7) Contractual Services - Operator (735) - The utility recorded \$3,111 in this expense. Enviro-Masters began providing operator service for the utility in March 1997 and charged \$373 per month and \$4,476 annually. Staff increased this expense by \$373 to reflect a reclassification from plant and increased this expense by \$992 to reflect the appropriate annual operator cost. The total adjustment for this expense is \$1,365.
- 8) Contractual Services - Repairs & Maintenance (736) - The utility recorded \$1,765 in this expense. This expense has been increased by \$637 to reflect a reclassification from plant. Total repair and maintenance is \$2,402. This cost include a contractual grounds keeping service provided by M.I.R.A. of \$120 per month and \$1,440 annually. It also includes \$962 repair and maintenance provided by Enviro-Masters.
- 9) Regulatory Commission Expense (765) - The utility paid a \$200 filing fee for this rate case. Pursuant to Section 367.0816, Florida Statute, this expense has been amortized over 4 years, which allows an annual expense of \$50. The utility did not record a regulatory commission expense. Therefore, this expense has been increased by \$50.

On March 27, 1998, after the customer meeting, the utility requested additional rate case expense in the amount of \$3,900. A description of the services rendered and associated costs follows:

- a) Four trips with attorney and/or engineer at a cost of \$1,400 (28 hours x \$50.00/hour) to the DEP offices in Tampa, Florida to discuss required upgrades.
- b) SARC Application - Working with auditor, PSC staff and customer meeting at a cost of \$2,500, (50 hours x \$50.00/hour).

The copy of the invoice submitted for the additional rate case expense costs is dated March 27, 1998 and the vendor is listed as M.I.R.A. International, Inc. As stated earlier, staff believes M.I.R.A. is a related company. It is owned by the acting vice president of BFF Corporation. In this rate case, we have recommended an annual fee of \$8,400 for management services provided by M.I.R.A. We believe that the additional costs listed

above are a function of management. Further, staff believes that trips to the DEP Tampa office and assistance provided to the PSC staff for processing this rate case is within the scope of the management contract and has been allowed in account 730.

Rule 25-30.455(1), Florida Administrative Code, states that if a utility chooses to utilize the staff assisted rate case option, and employs outside experts to assist in developing information for staff or evaluating staff's schedules and conclusions, the prudent expense can be recovered through the rates developed by staff.

We believe that the requested additional rate case expenses are duplicative and have been allowed through the recommended management expense. Therefore, staff recommends that the requested additional rate case expense of \$3,900 should not be allowed.

- 10) Miscellaneous Expense (775) - The utility recorded \$10,262 in this expense. This expense has been increased by \$2,815 to reflect a reclassification from plant. However, these costs are not representative of annual repairs and maintenance expense. This expense has been amortized over five years allowing \$563 of this expense annually and this expense has been decreased by \$2,252.

The utility's recorded miscellaneous expense included numerous legal expenses. The staff audit provided a description of legal services provided during the test year, number of hours spent providing the services and the hourly rate charged for the services. Staff determined that \$5,632 in legal fees were associated with DEP fines. This expense has been decreased by \$5,632 to remove legal costs associated with DEP fines. Further, this expense was decreased by \$401 to reflect reclassification of legal expenses to contractual services (legal). Staff also decreased this expense by \$433 to reflect a reclassification to plant.

Some recorded miscellaneous expenses totaling \$2,113 are not representative of annual repair and maintenance costs for a utility this size and also, are non-recurring. Pursuant to Rule 25-30.433(8), Florida Administrative Code, this cost has been amortized over 5 years, allowing \$422 annually. The resulting adjustment decreases this expense by \$1,690. This expense has also been decreased by \$741 to remove non-utility expenses and

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it has been increased by \$240 to reflect an operating permit cost amortized over 5 years. The total adjustment for miscellaneous expense is a decrease of \$8,094.

Depreciation Expense - Test year depreciation expense has been calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Test year depreciation is \$13,945. Test year non-used and useful depreciation is \$1,139. Net depreciation is \$12,806. The utility recorded a depreciation expense of \$5,916. This expense has been increased by \$6,890 to reflect staff's calculated depreciation expense.

Amortization of CIAC - Amortization of CIAC has a negative impact on depreciation expense. The utility did not record an amortization expense. This expense has been adjusted by a negative \$1,425 to reflect staff's calculated test year amortization of CIAC expense.

Taxes Other Than Income - The utility recorded \$2,443 in this expense. This total includes \$384 for real estate tax, \$210 for tangible tax and \$1,849 for regulatory assessment fees. This expense has been increased by \$77 to reflect the appropriate regulatory assessment fee on test year revenue.

Increase in Operating Revenues and Expenses:

Operating Revenue - Revenue has been increased by \$16,876 to reflect the increase 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 \$760 to reflect regulatory assessment fees at 4.5% on the required increase in revenue.

The application of staff's recommended adjustments to the utility's recorded operating expenses results in staff's recommended operating expenses of \$40,956.

Operating expenses are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

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ISSUE 8: What is the appropriate test year operating income for this utility?

RECOMMENDATION: The appropriate test year operating income for this utility is \$2,611. (DEWBERRY, GALLOWAY)

STAFF ANALYSIS: The utility's test year revenue is \$42,807. The corresponding test year operating expenses are \$40,196 (these figures do not include staff's recommended revenue increase and taxes). This results in a test year operating income of \$2,611.

The test year operating income is shown on Schedule No. 3.

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REVENUE REQUIREMENT

ISSUE 9: What is the appropriate revenue requirement for this utility?

RECOMMENDATION: The appropriate revenue requirement is \$59,683.
(DEWBERRY, GALLOWAY)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of \$16,876 (39.42%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 9.44% return on its investment.

Adjusted rate base	\$198,380
Rate of return	X .0944
Return on investment	\$ 18,727
Adjusted O&M expense	26,295
Depreciation expense (Net)	11,381
Taxes other than income	<u>3,280</u>
Revenue requirement	\$ 59,683
Test year revenue	<u>(42,807)</u>
Increase in revenue	\$ 16,876
Percentage increase	39.42% (\$16,876/\$42,807)

The revenue requirement is shown on Schedule No. 3.

RATES AND TARIFF CHARGES

ISSUE 10: What are the appropriate rates and rate structure?

RECOMMENDATION: The recommended rates are designed to produce revenue of \$59,683. The utility should retain its base facility and gallonage charge rate structure. The approved rates should 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 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. (DEWBERRY, GALLOWAY)

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

During the test year the utility provided wastewater treatment service to approximately 92 residential customers. Rates have been calculated using the number of bills and the number of gallons of wastewater billed during the test year. A schedule of the utility's existing rates and staff's recommended rates follows:

WASTEWATER
Monthly Rates

	<u>Existing</u> <u>Rates</u>	<u>Staff's</u> <u>Recommended</u> <u>Rates</u>
BASE FACILITY CHARGE <u>Meter Size</u>		
All meter sizes	\$ 20.44	\$ 26.35
GALLONAGE CHARGE (10,000 gallon cap)	\$ 3.78	\$ 5.72

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The average gallons of billed wastewater treatment for the test year is approximately 4,822 gallons per month. A schedule of an average bill based on existing rates and recommended rates follows:

Average bill using recommended rates	\$ 53.93
Average bill using existing rates	<u>(38.67)</u>
Increase in bill	\$ 15.26
Percentage increase in bill	39.46% (\$15.26/\$38.67)

The recommended rates are designed to produce revenue of \$59,683. The utility should retain the base facility and gallonage charge rate structure. The approved rates should 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 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.

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ISSUE 11: 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 \$52 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 a rate decrease as shown on Schedule No. 4. The decrease in rates should become effective immediately following the expiration of the 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. (DEWBERRY, GALLOWAY)

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 the revenues associated with the amortization of rate expense and the gross-up for regulatory assessment fees, which is \$52. The reduction in revenues will result in the rates recommended by staff on Schedule No. 4.

The utility should be required to file revised tariffs 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 for the reduction in the rates due to the amortized rate case expense.

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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. (DEWBERRY, GALLOWAY, OTTINOT)

STAFF ANALYSIS: This recommendation proposes an increase in 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 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 \$11,666. 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

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following conditions should be part of the agreement:

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

2) The escrow account should be an interest bearing account.

3) If a refund to the customers is required, all interest earned by the escrow account should be distributed to the customers.

4) If a refund to the customers is not required, the interest earned by the escrow account should revert to the utility.

5) All information on the escrow account should be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund should 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, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

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APRIL 30, 1998

ISSUE 13: Should this docket be closed?

RECOMMENDATION: 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. (DEWBERRY, GALLOWAY, OTTINOT)

STAFF ANALYSIS: Post test year plant additions have been included in the calculation of rates. Invoices have been provided for plant improvements that have been completed. Therefore, upon the expiration of the protest period, if no timely protest is received this docket should be closed administratively.

BFF CORPORATION
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 1
 DOCKET NO. 971182-SU

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$ 294,167	\$ 1,260 A	\$ 295,427
LAND/NON-DEPRECIABLE ASSETS	34,800	0	34,800
NON-USED AND USEFUL PLANT	0	(14,429) B	(14,498)
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	(34,252)	(7,044) C	(41,296)
ACCUMULATED DEPRECIATION	(77,168)	(11,655) D	(88,823)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	9,122	361 E	9,483
WORKING CAPITAL ALLOWANCE	0	3,287 F	3,287
WASTEWATER RATE BASE	\$ 226,669	\$ (28,289)	\$ 198,380

WASTEWATER

A. UTILITY PLANT IN SERVICE

1.	To agree plant balances at 10/31/89 per Order No. 22570	\$	4,175
2.	To remove consultant fee associated with prior rate case		(4,628)
3.	To remove prior year DEP permit costs		(2,400)
4.	Reclassification from account 354 to account 711 (Sludge Removal)		(2,432)
5.	Reclassification from account 354 to accounts 730 & 775		(1,321)
6.	Reclassification from account 775 to account 362		433
7.	Reclassification from account 362 to account 730		(446)
8.	Reclassification of repairs and maintenance expense from account 380 to expense account 775		(2,095)
9.	Reclassification from account 382 to account 720		(656)
10.	To remove 10% construction fee charged by related party		(6,533)
11.	To add post test year sprayfield addition as required by DEP		17,163
		\$	<u>1,260</u>

B. NON-USED AND USEFUL PLANT

1.	To reflect non-used and useful plant	\$	(27,164)
2.	To reflect non-used and useful accumulated depreciation		12,696
		\$	<u>(14,498)</u>

C. CONTRIBUTIONS IN AID OF CONSTRUCTION(CIAC)

1.	To reflect CIAC at 10/31/97	\$	<u>(7,044)</u>
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D. ACCUMULATED DEPRECIATION

1.	To reflect accumulated depreciation at 10/31/97 including post test year plant addition	\$	<u>(11,655)</u>
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E. AMORTIZATION OF CIAC

1.	Amortization of CIAC @ 12/31/97	\$	<u>361</u>
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F. WORKING CAPITAL ALLOWANCE

1.	To reflect 1/8 of operation and maintenance expense	\$	<u>3,287</u>
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BFF CORPORATION
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 2
 DOCKET NO. 971182-SU

	PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	ADJUSTED BALANCE PER STAFF	PRO RATA ADJUST. PER STAFF	RECONCIL- IATION TO RATE BASE	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$ 105,964	\$ 0	\$ 105,964	\$ (12,435)	93,529	47.15%	9.14%	4.31%
LONG-TERM DEBT	79,548	38,066	117,614	(13,783)	103,831	52.34%	9.75%	5.10%
PREFERRED EQUITY	0	0		0		0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	1,020	0	1,020	0	1,020	0.51%	6.00%	0.03%
RETAINED EARNINGS	0	0		0		0.00%	0.00%	0.00%
CAPITAL STOCK	0	0		0		0.00%	0.00%	0.00%
PAID IN CAPITAL	0	0		0		0.00%	0.00%	0.00%
OTHER	0	0		0		0.00%	0.00%	0.00%
TOTAL	\$ 186,532	\$ 38,066	224,598	\$ (26,218)	198,380	100.00%		9.44%

RANGE OF REASONABLENESS

LOW

HIGH

RETURN ON EQUITY

9.14%

11.14%

OVERALL RATE OF RETURN

9.44%

10.38%

BFF CORPORATION
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 3
 DOCKET NO. 971182-SU

	TEST YEAR PER UTILITY	STAFF ADJ. TO UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER STAFF
OPERATING REVENUES	\$ 41,536	\$ 1,271 A	\$ 42,807	\$ 16,876 F	\$ 59,683
				39.42%	
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 34,048	\$ (7,753) B	\$ 26,295	\$ 0	26,295
DEPRECIATION (NET)	5,916	6,890 C	12,806	0	12,806
AMORTIZATION (CIAC)	0	(1,425) D	(1,425)	0	(1,425)
TAXES OTHER THAN INCOME	2,443	77 E	2,520	760 G	3,280
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 42,407	\$ (2,211)	\$ 40,196	\$ 760	\$ 40,956
OPERATING INCOME/(LOSS)	\$ (871)		\$ 2,611		\$ 18,727
WASTEWATER RATE BASE	\$ 226,669		\$ 198,380		\$ 198,380
RATE OF RETURN	-0.38%		1.32%		9.44%

BFF CORPORATION
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 3A
 PAGE 1 OF 2
 DOCKET NO. 971182-SU

A. OPERATING REVENUES	WASTEWATER
1. To reflect accrued test year revenue	\$ 600
2. To reflect annualized revenue based on existing rates	471
	<u>\$ 1,271</u>
B. OPERATION AND MAINTENANCE EXPENSES	
1. <u>Sludge Removal Expense</u>	
a. Reclassification from plant	\$ 2,433
b. To reflect a portion of sludge removal expense amortized over 5 years	(1,946)
	<u>\$ 487</u>
2. <u>Material and Supplies</u>	
a. To reflect reclassification from plant	\$ 431
3. <u>Contractual Services (Mgmt)</u>	
a. To reflect annual management fee	\$ (3,600)
4. <u>Contractual Services (Legal)</u>	
a. Reclassification from miscellaneous expense	\$ 401
5. <u>Contractual Services (Testing)</u>	
a. Reclassification from plant	\$ 77
b. To reflect annual contractual amount	308
	<u>\$ 385</u>
6. <u>Contractual Services (Sludge Analysis)</u>	
a. Reclassification from plant	\$ 185
7. <u>Contractual Services (Operator)</u>	
a. Reclassification from plant	\$ 373
b. To reflect annual contractual amount	992
	<u>\$ 1,365</u>
8. <u>Contractual Services (Repairs and Maintenance)</u>	
a. Reclassification from plant	\$ 637
9. <u>Regulatory Commission Expense</u>	
a. To reflect rate case filing fee amortized over 4 years	\$ 50
10. <u>Miscellaneous Expense</u>	
a. Reclassification from plant	\$ 2,815
b. Reflect 5 year amortization on the reclassified expense from plant	(2,252)
c. To remove legal costs associated with DEP fines	(5,632)
d. Reclassification to contractual services (legal)	(401)
e. Reclassification to plant	(433)
f. To reflect 5 year amortization of repairs and maintenance expenses which are not representative for this utility on a going-forward basis	(1,690)
g. To remove non-utility expenses	(741)
h. To reflect the cost of DEP permit amortized over 5 years	240
	<u>\$ (6,094)</u>
TOTAL O & M ADJUSTMENTS	<u>\$ (7,753)</u>

BIT CORPORATION
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 3A
PAGE 2 OF 2
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C. <u>DEPRECIATION EXPENSE</u>	
1. Test year depreciation net of non-used and useful depreciation	\$ 5,929
2. Depreciation on post test year additions	961
	<u>\$ 6,890</u>
D. <u>AMORTIZATION EXPENSE (CIAC)</u>	
1. To reflect test year amortization of CIAC	\$ <u>(1,425)</u>
E. <u>TAXES OTHER THAN INCOME</u>	
1. To reflect regulatory assessment fee @ 4.5% on test year revenue	\$ <u>77</u>
F. <u>OPERATING REVENUES</u>	
1. To reflect increase in revenue required to cover expenses and allow recommended rate of return	\$ <u>16,876</u>
G. <u>TAXES OTHER THAN INCOME</u>	
1. To reflect regulatory assessment fee at 4.5% on increase in revenue	\$ <u>760</u>

BFF CORPORATION
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 3B
 DOCKET NO. 971182-SU

	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER STAF
#701 SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
#703 SALARIES AND WAGES - OFFICERS	0	0	0
#704 PENSIONS AND BENEFITS	0	0	0
#710 PURCHASED SEWAGE TREATMENT	0	0	0
#711 SLUDGE REMOVAL	1,739	487 [1]	2,226
#715 PURCHASED POWER	2,574	0	2,574
#716 FUEL FOR POWER PRODUCTION	0	0	0
#718 CHEMICALS	667	0	667
#720 MATERIALS AND SUPPLIES	501	431 [2]	932
#730 CONTRACTUAL SERVICES (MGMT)	12,000	(3,600)[3]	8,400
#731 CONTRACTUAL SERVICES (LEGAL)	890	401 [4]	1,291
#735 CONTRACTUAL SERVICES (TESTING)	539	385 [5]	924
#735 CONTRACTUAL SERVICES (SLUDGE ANAL.)	0	185 [6]	185
#735 CONTRACTUAL SERVICES (OPERATOR)	3,111	1,365 [7]	4,476
#736 CONTRACTUAL SERVICES (REPAIRS & MAINT.)	1,765	637 [8]	2,402
#740 RENTS	0	0	0
#750 TRANSPORTATION EXPENSE	0	0	0
#755 INSURANCE EXPENSE	0	0	0
#765 REGULATORY COMMISSION EXPENSE	0	50 [9]	50
#770 BAD DEBT EXPENSE	0	0	0
#775 MISCELLANEOUS EXPENSES	10,262	(8,094)[10]	\$ 2,168
	\$ 34,048	\$ (7,753)	\$ 26,295

BFF CORPORATION
SCHEDULE OF RATE CASE EXPENSE RATE
REDUCTION AFTER FOUR YEARS
TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 4
DOCKET NO. 971182-SU

MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>STAFF RECOMM. RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE: Meter Size:		
ALL SIZES	\$ 26.35	\$ 0.02
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 5.72	\$ 0.01

Case Report
Re: BFF/Sandlin Woods
Page Five

5. PROPERTY OWNERS:

Mr. Charles DeMenzes
B.F.F. Corporation
P.O. Box 5220
Ocala, FL 34478

Mr. Robert Birenbaum
B.F.F. Corporation
8940 SW 67th Avenue
Miami, FL 33156

6. BASIS OF DEPARTMENT JURISDICTION:

Wastewater Treatment Facility

7. ACCOUNTING OF COSTS AND EXPENSES:

\$1,000 based on the complexity of the Case.

8. ALL RELEVANT DOCUMENTS ARE ATTACHED AS FOLLOWS:

- | | |
|-----------------------|----------------------------------------------------------------------------------------|
| 1. October 20, 1989 | - Operation Permit
#DO42-170444 |
| 2. August 3, 1993 | - Warning Letter
#93-0028DW42SWD |
| 3. February 18, 1994 | - Permit Modification |
| 4. April 8, 1994 | - Engineer Correspondence |
| 5. April 14, 1994 | - DEP letter to Marion
County PHU requesting
mcratorium on Sewer
connections. |
| 6. April 26, 1994 | - Abnormal Event (loss of
solids) |
| 7. May 26, 1994 | - Construction Permit
#DC42-248433 |
| 8. June 6, 1994 | - DeMenzes Authorization |
| 9. June 15, 1994 | - Operator resignation. |
| 10. June 21, 1994 | - Marion CPHU Inspection Report |
| 11. June 22, 1994 | - Short Form Consent Order
#94-2072 |
| 12. October 24, 1994 | - DEP Inspection Report |
| 13. November 3, 1994 | - Warning Letter
#WL94-0059DW42SWD |
| 14. November 14, 1994 | - DEP Inspection Report |
| 15. November 14, 1994 | - Conversation Record |
| 16. November 17, 1994 | - B.F.F., Corp. Response to WL |
| 17. November 19, 1994 | - Abnormal Event (loss of
solids) |
| 18. December 6, 1994 | - Conversation Record |
| 19. December 28, 1994 | - Permit Denial |
| 20. January 6, 1995 | - Noncompliance meeting (Notes
and Penalty Computation
Worksheet) |
| 21. April 6, 1995 | - Marion CPHU Inspection Report |

Case Report
Re: BFF/Sandlin Woods
Page Six

- | | |
|------------------------|-----------------------------------------------------------------|
| 22. May 11, 1995 | - Permitting Meeting Notes |
| 23. May 15, 1995 | - DEP Inspection Report |
| 24. May 19, 1995 | - Abnormal Event (loss of solids) |
| 25. June 5, 1995 | - Conversation Record |
| 26. June 11, 1995 | - Abnormal Event (loss of solids) |
| 27. July 27, 1995 | - Notice of Attorney Representation |
| 28. August 23, 1995 | - DEP Inspection Report |
| 29. August 28, 1995 | - Abnormal Event (loss of solids) |
| 30. September 11, 1995 | - Facility Overview |
| 31. September 11, 1995 | - Noncompliance Letter |
| 32. September 12, 1995 | - DEP Geotechnical Report |
| 33. September 21, 1995 | - Sewer Moratorium Inquire |
| 34. September 28, 1995 | - Attorney Correspondence to OGC |
| 35. October 3, 1995 | - B.F.F. Response to NC Letter |
| 36. October 10, 1995 | - OGC Response to Attorney |
| 37. October 24, 1995 | - Marion CPHU Inspection Report |
| 38. October 25, 1995 | - Permit Denial Notice |
| 39. January 22, 1996 | - Attorney Disposition Confirmation |
| 40. February 22, 1996 | - Abnormal Event (loss of solids) |
| 41. March 6, 1996 | - DEP Inspection Report |
| 42. April 15, 1996 | - Proposed STP Improvements |
| 43. May 2, 1996 | - DEP Request for Additional Information - Enforcement Issues |
| 44. May 9, 1996 | - Enforcement Meeting Confirmation Letter |
| 45. May 20, 1996 | - Enforcement Meeting Notes |
| 46. May 20, 1996 | - Facility Overview. |
| 47. May 22, 1996 | - Noncompliance Letter |
| 48. June 3, 1996 | - B.F.F. reply (contains fraudulent record) |
| 49. June 17, 1996 | - Tax Records Cover Letter |
| 50. June 26, 1996 | - Financial Analysis Request with Penalty Computation Worksheet |
| 51. July 3, 1996 | - BFF Reply to Request for Additional Information |
| 52. July 18, 1996 | - Financial Condition Analysis |
| 53. September 17, 1996 | - DEP Civil Suit Letter |

Ronald M. King, Investigator
Environmental Specialist

WASTEWATER TREATMENT PLANTUSED AND USEFUL DATADocket No. 971182-SU Utility B.F.F. CORPORATION Date OCT. 97

- 1) Capacity of Plant 20,000 gallons per day
 2) Maximum Daily Flow 16,000 ** gallons per day
 3) Average Daily Flow 17,000 gallons per day
 4) Fire Flow Requirements NOT APPLICABLE gallons per day
 5) Margin Reserve 0 gallons per day
 *Not to exceed 20% of present customers

a) Test Year Customers in ERC's - Begin End Av. b) Customer Growth Using Regression Analysis in ERC's
for Most Recent 5 Years Including Test Year c) Construction Time for Additional Capacity Years(b) x $\frac{3}{(c)}$ x [(a)] = 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 Flow *PERCENT USED AND USEFUL FORMULA

$$\frac{[(3) + (5)] - 6}{1} = \underline{85} \% \text{ Used and Useful}$$

**The 31 days of flow data averaged .016 mg/d. But, there were 5 consecutive days of flow data which averaged .017 mg/d.

Note: Because of DEP's regulations, the used and useful calculation of the spray field is 100%.

This is a calculated alternative without margin reserve.

 Engineer

WASTEWATER COLLECTION SYSTEMUSED AND USEFUL DATADocket No. 971182-SU Utility B.F.F. CORPORATION Date OCT. 97

- 1) Capacity 111 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 92 day
- a) Begin Test Year 92 ERC's
- b) End Test Year 92 ERC's
- c) Average Test Year 92 ERC's
- 3) Margin Reserve 0 ERC's
- a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year _____ ERC's
- b) Construction Time for Additional Capacity _____ Years
- (a) x (b) = _____ ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{83} \% \text{ Used and Useful}$$

This is a calculated alternative without margin reserve.

Engineer