

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case in Marion
County by BFF Corp.

DOCKET NO. 971182-SU
ORDER NO. PSC-98-0763-FOF-SU
ISSUED: June 3, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER GRANTING TEMPORARY RATES FOR WASTEWATER
IN THE EVENT OF A PROTEST
AND NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING INCREASE IN RATES AND CHARGES

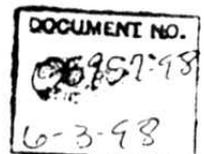
BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service
Commission that the action discussed herein, granting the increase
in wastewater rates, is preliminary in nature and will become final
unless a person whose interests are substantially affected files a
petition for a formal proceeding, pursuant to Rule 25-22.029,
Florida Administrative Code.

BACKGROUND

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. By Order No.
11180, issued September 21, 1981, the utility was granted
operating Certificate No. 318-S under the name of 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, in Docket No. 890916-SU, we 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 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. A historical test year ended October 31, 1997, has been selected for this case. The utility'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., a regulated utility, provides water service to BFF's customers.

QUALITY OF SERVICE

Our evaluation of the overall quality of service provided by the utility is derived from three separate components of water and wastewater operations: 1) quality of the utility's product; 2) operating conditions of the utility's plants and facilities; 3) and customer satisfaction. We also consider outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) over an eight year period. DEP official's input as well as customer comments are also considered.

Quality of Utility's Product

A review of the utility's quality of product consists of a review of the utility's current compliance with DEP wastewater standards. According to DEP officials, BFF is currently operating under a DEP imposed moratorium on new connections due to its inability to properly dispose of the effluent generated by its wastewater treatment. The utility is also operating under a Final Consent Judgement entered into with DEP for its failure to comply

with DEP standards for wastewater service. While BFF's quality of product conforms with DEP's standards regarding the quality of effluent, the effluent disposal sprayfield is not in compliance with DEP's standards.

Operational Conditions

The operational conditions of the utility's treatment and collection systems must also be evaluated to determine the overall quality of service provided by the utility. Wastewater treatment plants and collection systems are reviewed for compliance with permit standards, minimum operator requirements and lift station location and reliability among other standards. Both our staff's evaluation and DEP's evaluation of the operational condition of the plant indicate that the plant and collection system appear to be in compliance with DEP's standards. However, the spray field is not in compliance with DEP's standards.

We found that the utility has entered into a Final Consent Judgement with DEP in the Circuit Court of the Fifth Judicial Circuit in Marion County, Case number 97-1704-CA-A. This Final Consent Judgement requires 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, the utility is required 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 utility has attempted to address the majority of DEP requirements. However, DEP officials state there are approximately seven items in the Final Consent Judgement that have not been addressed by the utility. These items are stated below:

- 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

According to DEP, BFF 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. While the utility has spent in excess of \$100,000 on some improvements to the plant, we believe that the utility should be required to complete all of the necessary changes required by DEP. Attachment A incorporated herein by reference lists a series of problems that DEP has had with this utility for the past eight years.

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.

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.

Based on the foregoing, we find the quality of service provided by BFF Corporation to its customers to be unsatisfactory.

Reduction of Return of Equity

Pursuant to Section 367.111, Florida Statutes, we have the authority to reduce a utility's return on equity if we find 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).

BFF is currently in violation of DEP standards for effluent disposal. Attachment A, incorporated herein by reference, provides a list BFF's violations over the past eight years. In particular, the utility has entered into a Consent Final Judgement with DEP in Marion County Circuit Court (Case #97-1704-CA-A). The Consent Final Judgement provides specific actions that the utility must take in order to comply with DEP requirements. The utility has not complied with the consent order. Our staff was informed by DEP officials that DEP plans to file a motion for contempt against BFF for BFF's failure to comply with the Final Consent Judgement.

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, we find that the utility has failed to provide its customers with wastewater service that meets the standards promulgated by DEP.

Regarding the issue of mismanagement, we 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 that: (1) BFF has not had a single satisfactory field inspection by either DEP or the Marion County Health Department; (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 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. We further found that the utility did not make any improvements to the plant after receiving several notices of violation from DEP.

Based on the foregoing, BFF's return on equity shall be reduced by 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 Order is 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.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1 and adjustments are itemized on Schedule 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

By Order No. 22570, issued February 19, 1990, in Docket No. 890916-SU, we determined the utility's used and useful capacity. There has been no expansion or increase in capacity since that order.

Wastewater Treatment Plant

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. Because of this moratorium, a margin reserve is not justified. Consequently, the used and useful decreases to 85%.

As previously stated, 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. No margin reserve will be allowed and the plant shall be considered 83% used and useful. (See Attachment C)

Test Year Rate Base

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

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 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.

According to the audit, several reductions to UPIS were necessary. Account No. 351 by \$4,628 has been decreased to remove a consultant's fee which was associated with the prior rate case. Account No. 352 by \$2,400 was decreased to remove a prior year's DEP permit costs. Account Nos. 354, 362, 380 and 382 were decreased for a total of \$6,950 to reflect several reclassifications from plant to various operation and maintenance (O&M) expense accounts. Finally, Account No. 362 was increased 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, this cost shall not be allowed. Accordingly, 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 our staff. These expenses are not included in a staff-assisted rate case.

Non-Used and Useful Plant

Our 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 \$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

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. We have 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

By Order No. 22570, issued October 31, 1989, we established accumulated depreciation of \$32,016. 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, This account has been increased 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, this account has been increased by \$361 to reflect amortization of CIAC at October 31, 1997.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, the one-eighth of operation and maintenance expense (O&M) formula approach shall be used for calculating working capital allowance. Applying that formula, working capital allowance shall be \$3,384 (based on O&M expense of \$27,070). Working capital has been increased by \$3,384 to reflect one-eighth of O&M expense.

Year End Rate Base

The utility is not in compliance with the standards for quality of service promulgated by DEP. However, 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.

We have the authority to apply a year end rate, but we only apply a year end rate base in extraordinary circumstances. Citizens of Florida v. Hawkins, 356 So. 2d 254, 257. We find 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.

Further, pursuant Section 367.081(2)(a), Florida Statutes, we are required to consider the investment in plant made by the utility in the public interest. Complying with DEP standards is in the public interest. Accordingly, we find it appropriate to 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.

Rate Base Summary

Based on the foregoing, we find that the appropriate year end rate base is \$198,477, including the above adjustments.

COST OF CAPITAL

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

Return of Equity

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, we find that this account payable shall 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 previously indicated, the return on equity shall be reduced by a 100 basis points for poor quality of service and mismanagement. 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 the 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.

NET OPERATING INCOME

Our calculation of net operating is depicted on Schedule No. 3, and our adjustments are itemized on Schedule No. 3-A. Those adjustments which are self-explanatory or which are essential mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Operating Revenues

During the test year the utility provided wastewater service to approximately 92 residential customers. The utility recorded revenue of \$41,536. According to 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, we 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 multiplied by the existing rates. Revenue has been increased by \$471 to reflect test year annualized revenue. Therefore, we have increased test year operating revenues by \$1,271.

Based on the foregoing, the appropriate test year operating revenues are \$42,807.

Test Year Operating Income

The utility's test year revenue is \$42,807. The corresponding test year operating expenses are \$40,971 (these figures do not include revenue increase and taxes). This results in a test year operating income of \$1,836.

Operation and Maintenance (O&M) Expenses

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 the adjustments are stated below:

Sludge Removal

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 will not be recurring. Therefore, we have 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.

Materials and Supplies

During the test year, the utility recorded materials and supplies expense of \$501. According to the audit, this expense has been increased by \$431 to reflect a reclassification from plant.

Contractual Services/Management

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. We 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 4, 1994, we 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. The annual management fee shall be reduced to \$8,400, which allows 40 hours per month at \$21.89. We decreased this expense by \$3,600 to reflect the annual management allowance of \$8,400.

Contractual Services/Legal

The utility recorded \$890 in this expense. According to the audit, this expense has been increased by \$401 to reflect a reclassification from miscellaneous expense.

Contractual Services/Testing

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 ($\77×12). 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

Contractual Services/Sludge Analysis

The utility did not record a sludge analysis expense. This expense has been increased by \$185 to reflect a reclassification from plant.

Contractual Services/Operator

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. We 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.

Contractual Services/Repairs & Maintenance

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.

Rate Case Expense

The total rate case expense is \$3,300. The utility paid a \$200 filing fee for this rate case. We allowed the utility to include a \$2,500 consultant fee and \$600 of legal fees to its rate case expenditures at our Agenda Conference held on May 12, 1998.

Pursuant to Section 367.0816, Florida Statutes, rate case expense is amortized over 4 years. Amortization provides an annual expense of \$825. The utility did not record a regulatory commission expense. Therefore, we have increased the utility's rate case expense by \$825.

Miscellaneous Expense

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 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. We have 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. We have also decreased this expense by \$433 to reflect a reclassification to plant.

Some of the 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 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 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 calculated test year amortization of CIAC expense.

Taxes Other Than Income

The utility recorded \$2,443 in the above 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 Revenues

Revenue has been increased by \$17,697 to reflect the increase required to allow the utility to recover its expenses for wastewater and earn a return on its investment.

Taxes Other Than Income

This expense has been increased by \$797 to reflect regulatory assessment fees at 4.5% on the required increase in revenue.

Operating Expenses Summary

The application of our approved adjustments to the utility's recorded operating expenses results in operating expense of \$41,768.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and based upon the adjustments discussed above, the utility shall be allowed an annual increase in revenue of \$17,697 (41.34%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 9.44% return on its investment. The appropriate revenue requirement is \$60,504.

RATES AND CHARGES

The utility currently employs the base facility and gallonage charge rate structure. The utility shall 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. The utility's existing rates and the monthly approved rates are as follows:

WASTEWATER
Monthly Rates

	<u>Existing</u> <u>Rates</u>	<u>Approved</u> <u>Rates</u>
BASE FACILITY CHARGE		
<u>Meter Size</u>		
All meter sizes	\$ 20.44	\$ 26.71
GALLONAGE CHARGE	\$ 3.78	\$ 5.80
(10,000 gallon cap)		

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 approved rates follows:

Average bill using approved rates	\$ 54.68
Average bill using existing rates	<u>(38.67)</u>
Increase in bill	\$ 16.01
Percentage increase in bill	41.40% (\$16.01/\$38.67)

The rates are designed to produce revenue of \$60,504 for wastewater. The utility shall retain the base facility and gallonage charge rate structure. The approved 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 rates may not be implemented until proper notice has been received by the customers. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

Statutory Four-Year Rate Reduction

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 shall reflect the removal of the revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which is \$864. The reduction in revenues will result in the authorized rates on Schedule No. 4.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order 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, we hereby authorize the utility to collect the wastewater rates approved herein as temporary rates. The wastewater rates approved herein shall be collected by the utility shall be subject to the refund provisions discussed below.

The utility shall 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 shall be in the form of a bond or letter of credit in the amount of \$12,234. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

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

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

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

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

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

- 1) No funds 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 shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall 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.

CLOSING OF DOCKET

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 shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that BFF Corporation's application for increased wastewater rates and charges is hereby approved as set forth herein. It is further

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DOCKET NO. 971182-SU
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ORDERED that each of the findings made in the body of this Order is hereby approved as set forth in the body of this Order. It is further

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

ORDERED that BFF Corporation, is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

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

ORDERED that BFF Corporation shall provide proof that the customers have received notice within ten days of the date of the notice. It is further.

ORDERED that in event of a protest by any substantially affected person other than the utility, BFF Corporation, is authorized to collect the rates approved on a temporary basis subject to refund in accordance with Rule 25-30.0360, Florida Administrative Code, provided that BFF Corporation, first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, BFF Corporation, shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our staff's verification that the pages are consistent with our decision herein, and that pages are consistent with our decision herein, and that the customer notice is adequate and that any required security has been provided. It is further

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

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ORDERED that prior to its implementation of the rates and charges approved herein, BFF Corporation shall submit and have approved a bond or letter of credit in the amount of \$12,234 as a guarantee of any potential refund of revenue collected on a temporary basis. Alternatively, the utility may establish an escrow agreement with an independent financial institution. It is further

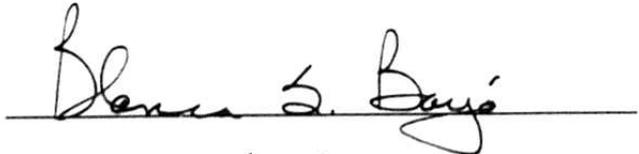
ORDERED that BFF Corporation shall submit monthly reports no later than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that the provisions of this Order regarding the increase of rates and charges for wastewater are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that if no timely protest is received from a substantially affected person within twenty-one days of the issuance of this Order, this docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission this 3rd
day of June, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

HO

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action granting the increase in wastewater rates is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 24, 1998. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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

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

SCHEDULE NO. 1
 DOCKET NO. 971182-SU

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
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	(14,498) 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	<u>0</u>	<u>3,384</u> F	<u>3,384</u>
WASTEWATER RATE BASE	\$ 226,669	\$ (28,192)	\$ 198,477

BFF CORPORATION
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 1A
DOCKET NO. 971182-SU

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	\$	(27,194)
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>3,384</u>
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BFF CORPORATION
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED OCTOBER 31, 1997

SCHEDULE NO. 2
 DOCKET NO. 971182-SU

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	PER UTILITY	COMM ADJUST TO UTIL. BAL.	ADJUSTED BALANCE PER COMM.	PRO RATA ADJUST. PER COMM.	RECONCILIATION TO RATE BASE	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$ 105,964	\$ 0	\$ 105,964	\$ (12,389)	93,575	47.15%	9.14%	4.31%
LONG-TERM DEBT	79,548	38,066	117,614	(13,732)	103,882	52.34%	9.75%	5.10%
PREFERRED EQUITY	0	0	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	\$ (26,121)	198,477	100.00%		9.44%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
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	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 41,536	\$ 1,271 A	\$ 42,807	\$ 17,697 F	\$ 60,504
				41.34%	
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 34,048	\$ (6,978) B	\$ 27,070	\$ 0	27,070
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	797 G	3,317
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 42,407	\$ (1,436)	\$ 40,971	\$ 797	\$ 41,768
OPERATING INCOME/(LOSS)	\$ (871)		\$ 1,836		\$ 18,736
WASTEWATER RATE BASE	\$ 226,669		\$ 198,477		\$ 198,477
RATE OF RETURN	<u>-0.38%</u>		<u>0.93%</u>		<u>9.44%</u>

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	\$ 800
2. To reflect annualized revenue based on existing rates	471
	<u>\$ 1,271</u>
B. OPERATION AND MAINTENANCE EXPENSES	
1. Sludge Removal Expense	
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. Material and Supplies	
a. To reflect reclassification from plant	\$ 431
3. Contractual Services (Mgmt)	
a. To reflect annual management fee	\$ (3,800)
4. Contractual Services (Legal)	
a. Reclassification from miscellaneous expense	\$ 401
5. Contractual Services (Testing)	
a. Reclassification from plant	\$ 77
b. To reflect annual contractual amount	308
	<u>\$ 385</u>
6. Contractual Services (Sludge Analysis)	
a. Reclassification from plant	\$ 185
7. Contractual Services (Operator)	
a. Reclassification from plant	\$ 373
b. To reflect annual contractual amount	992
	<u>\$ 1,365</u>
8. Contractual Services (Repairs and Maintenance)	
a. Reclassification from plant	\$ 637
9. Regulatory Commission Expense	
a. To reflect rate case expense amortized over 4 years	\$ 825
10. Miscellaneous Expense	
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>\$ (8,094)</u>
TOTAL O & M ADJUSTMENTS	<u>\$ (6,978)</u>

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

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

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 approved rate of return	<u>\$ 17,697</u>
G. <u>TAXES OTHER THAN INCOME</u>	
1. To reflect regulatory assessment fee at 4.5% on increase in revenue	<u>\$ 797</u>

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

SCHEDULE NO. 3B
DOCKET NO. 971182-SU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
#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	825 [9]	825
#770 BAD DEBT EXPENSE	0	0	0
#775 MISCELLANEOUS EXPENSES	10,262	(8,094)[10]	\$ 2,168
	\$ 34,048	\$ (6,978)	\$ 27,070

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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 WASTEWATER SERVICE</u>	<u>COMM. APPROVED RATES</u>	<u>COMM. APPROVED DECREASE</u>
BASE FACILITY CHARGE Meter Size		
ALL SIZES	\$ 26.71	\$ 0.38
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 5.80	\$ 0.08

Case Report
Re: BFF/Sandlin Woods
Page Five

5. PROPERTY OWNERS:

Mr. Charles DeManzes
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
moratorium on Sewer
connections. |
| 6. April 26, 1994 | - Abnormal Event (loss of
solids) |
| 7. May 26, 1994 | - Construction Permit
#DC42-248433 |
| 8. June 6, 1994 | - DeManzes 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 Correspondance 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 Improvanents |
| 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 1, 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 PLANT

USED AND USEFUL DATA

- Docket 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) $\frac{3}{(c)} \times [(a)] = \underline{\hspace{2cm}}$ gallons per day
 - 6) Excessive Infiltration 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

$$\frac{(3) - (5)}{1} - 6 = \underline{\hspace{2cm}} \text{ 85 \% Used and Useful}$$

**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

Attachment C

WASTEWATER COLLECTION SYSTEM

USED AND USEFUL DATA

Docket 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