STATE OF FLORIDA

ORIGINAL

DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(850) 413-6199

Public Service Commission

September 8, 1999

Mr. Paul E. Bieber, President
Breeze Hill Utilities
152 Breeze Hill
Lake Wales, Florida 33853

Re: Staff Assisted Rate Case for Breeze Hill Utilities in Polk County, Docket No. 990356-WS

Dear Mr. Bieber:

This will confirm that Commission Staff will hold a customer meeting at 6:00pm on Wednesday, October 6, 1999. The location of the meeting will be the clubhouse, located in the Breeze Hill mobile home community in Lake Wales, Florida 33853. We ask that, if at all possible, you or another knowledgeable representative of the utility attend the meeting in order to answer customer questions.

The original customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. The customers must have at least 14 calendar days' notice of the meeting, calculated from the day that they receive the notice. Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

Two copies of the staff report dated August 30, 1999 are enclosed. Please ensure that a copy of the complete Application for Staff Assistance and the reports are available for review by all interested persons on the bulletin board at the clubhouse located on Lake Side Trace, Lake Wales, Florida. The reports can be reviewed 24 hours a day. If you have any questions, please do not hesitate to call.

Sincerely,

Stephanie Crossman

Stephanie Crossman
Staff Attorney

AFA
APP
CAF
CMU
CTR
EAG
LEG
MAS
OPC
PAI
SEC
WAW
OTH

SC/dr
Enclosure (3)

cc: Division of Records and Reporting
Division of Consumer Affairs (DeMello, Raspberry, Cunningham)
Office of Public Counsel
Division of Water and Wastewater (Willis, Rendell, Casey, Butts, T. Davis)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETINGS

TO THE CUSTOMERS OF BREEZE HILL UTILITIES

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 990356-WS

APPLICATION OF BREEZE HILL UTILITIES

FOR A STAFF-ASSISTED RATE CASE IN

POLK COUNTY

Issued:

Notice is hereby given that the Staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Breeze Hill Utilities (Breeze Hill or utility) for a staff-assisted rate case in Polk County. The meeting will be held at the following time and place:

6:00 p.m., Wednesday, October 6, 1999
Clubhouse located on Lake Side Trace
Lake Wales, Florida 33853

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. The meeting will begin as scheduled and will continue until all the customers have been heard.

The Public Service Commission Staff is also attempting to meet with representatives of customer groups and homeowners associations on October 6, 1999 between 2:00pm and 5:00pm at the clubhouse. If you are a representative of a customer group or homeowners association and you have not been contacted by the Public Service Commission Staff, and wish to meet with staff, please contact Johnny Butts at (850) 413-6920, or Bob Casey at (850)413-6974 of the Public Service Commission staff prior to October 5, 1999.

Any person requiring some accommodation at the customer meeting(s) because of a physical impairment should call the Division of Records and Reporting at (850)413-6770 at least five calendar days prior to the meeting(s). Any person who is hearing

or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to the Public Service Commission Staff regarding the quality of service the utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Breeze Hill's proposed filing, the preliminary work accomplished, and answer questions to the extent possible. A representative from the utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. The Public Service Commission Staff will have sign-up sheets, and customers will be called to speak in the order that they sign-up. Public Service Commission Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meetings, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Public Service Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Breeze Hill is a Class C utility which provides water and wastewater service to approximately 115 residential customers in a mobile home community in Polk County. The utility's revenues for the test period are $14,784 for the water system and $10,752 for the wastewater system. The adjusted operating expenses of $30,738 for the water system and $32,789 for the wastewater system, result in a net operating loss of ($15,954) for water and ($22,037) for wastewater in the test period. The test period for setting rates is the historical twelve month period ending December 31, 1998.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commissioners. Staff is proposing Phase I and Phase II

rates. Phase I flat rates are rates to be effective prior to the utility's installation of water meters. Phase II rates will be effective once water meters are installed. The utility's current and staff's preliminary rates and charges are as follows:

Phase I Residential Water Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$11.00	$27.45

Phase I General Service Water Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$11.00	$49.32

Phase I Residential Service Wastewater Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$8.00	$25.86

Phase I General Service Wastewater Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$8.00	$64.78

Phase II Residential & General Service Water Rates

Base Facility Charge Meter Size	Existing Monthly Rates	Staff's Preliminary Monthly Rates
5/8 x 3/4"	$ 11.00	$ 13.62
3/4"	11.00	20.42
1"	11.00	34.04
1 ½"	11.00	68.08
2"	11.00	108.93
3"	11.00	217.86
4"	11.00	340.41
6"	11.00	680.82
Gallonage Charge	$ 0.00	$ 1.70

Phase II Residential Service Wastewater Rates

Base Facility Charge Meter Size	Existing Monthly Rates	Staff's Preliminary Monthly Rates
All Meter Sizes	$ 8.00	$ 15.89
Gallonage Charge Per 1,000 gallons (6,000 gallon cap)	$ 0.00	$ 2.42

Phase II General Service Wastewater Rates

Base Facility Charge Meter Size	Existing Monthly Rates	Staff's Preliminary Monthly Rates
5/8 x 3/4"	$ 8.00	$ 15.89
3/4"	8.00	23.84
1"	8.00	39.73
1 ½"	8.00	79.46
2"	8.00	127.13
3"	8.00	254.26
4"	8.00	397.29
6"	8.00	794.57
Gallonage Charge Per 1,000 gallons	$ 0.00	$ 2.91

Based on staff's preliminary rates, once water meters are installed and Phase II rates begin, the following would be estimated average residential water monthly billings for the consumption shown:

Monthly Consumption (In Gallons)	**Monthly Billing**	**Using Staff's Preliminary Rates**
5,000	$11.00	$22.12
7,500	$11.00	$26.37
10,000	$11.00	$30.62
15,000	$11.00	$39.12

Based on staff's preliminary rates, once water meters are installed and Phase II rates begin, the following would be estimated average residential wastewater monthly billings for the consumption shown:

Monthly Consumption (In Gallons)	**Monthly Billing**	**Using Staff's Preliminary Rates**
5,000	$8.00	$28.06
7,500	$8.00	$34.11
10,000	$8.00	$40.16
15,000	$8.00	$52.26

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated August 30, 1999. Copies of the report may be examined by interested members of the public 24 hours a day on the bulletin board at the following location:

Clubhouse located on Lake Side Trace
Lake Wales, Florida 33853

PROCEDURES AFTER CUSTOMER MEETINGS

After the meetings, Public Service Commission Staff will prepare a recommendation which is scheduled to be submitted to the Public Service Commission on November 4, 1999. The Public Service Commission will then vote on staff's recommendation at its November 16, 1999 agenda conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date the PAA order is issued to protest the Commission's proposed agency action order. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order should so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so in writing to the Commission at the address at the end of this notice.

HOW TO CONTACT THE COMMISSION

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

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

All correspondence should refer to "Docket No. 990356-WS, Breeze Hill Utilities"

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

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

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: AUGUST 30, 1999

TO: TROY RENDELL, PUBLIC UTILITIES SUPERVISOR

FROM: DIVISION OF WATER AND WASTEWATER (BUTTS, CASEY, DAVIS, GOLDEN)

RE: DOCKET NO. 990356-WS - APPLICATION FOR STAFF-ASSISTED RATE CASE BY BREEZE HILL UTILITIES

COUNTY: POLK

STAFF REPORT

DOCKET NO 990356-WS
August 30, 1999

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DOCKET NO 990356-WS
August 30, 1999

CASE BACKGROUND

This Staff Report is a **preliminary** analysis of the utility prepared by the Florida Public Service Commission (PSC) staff to give utility customers and the utility an advance look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed November 4, 1999 for the November 16, 1999 Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

The Board of County Commissioners of Polk County adopted a resolution on May 14, 1996, which made the utilities in the County subject to the jurisdiction of the Commission. The resolution was acknowledged by this Commission on July 11, 1996, by Order No. PSC-96-0896-FOF-WS. By Order No. PSC-98-1550-FOF-WS, issued November 23, 1998, the Commission granted certificates Nos. 598-W and 513-S to Bieber Enterprises, Inc. d/b/a Breeze Hill Utilities (Breeze Hill or utility).

Breeze Hill is a Class C utility which provided water and wastewater service to an average 115 residential customers during the test year. On March 18, 1999, the utility applied for this staff assisted rate case (SARC). The Commission has processed one pass-through rate adjustment for the utility which enabled it to pass-through regulatory assessment fees.

In preparation for this report, staff audited the utility's records for compliance with Commission rules and orders and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the water and wastewater facilities along with the service area. The utility's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, utility plant in service, and quality of service. Staff has selected a historical test year ended December 31, 1998.

Based on the staff analysis, the utility's test year revenue was $14,784 for the water system and $10,752 for the wastewater system. Test year operating expenses were $30,738 for water and $32,789 for wastewater. This resulted in operating losses of $15,954 and $22,037, respectively.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Breeze Hill considered satisfactory?

RECOMMENDATION: The quality of service appears to be satisfactory but the staff engineer reserves all quality of service determinations until after the scheduled October 6, 1999, customer meeting. (DAVIS)

STAFF ANALYSIS: The staff engineer will reserve any quality of service recommendation until after the customer meeting. This informal hearing is scheduled to take place on October 6, 1999, and will give the customers the opportunity to express their opinions, comments, and complaints. All valid quality of service complaints will be investigated and will be considered in staff's final recommendation to the Commissioners.

USED AND USEFUL

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

RECOMMENDATION: The water treatment plant and the water distribution system should be considered 100% used and useful. The wastewater plant should be considered 56.63% used and useful, and the wastewater collection system should be considered 100% used and useful. (DAVIS)

STAFF ANALYSIS: The water treatment plant is a closed system with one 6" well equipped with a 10 horsepower (hp) vertical turbine pump that resources the ground water table at a rate of 200 gallons per minute (gpm). The used and useful calculation was achieved by a comparison study of the minimum standard of 1.1 gpm in accordance with General Waterworks Design Criteria to the number of customer connections. This standard is backed by the American Water Works Association (AWWA), and is recommended to be met by the lowest capacity well. Since this system has only one well, the actual capacity of 200 gpm was used. Customer growth has been gradual over the last five years with an average growth rate of 4 customers per year (estimated at 3 ERCs per year). In accordance with the formula approach which is used as an indicator of useful plant, the water plant is considered 100% used and useful without any consideration for the four fire hydrants located in the subdivision. Staff does not believe that Breeze Hill MHP will ever contain 350 persons to meet the DEP requirement (Rule 62-555.315 (1), Florida Administrative Code), for a second well, however, should the utility plan to utilize the fire hydrants, a second well should be considered. It is recommended that the water treatment plant be considered 100% used and useful (See Attachment "A").

The water distribution system has the potential of serving 131 customers (estimated to be 105 ERCs) without the construction of additional distribution mains. The average number of customers served during the test year was 115 customers (estimated to be 92 ERCs). Growth over the past five years has been 4 customers per year (estimated to be 3 ERCs), per simple average. In accordance with the formula approach which is used as an indicator of useful plant, (See Attachment "B"), the engineer on staff calculates the distribution system to be 100% used and useful for this rate proceeding.

The wastewater treatment plant is constructed to process 40,000 gallons per day (gpd) operating in the extended aeration mode of treatment. Flows are measured by a meter at the effluent lift station which meters treated water flow transported to the percolation ponds from the plant. During January, February and March of the test year, the highest consecutive five day average found in each month exceeded the plant capacity. From July, 1998, through September, 1998, the utility surveyed and made repairs to manholes that were suspected sources of infiltration. During the last quarter of the test year, the quarterly average daily flow was 19,470 gpd. Also, used in the calculation is the average growth rate of 3 ERCs per year. Based on the formula method of calculating used and useful which is used as an indictor of useful plant, the wastewater treatment plant is determined to be 56.63% (See Attachment "C").

The wastewater collection system has the potential of serving 131 customers (estimated to be 105 ERCs) without the construction of additional collection mains. The average number of customers served during the test year was 92 ERCs. Growth over the past five years has been 3 ERCs. Constructed in three phases, each phase of development appears to have been constructed with the appropriate size gravity lines along with prudent placement of manholes. The approved formula approach, used as an indicator, was used to calculate a 100% used and useful which should be applied to the utility's collection accounts (See Attachment "D").

ISSUE 3: Should a margin reserve be included in the calculations of used and useful plant?

RECOMMENDATION: Yes. A 33 gpm margin reserve should be used for the water treatment plant, a 3,180 gallon per day margin reserve should be used for the wastewater treatment plant, and 15 ERCs margin reserve should be used for both the water distribution and the wastewater collection systems. (T. DAVIS)

STAFF ANALYSIS: Margin Reserve is the concept whereby the Commission recognizes certain costs the utility incurs in providing extra capacity sufficient to meet short term growth without impairing its ability to provide safe and adequate service to existing customers. Recognizing that plant facilities cannot be added on a day to day basis due to requirements for permits and easements, the margin reserve concept provides a reasonable avenue for the utility to serve new customers during the planning and construction period.

In accordance with Section 367.081(2)(a)2(b),Florida Statutes, the construction period needed to serve current customers is five years after the test year. A five year period has been used in the margin reserve calculations as an approved construction period.

Staff calculations for margin reserve are based upon the average growth in ERCs over the last five years. Margin Reserve should not exceed 20% of the number of ERCs served at the end of the test year. Breeze Hill has shown an average yearly customer growth over the past five years of 3 ERCs which was calculated using the average mean method. Based on this growth factor, staff recommends allowing a 33 gpm margin reserve for the water treatment plant, a 3,180 gallon per day margin reserve for the wastewater treatment plant, and 15 ERCs margin reserve for both the water distribution and the wastewater collection systems as shown in Attachments B and D.

ISSUE 4: What is the utility's appropriate average amount of rate base?

RECOMMENDATION: The appropriate average amount of test year rate base should be $65,333 for the water system and $16,045 for the wastewater system. Pro forma plant, as outlined in the staff analysis, should be completed within six months of the effective date of the Commission Order. (BUTTS, CASEY, DAVIS)

STAFF ANALYSIS: The appropriate components of the utility's rate base include utility plant in service (UPIS), land, non-used and useful plant, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC and a working capital allowance. A discussion of each component follows.

Staff selected a test year ended December 31, 1998 for this rate case. The utility's rate base was last established by Polk County. Adjustments have been made to agree rate base component balances with the engineer's original cost study and to update rate base through December 31, 1998. A summary of each component and the adjustments follows:

Utility Plant In Service: The utility books reflected a water utility plant balance of $0 at the beginning of the test year. Staff made an adjustment of $82,450 to reflect the amount of water plant per the original cost study completed by the staff engineer. Adjustments were also made to reflect: $16,826 for a pro forma hydro-pneumatic tank; $834 for pro forma additions to the utility building; ($10,980) for the retirement of the existing hydro-pneumatic tank; $2,227 for a pro forma chlorine alarm with automatic switch-over; $456 for a pro forma back-up motor for the well pump; $26,075 for commission ordered pro forma water meters; and ($1,056) for an averaging adjustment. Staff recommends a water utility plant in service balance of $116,832.

The utility books also reflected a wastewater utility plant balance of $0 at the beginning of the test year. Staff made an adjustment of $249,359 to reflect the amount of wastewater plant per the original cost study completed by the staff engineer. Adjustments were also made to reflect $952 for a pro forma blower, and ($2,141) to reflect an averaging adjustment. Staff recommends a wastewater utility plant in service balance of $248,170.

Pro forma water and wastewater plant should be completed within six months of the effective date of the Commission Order.

Land: The utility books reflected a land balance of $0 at the end of the test year. The utility provided staff with proof of the "Agreement for Deed" to purchase the water and wastewater facilities. By Order PSC-98-1550-FOF-WS, issued November 23, 1998, the Commission recognized the "Agreement for Deed" as adequate proof that the utility owns or maintains a long term lease for lands occupied by utility facilities. The original cost study provided a land value of $2,997 for water, and $18,519 for wastewater. Therefore, staff recommends a utility land value of $2,997 for water and $18,519 for wastewater.

Non-Used and Useful Plant: As discussed in Issue No. 2, the water treatment plant, the water distribution system, and the wastewater collection system should all be considered 100% used and useful. The wastewater treatment plant should be considered 56.63% used and useful. The non-used and useful percentages times the appropriate accounts reflect average non-used and useful wastewater plant of ($41,325) and average non-used and useful wastewater accumulated depreciation of $40,795. Staff made an adjustment of ($530) to reflect non-used and useful wastewater plant.

Contributions-in-Aid-of-Construction (CIAC): The utility recorded no CIAC on their books at the end of the test year. The audit staff could not establish water and wastewater CIAC because of inadequate utility records. Rule 25-30.570(1) , Florida Administrative Code, states:

> If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

Since the utility did not have adequate books to provide CIAC balances, staff imputed ($31,433) for water and ($117,903) for wastewater to reflect the water transmission and wastewater collection systems as calculated by the original cost study. Staff also made an averaging adjustment of $603 to wastewater CIAC. Staff recommends water CIAC of ($31,433), and wastewater CIAC of ($117,300).

Accumulated Depreciation: The utility books reflected no accumulated depreciation balances for water or wastewater at the end of the test year. Staff calculated accumulated depreciation using the engineer's original cost study by using a 2.5% depreciation rate from 1976 through March of 1984, then calculated depreciation using rates set forth in Rule 25-30.140, Florida Administrative Code, through the test year.

Staff made an adjustment of ($45,471) to reflect the amount of water accumulated depreciation using the original cost study completed by the staff engineer. Staff also made adjustments to reflect accumulated depreciation of: ($221) for a pro forma hydro-pneumatic tank; ($15) for pro forma additions to the utility building; $10,980 for the retirement of the existing hydro-pneumatic tank; ($159) for a pro forma chlorine alarm with automatic switch-over; ($15) for a pro forma back-up motor for the well pump; ($835) for commission ordered pro forma water meters; and $1,432 for an averaging adjustment. Staff recommends water accumulated depreciation of ($34,304).

Staff made an adjustment of ($194,452) to reflect the amount of wastewater accumulated depreciation using the original cost study completed by the staff engineer. Staff also made an adjustment of ($32) to reflect accumulated depreciation on the pro forma blower, and $2,852 to reflect an averaging adjustment. Staff recommends wastewater accumulated depreciation of ($191,632).

Accumulated Amortization of CIAC: The utility recorded no accumulated amortization of CIAC at the end of the test year. Staff calculated accumulated amortization using the engineer's original cost study by using a 2.5% amortization rate through March of 1984, then calculated amortization using a composite rate through the test year. Staff made adjustments of $8,692 to water accumulated amortization, and $56,596 to wastewater accumulated amortization. Staff also made averaging adjustments of ($546) to water accumulated amortization, and ($1,348) to wastewater accumulated amortization. Staff recommends accumulated CIAC amortization of $8,146 for water and $55,248 for wastewater.

Working Capital Allowance: Pursuant to Rule 25-30.433, Florida Administrative Code, staff recommends that the one-eighth of operation and maintenance expense formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of $3,095 for water and $3,570 for wastewater (based on water operation and maintenance

expenses of $24,758, and wastewater operation and maintenance expenses of $28,563.)

Rate Base Summary: Based on the foregoing, the appropriate rate base balance for rate setting purposes is $65,333 for the water system and $16,045 for the wastewater system.

Rate base is shown on Schedules Nos. 1 and 1A; the related adjustments are shown on Schedule No. 1-B.

ISSUE 5: Should a positive acquisition adjustment be approved?

RECOMMENDATION: No, a positive acquisition adjustment should not be included in the calculation of rate base for this utility. (BUTTS, CASEY)

STAFF ANALYSIS: In Order No. PSC-98-1550-FOF-WS, the Commission did not determine the appropriateness of an acquisition adjustment for Breeze Hill since no rate base was established, noting that "Rate Base for utilities receiving grandfather certificates is typically established in the utility's first rate proceeding filed under our jurisdiction."

An acquisition adjustment results when the purchase price differs from the original cost calculation. The acquisition adjustment resulting from the 1997 purchase of Breeze Hill from Lake Walk In The Water Village Associates, Ltd. would be calculated as follows:

Purchase Price (06/13/97):	($ 33,078)
Staff Calculated Water Rate Base: (as of 06/13/97)	$ 9,722*
Staff Calculated Wastewater Rate Base: (as of 06/13/97)	$ 11,152*
Positive Acquisition Adjustment:	$ 12,204

* Rate Base calculated for transfer purposes and does not include normal ratemaking adjustments for non-used and useful plant or working capital.

Staff calculated rate base based on the original cost of the property when first dedicated to public service.

In the absence of extraordinary circumstances, it has been Commission practice that a purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this case do not appear to be extraordinary. Therefore, staff recommends that a positive acquisition adjustment should not be included in the calculation of rate base.

COST OF CAPITAL

ISSUE 6: 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 should be 10.12% with a range of 9.12% to 11.12% and the appropriate overall rate of return should be 8.33% with a range of 8.03% to 8.63%. (BUTTS, CASEY)

STAFF ANALYSIS: Based on the staff audit and original cost study, the utility's capital structure consists of $200 of common stock, $33,865 of retained earnings, $14,175 of paid in capital, and $64,365 of long term debt at a cost of 6.30%. The utility's pro forma plant is estimated at $48,660. It has stated it needs to take out a loan for the pro forma plant with the cost of the loan estimated at 1% over the prime rate and the prime rate being 8.25% at the time of this report.

The rate of return on equity, when based on the leverage graph formula in Order No. PSC-99-1224-PAA-WS, is 10.12% with a range of 9.12% to 11.12% and the overall rate of return is 8.33% with a range of 8.03% to 8.63%. Staff made pro rata adjustments to reconcile the capital structure downward to match the recommended rate base.

Breeze Hill's return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

ISSUE 7: What is the appropriate test year revenue for this utility?

RECOMMENDATION: The appropriate test year revenue should be $14,784 for the water system and $10,752 for the wastewater system. (BUTTS, CASEY)

STAFF ANALYSIS: During the test year the utility provided water and wastewater services to an average 115 customers. The utility reported revenues for the test year ended December 31, 1998 in the amount of $14,538 and $11,088 for the water and wastewater systems, respectively. A revenue check completed by staff auditors showed test year revenues should be $14,784 for water and $10,752 for wastewater. Staff made adjustments of $246 and ($336) for water and wastewater, respectively, to bring test year revenue to the proper amount. Staff recommends test year revenue of $14,784 for water, and $10,752 for wastewater.

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

ISSUE 8: What is the appropriate amount of operating expenses for rate setting purposes?

RECOMMENDATION: The appropriate amount of operating expenses for rate making purposes should be $31,746 for the water system and $33,890 for the wastewater system. (BUTTS, CASEY, DAVIS)

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

Test Period Operating Expenses

The utility recorded test year water system operating expenses of $19,390, and wastewater system operating expenses of $27,103. Staff made several adjustments to the utility's operating expenses. A summary of adjustments to operating expenses are as follows:

OPERATION AND MAINTENANCE EXPENSE

Salaries and Wages-Employees - The utility's owner acts as secretary, bookkeeper, billing clerk, regulatory liaison, general maintenance person, and chief maintenance supervisor. The utility recorded employee salaries and wages of $9,360 for water and $9,360 wastewater for the test year.

Staff completed an analysis of necessary labor hours and duties based on the size of this utility. Based on that analysis, staff's preliminary proposal included the following:

a) An office person to answer phone calls, do general filing, bookkeeping, billing, collections, handle complaints, and maintain the complaint log (20 hours per week @ $7.50 per hour).

b) A general maintenance person to perform general system repairs, investigate complaints, do regular maintenance checks, pick up parts, and assist/supervise contract services (20 hours per week @ $10.00 per hour).

c) A meter reader to read water meters on a monthly basis ($60 per month).

d) A plant operator to fulfill the required hours of on-site time and perform the maintenance checks required by a certified operator ($2,700 per year for water, $3,600 per year for wastewater).

e) A maintenance person for mowing and grounds keeping of the water plant which must be performed on a regular basis (approximately 18 times per year). The normal charge for this is $30 per mowing for an estimated $540 per year. The wastewater plant needs mowing 10 times per year at a cost of $50 per mowing or $500 annually, and the percolation ponds need to be cut by a bush hog at least 4 times per year at a cost of $130 per mowing or $520 annually. Total mowing and groundskeeping would amount to $1,560 per year.

f) An owner/manager/supervisor of utility to supervise all aspects of the utility (6 hours per week @ $15 per hour).

The owner has requested total utility salaries of $31,200 which would include the hiring of the existing utility operator as a utility employee instead of a contract worker. Staff's analysis would allow $31,460 for utility salaries if each of the duties were broken down and contracted out. Since the utility has only requested $31,200 for utility salaries, staff is including that amount in the preliminary staff report for salaries and wages.

Staff recommends test year salary expense of $15,600 for the water system and $15,600 for the wastewater system.

Sludge Removal Expense - The utility recorded $309 of sludge removal expense during the test year. The utility must regularly pump out and dispose of excess sludge. According to the engineer, it is estimated that the utility should remove two loads of sludge each year. The most current flat rate quote for this service is $310 per load. It is recommended that $620 per year (2 X $310) be considered reasonable for sludge hauling expenses.

Purchased Power - The utility recorded test year purchased power expense of $2,592 for water and $4,220 for wastewater. Issue No. 11 includes a repression adjustment to recognize that consumption levels will decrease once new rates are effective. With a decrease in consumption, there will be a decrease in purchased power expense due to having to pump less water, and treat less wastewater. Staff recommends a repression adjustment of ($1,037) to water, and ($1,688) to wastewater, to reflect the estimated decrease in purchased power expense.

Chemicals - The utility recorded test year chemical expense of $408 for water and $1,204 for wastewater. The utility purchases gas chlorine in 150 pound cylinders for the disinfection of raw water.

Staff made an adjustment of $136 to water chemical expense to allow the engineer recommended amount of $544 for chemicals for the test year.

For the wastewater system, disinfection in the chlorine contact chamber is accomplished with the use of a hypo-mechanical chlorine pump along with a liquid chlorine concentrate. Additionally, the utility purchases enzall, a degreasing agent to clean and treat the lift station, root begone, which eliminates encroaching roots, and lime which is necessary for disinfection and "cleanup" at the wastewater plant site. Staff made an adjustment of $1,222 to reclassify a wastewater chemical expense from the materials and supplies account. Staff also made an adjustment of $60 to wastewater chemical expense to allow the engineer recommended amount of $2,486 for chemicals for the test year.

Issue No. 11 includes a repression adjustment to recognize that consumption levels will decrease once new rates are effective. With a decrease in consumption, there will be a decrease in chemical expense due to having to chemically treat less water, and chemically treat less wastewater. Staff recommends a repression adjustment of ($218) to water, and ($994) to wastewater, to reflect the estimated decrease in purchased power expense. Staff recommends chemical expense of $326 for water, and $1,492 for wastewater.

Materials and Supplies - The utility recorded test year materials and supplies expense of $901 for water and $2,706 for wastewater. Staff made an adjustment of ($1,222) to the wastewater materials and supplies account to reclassify a chemical expense to account No. 718. Staff recommends test year materials and supplies of $901 for water and $1,484 for wastewater.

Contractual Services - Billing - The utility did not record any contractual services-billing expense for the test year. Once water meters are installed, the utility will be using an independent contractor to provide billing and collection services. The contractor with the low bid for these services will charge an initial $700 set up fee. Staff is recommending this charge be amortized over 5 years and be split equally between the water and wastewater systems ($70 per year, per system). The annual charge for billing and collections would be $3,666 and be split equally between the water and wastewater systems ($1,833 per year, per system). Staff recommends a contractual services-billing expense of $1,903 for water and $1,903 for wastewater.

Contractual Services - Professional - The utility recorded test year contractual services-professional expense of $718 for water and $543 for wastewater. The utility contracted with a C.P.A. firm to set up the utility books in accordance with the uniform system of accounts. The initial set-up fee for this work is $2,500. Staff is recommending amortizing this fee over five years equally between the water and wastewater systems ($250 per year, per system). The utility also incurred expenses associated with engineering services in the amount $3,000 for DEP required licenses and permits for the wastewater plant. Staff has amortized these costs over five years which is the life of the permit ($3,000/5). Staff recommends contractual services-professional expense of $968 for water and $1,393 for wastewater.

Contractual Services - Testing - The utility recorded test year contractual services-testing expense of $467 for water and $1,186 for wastewater. State and local authorities require that several analysis be submitted in accordance with Rule 62-550, Florida Administrative Code.

A schedule of the required water and wastewater tests, frequency, and costs are as follows:

---WATER---

Description	Frequency	Annual Cost
Microbiological	Monthly	$ 360
Primary Inorganics	36 Months	49
Secondary Inorganics	36 Months	29
Asbestos	1/ 9 Years	35
Nitrate & Nitrite	12 Months	40
Volatile Organics	qtr'ly/1st yr/ 36 Months Subsequent/Annual	110
Pesticides & PCB	36 Months	146
Radionuclides		
Group I	36 Months	42
Group II	36 Months	250
Unregulated Organics		
Group I	qtr'ly/1st yr/9 yr	112
Group II	36 Months	18
Group III	36 Months	83
Lead & Copper	Biannually	300
	Total Amount	$ 1,574

---WASTEWATER---

Description	Frequency	Annual Cost
Biochemical O2 Demand (includes Nitrate, Nitrite)	Monthly	$ 660
Total Suspended Solids	Monthly	146
Fecal Coliform	Monthly	180
Sludge Analysis	Yearly	200
	TOTAL	$ 1,186

Staff made adjustments of $1,107 to water contractual services-testing to allow for the engineer recommended testing expense. Staff recommends contractual services-testing expense of $1,574 for water and $1,186 for wastewater.

Contractual Services - Other - The utility recorded $4,155 for the water system and $6,642 for the wastewater system in this account for the test year. Staff made adjustments of ($452) to water and ($459) to wastewater to amortize non-recurring expenses over 5 years. Staff also made adjustments of ($890)to water and ($2,192) to wastewater to remove miscellaneous repairs and maintenance expenses which will now be completed by the full time employee. Since the contract operator will now be an employee of the utility instead of an independent contractor, staff made an adjustment of ($2,700) to the water system and ($3,600) to the wastewater system to remove the operators annual contract. Staff recommends contractual services-other expense of $113 for water and $391 for wastewater.

Insurance Expense - The utility recorded insurance expense of $324 for water and $535 for wastewater for the test year. Staff made an adjustment of $1,029 to water and $1,029 to wastewater to include worker's compensation insurance. Staff recommends test year insurance expense of $1,353 for water and $1,564 for wastewater.

Operation and Maintenance Expenses (O & M) Summary: Total operation and maintenance adjustments are $5,368 for water and $1,460 for wastewater. Staff recommends operation and maintenance expenses of $24,758 for water and $28,563 for wastewater. Operation and maintenance expenses for water are shown in Schedule No. 3C and operation and maintenance expenses for wastewater are shown in Schedule No. 3D.

Depreciation Expense (Net of Amortization of CIAC): The utility recorded no depreciation expense for the test year. Consistent with Commission practice, staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code. Staff made a $2,865 adjustment to water depreciation expense and $5,704 adjustment to wastewater depreciation expense to include staff's calculated depreciation expense. Staff also made adjustments of $2,157 to water and $63 to wastewater to include depreciation on pro forma plant. CIAC amortization adjustments amounted to ($1,092) for water and ($2,697) for wastewater. An adjustment of ($850) was made to wastewater to reflect non-used and useful test year depreciation. Staff recommends depreciation expenses net of CIAC of $3,930 for water and $2,220 for wastewater for the test year.

Taxes Other Than Income Taxes: The utility did not record an amount in this account for the test year. Staff made adjustments of $665 for water and $484 for wastewater to include regulatory assessment fees on test year revenue, made adjustments of $31 for water and $168 for wastewater to reflect test year real estate taxes, made adjustments of $1,316 for water and $1,316 for wastewater to allow for payroll taxes on staff's recommended salaries, and made adjustments of $38 for water and $38 for wastewater to reflect corporate filing fees. Staff recommends test year taxes other than income of $2,050 for the water system and $2,006 for the wastewater system.

Operating Revenues: Revenues have been adjusted by $22,406 for the water system and $24,475 for the wastewater system to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn the recommended rate of return on investment.

Taxes Other Than Income Taxes: This expense has been increased by $1,008 and $1,101 for water and wastewater, respectively, to reflect the regulatory assessment fee of 4.5% on staff's recommended increase in revenue.

Operating Expenses Summary: The application of staff's recommended adjustments to the utility's test year operating expenses results in staff's recommended operating expenses of $31,746 and $33,890 for water and wastewater, respectively.

Operating expenses for water are shown on Schedule No. 3 and operating expenses for wastewater are shown on Schedule No. 3A. Adjustments are shown on Schedule No. 3B.

REVENUE REQUIREMENT

ISSUE 9: What is the appropriate revenue requirement for each system?

RECOMMENDATION: The appropriate revenue requirement should be $37,190 for water and $35,227 for wastewater. (BUTTS, CASEY)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of $22,406 (151.56%) for water and an annual increase of $24,475 (227.64%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn the recommended 8.33% return on its investment. The calculations are as follows:

	Water	Wastewater
Adjusted Rate Base	$ 65,333	$ 16,045
Rate of Return	x .0833	x .0833
Return on Investment	$ 5,444	$ 1,337
O & M Expenses	24,758	28,563
Depreciation Expense (Net)	3,930	2,220
Taxes Other Than Income Taxes	3,058	3,107
Revenue Requirement	$ 37,190	$ 35,227
Annual Revenue Increase	$ 22,406	$ 24,475
Percentage Increase/(Decrease)	151.56%	227.64%

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

RATES AND CHARGES

ISSUE 10: What is the appropriate conservation rate structure for this utility?

RECOMMENDATION: The appropriate conservation rate structure for this utility is the base facility and uniform gallonage charge rate structure. (GOLDEN)

STAFF ANALYSIS: Breeze Hill does not currently hold a consumptive use permit. The utility is located near the border between the St. Johns River Water Management District (SJRWMD) and the Southwest Florida Water Management District (SWFWMD). At present, it appears that the utility will be under the jurisdiction of the SJRWMD. The SJRWMD is currently reviewing the utility to verify that it is within the SJRWMD boundaries, and determine if a consumptive use permit is required. Further, staff has been informed that the utility is not located in a water use caution area.

Breeze Hill provides water and wastewater service to approximately 115 residential customers and one general service customer in a mobile home community. Currently, all customers are charged flat monthly rates of $11.00 for water and $8.00 for wastewater. The utility's current rate structure was originally approved by the Polk County Board of County Commissioners in 1983, and approved by this Commission under grandfather provisions when the utility was granted water and wastewater certificates in 1998.

It has been Commission practice that, whenever possible, a flat rate structure is converted to a base facility and gallonage charge rate structure in order to promote state conservation goals and to eliminate subsidization of those who use excessive amounts of water by those who do not. In Docket No. 971192-WS, in which Breeze Hill was granted grandfather certificates, staff considered recommending implementation of usage specific rates at that time. However, it was determined that it was not economically feasible for the utility to install meters in the mobile home park without approval of fees to recover the cost of the meter installation. The owner informed staff that he intended to file for a SARC in the near future. Consequently, by Order No. PSC-98-1550-FOF-WS, issued November 23, 1998, in Docket No. 971192-WS, the Commission approved continuation of the utility's current flat rate structure, but put the utility on notice that it would be required to install meters and implement a base facility and gallonage charge rate structure in its next filing with the Commission. Accordingly, staff is

recommending that the appropriate conservation rate structure for this utility is the base facility and uniform gallonage charge rate structure.

ISSUE 11: Is a repression adjustment to consumption appropriate for this utility, and, if so, what is the appropriate adjustment?

RECOMMENDATION: Yes, repression adjustments of 7,390,080 gallons to water consumption and 3,768,941 gallons to wastewater consumption are appropriate. In order to monitor the effect of the rate increase on consumption, the utility should be ordered to file, on a quarterly basis, reports for both water and wastewater detailing the number of bills rendered, the number of gallons billed and the total revenues billed during the quarter, with the totals shown separately for the residential and general service classes of service. These reports should be required for a period of two years, beginning the first quarter after the revised rates go into effect. (GOLDEN)

STAFF ANALYSIS: Staff has recommended repression adjustments in a limited number of cases to date. Therefore, in order to present a thorough analysis, a discussion of the merits of repression adjustments in general is warranted, as well as a discussion of staff's recommended adjustment.

General Discussion Regarding Repression and Price Elasticity

The term "price elasticity" refers to the relationship between water use and water price. Price elasticity measures the percentage change in the quantity demanded resulting from a one percent change in price, all other factors held constant. For example, if a water price increase of one percent leads to a 0.2 percent reduction in water use, price elasticity would be -0.2. (In other words, there is an inverse relationship between price and the quantity demanded -- this is the first law of demand). The term "repression" refers to the expected reduction in quantity demanded resulting from an increase in price. (Conversely, the term "stimulation" refers to the expected increase in quantity demanded resulting from a decrease in price.)

Consider the following example:

Assume: A 10% increase in price
Price elasticity = -0.3
Then: Resulting price = 110%
Reduction in demand = 3% (10% x -0.3)
Resulting demand = 97%
Resulting revenue increase = 6.7%
(110% price x 97% demand)

The above example illustrates that ignoring price elasticity in rate design analysis creates the potential for both revenue instability and revenue shortfalls. Furthermore, if rate structure is substantially modified or if a large rate increase is implemented, revenue shortfalls can be especially problematic. The preliminary increases in this case, before any adjustment for repression, are 170.14% for water and 288.70% for wastewater. Staff believes these increases are significant enough to warrant consideration of a repression adjustment in this proceeding.

Staff's Recommended Repression Adjustment

In an attempt to quantify the relationship between revenue increases and consumption impacts, staff has created a database of all water utilities that were granted rate increases or decreases (excluding indexes and pass-throughs) between January 1, 1990 and December 31, 1995. This database contains utility-specific information from the applicable orders, tariff pages and the utilities' annual reports for the years 1989 - 1995. A summary of the contents of the database is listed below:

Data Obtained from:

Orders

1. The dollar amount of the revenue requirement increase for the water system.
2. The utility's rate structure before and after the rate proceeding.

Annual Reports

1. The number of gallons sold for the years 1989 - 1995.
2. The number of meter equivalents for the years 1989 - 1995.

Tariff Pages

1. The effective date of the revised rates.

Resulting Calculations:

1. The revenue requirement percentage increase (decrease) for the water system.
2. The dollar amount of the revenue requirement increase (decrease) per meter equivalent.
3. The average monthly consumption per meter equivalent for the years 1989 - 1995.
4. The percentage change in the average monthly consumption per meter equivalent from the prior year for the years 1990 - 1995.

Several utilities were excluded from the analysis, typically due to the lack (or unreliability) of consumption data. Data from the remaining 67 utilities forms the basis for our analysis.

Staff's estimated average increase in annual bills was compared to other utilities in the database which underwent a change in rate structure from a flat rate structure to the base facility and uniform gallonage rate structure. The average monthly consumption per meter equivalent for those utilities was calculated for both the year prior to that utility's rate change and the year subsequent to the rate change. The change in average monthly consumption per meter equivalent during that time period for those utilities was then calculated; the resulting percentage changes ranged from (24%) to (59%), with an overall group average of (45%).

Based upon our initial review, staff believes a repression adjustment is appropriate at this time. Therefore, staff recommends repression adjustments of 7,390,080 gallons to water consumption and 3,768,941 gallons to wastewater consumption. However, it should be noted that this recommendation is preliminary in nature. Staff is still evaluating the need for a repression adjustment in this case. Consequently, staff's preliminary repression adjustment may be reduced or even eliminated from staff's final rate calculation. A thorough analysis will be conducted and discussed in more detail in staff's final recommendation.

Further, staff believes it will be beneficial in future cases to monitor the effects of this rate increase on consumption. Therefore, staff recommends the utility should be ordered to file, on a quarterly basis, reports for both water and wastewater detailing the number of bills rendered, the number of gallons billed and the total revenues billed during the quarter, with the totals shown separately for the residential and general service classes of service. These reports should be required for a period of two years, beginning the first quarter after the revised rates go into effect.

ISSUE 12: What is the appropriate residential gallonage cap for wastewater service?

RECOMMENDATION: The appropriate residential gallonage cap for wastewater service should be 6,000 gallons. (BUTTS, CASEY)

STAFF ANALYSIS: The recommended rates for wastewater service should include a base charge for all residential customers regardless of meter size with a cap of 6,000 gallons of usage per month on which the gallonage charge may be billed. There is no cap on usage for general service wastewater bills. The differential in the gallonage charge for residential and general service wastewater customers is designed to recognize that a portion of a residential customer's water usage will not be returned to the wastewater system.

The current Commission standard in setting residential wastewater rates is that only 80% of residential water usage is returned to the system as wastewater. The remaining 20% is attributed to outside uses such as lawn irrigation, car washing, etc.

Generally, the Commission sets monthly caps of 6,000 gallons, 8,000 gallons, or 10,000 gallons per month. For this utility, staff's analysis indicates that residential customers will use approximately 8,248 gallons of water per month once the new base facility/gallonage rate structure is initiated.

Considering the above factor and that the utility serves a mobile home retirement community with seasonal customers, staff believes that the wastewater gallonage cap for residential customers should be set at 6,000 gallons per month. Therefore, staff recommends a gallonage cap of 6,000 gallons per month for wastewater residential customers at this time. If usage patterns change, this gallonage cap will be re-examined in the next rate case.

ISSUE 13: What are the appropriate rates?

RECOMMENDATION: The recommended rates should be as shown in the staff analysis. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until 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. (BUTTS, CASEY)

STAFF ANALYSIS: During the test year, Breeze Hill provided water and wastewater service to an average 115 customers. Approximately 49% (or $18,301) of the water revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored ERCs. The remaining 51% (or $18,890) of the water revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period.

Approximately 61% (or $21,358) of the wastewater revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored ERCs. The remaining 39% (or $13,869) of the wastewater revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period. Rates have been calculated using the number of bills and the number of gallons of water billed during the test year, adjusted for repression. Phase I flat rates are rates to be effective prior to installation of water meters. Phase II rates will be effective once water meters are installed. Schedules of the utility's existing rates and staff's recommended rates are as follows:

Phase I Residential Water Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$11.00	$27.45

Phase I General Service Water Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$11.00	$49.32

Phase I Residential Service Wastewater Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$8.00	$25.86

Phase I General Service Wastewater Rates

	Existing Monthly Rate	Staff's Phase I Preliminary Rate
Flat Rate	$8.00	$64.78

Phase II Residential & General Service Water Rates

Base Facility Charge Meter Size	Existing Monthly Rates	Staff's Preliminary Monthly Rates
5/8 x 3/4"	$ 11.00	$ 13.62
3/4"	11.00	20.42
1"	11.00	34.04
1 ½"	11.00	68.08
2"	11.00	108.93
3"	11.00	217.86
4"	11.00	340.41
6"	11.00	680.82
Gallonage Charge	$ 0.00	$ 1.70

Phase II Residential Service Wastewater Rates

Base Facility Charge Meter Size	Existing Monthly Rates	Staff's Preliminary Monthly Rates
All Meter Sizes	$ 8.00	$ 15.89
Gallonage Charge Per 1,000 gallons (6,000 gallon cap)	$ 0.00	$ 2.42

Phase II General Service Wastewater Rates

Base Facility Charge Meter Size	Existing Monthly Rates	Staff's Preliminary Monthly Rates
5/8 x 3/4"	$ 8.00	$ 15.89
3/4"	8.00	23.84
1"	8.00	39.73
1 ½"	8.00	79.46
2"	8.00	127.13
3"	8.00	254.26
4"	8.00	397.29
6"	8.00	794.57
Gallonage Charge Per 1,000 gallons	$ 0.00	$ 2.91

Based on staff's preliminary rates, once water meters are installed and Phase II rates begin, the following would be estimated average residential water monthly billings for the consumption shown:

Monthly Consumption (In Gallons)	**Monthly Billing**	**Using Staff's Preliminary Rates**
5,000	$11.00	$22.12
7,500	$11.00	$26.37
10,000	$11.00	$30.62
15,000	$11.00	$39.12

Based on staff's preliminary rates, once water meters are installed and Phase II rates begin, the following would be estimated average residential wastewater monthly billings for the consumption shown:

Monthly Consumption (In Gallons)	**Monthly Billing**	**Using Staff's Preliminary Rates**
5,000	$8.00	$27.99
7,500	$8.00	$34.04
10,000	$8.00	$40.09
15,000	$8.00	$52.19

Staff's recommended rates are preliminary and are subject to change. The recommended rates are designed to produce revenue of $37,191 for the water system and $35,227 for the wastewater system. 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.

ISSUE 14: 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. (BUTTS, CASEY)

STAFF ANALYSIS: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a 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 proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of $32,312. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

1) The Commission approves the rate increase; or

2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

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

1) The letter of credit is irrevocable for the period it is in effect.

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

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

1) No 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.

ISSUE 15: Should the utility's existing service availability policy be revised?

RECOMMENDATION: Yes, the utility's service availability policy should be revised to change the existing customer connection (tap-in) fees of $400 for water and $600 for wastewater to plant capacity charges. If the Commission approves this new policy, the utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the revised service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. (BUTTS, CASEY)

STAFF ANALYSIS: The utility's existing service availability policy includes customer connection (tap-in) fees of $400 for water and $600 for wastewater. Staff has imputed the utility's distribution and collection lines as CIAC. Therefore, the customer connection charges should be changed to plant capacity charges. The total potential customer base of the certified territory is estimated to be 131 residential connections (estimated to be 105 ERCs), and growth is minimal. The existing CIAC contribution levels are 38.12% for water and 47.28% for wastewater. Since these amounts are less than the maximum 75% recommended amount of CIAC recommended by Rule 25-30.580(1)(a), Florida Administrative Code, and collecting the approved charges for all future customers will not cause the utility to exceed the 75% maximum recommended contribution level, staff is recommending the utility be allowed to maintain the existing amount of service availability charges approved in Order No. PSC-98-1550-FOF-WS, issued November 23, 1998, however, they should be changed from customer connection charges to plant capacity charges.

ISSUE 16: Should the utility be required to maintain its books and records in conformity with the 1996 NARUC Uniform System of Accounts (USOA)?

RECOMMENDATION: Yes, the utility should be required to maintain its books and records in conformity with the 1996 NARUC Uniform System of Accounts. (BUTTS, CASEY)

STAFF ANALYSIS: During the test year, the utility's books were not maintained in conformity with the USOA.

Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

Water and Wastewater Utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

Staff has included monies in this recommendation to have the utility's C.P.A. set-up and maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, staff recommends that the utility be required to maintain its books and records in conformity with the 1996 NARUC Uniform System of Accounts.

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
DOCKET NO. 990356-WS

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.		BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$ 0	$ 116,832	A	$ 116,832
LAND/NON-DEPRECIABLE ASSETS	0	2,997	B	2,997
NON-USED AND USEFUL PLANT	0	0		0
CIAC	0	(31,433)	D	(31,433)
ACCUMULATED DEPRECIATION	0	(34,304)	E	(34,304)
AMORTIZATION OF CIAC	0	8,146	F	8,146
WORKING CAPITAL ALLOWANCE	0	3,095	G	3,095
WATER RATE BASE	$ 0	$ 65,333		$ 65,333

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
DOCKET NO. 990356-WS

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.		BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$ 0	$ 248,170	A	$ 248,170
LAND/NON-DEPRECIABLE ASSETS	0	18,519	B	18,519
NON-USED AND USEFUL PLANT	0	(530)	C	(530)
CIAC	0	(117,300)	D	(117,300)
ACCUMULATED DEPRECIATION	0	(191,632)	E	(191,632)
AMORTIZATION OF CIAC	0	55,248	F	55,248
WORKING CAPITAL ALLOWANCE	0	3,570	G	3,570
WASTEWATER RATE BASE	$ 0	$ 16,045		$ 16,045

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
DOCKET NO. 990356-WS

		WATER	WASTEWATER
A.	UTILITY PLANT IN SERVICE		
1.	To reflect utility plant per original cost study.	$ 82,450	$ 249,359
2.	To reflect pro forma hydro-pneumatic tank.	16,826	0
3.	To reflect average pro forma additions to the utility building.	834	0
4.	To reflect pro forma retirement of old hydro-pneumatic tank.	(10,980)	0
5.	To reflect pro forma chlorine alarm with automatic switch-over.	2,227	0
6.	To reflect pro forma back-up motor for well pump.	456	0
7.	To include pro forma meters.	26,075	0
8.	To reflect pro forma blower.	0	952
9.	To reflect averaging adjustment.	(1,056)	(2,141)
		$ 116,832	$ 248,170
B.	LAND		
1.	To reflect original cost of land.	$ 2,997	$ 18,519
C.	NON-USED AND USEFUL PLANT		
1.	To reflect non-used and useful plant.	$ 0	$ (41,325)
2.	To reflect non-used and useful accumulated depreciation.	0	40,795
		$ 0	$ (530)
D.	CIAC		
1.	To impute CIAC as allowed by Rule 25-30.580(b), F.A.C.	$ (31,433)	$ (117,903)
2.	To reflect CIAC averaging adjustment.	0	603
		$ (31,433)	$ (117,300)
E.	ACCUMULATED DEPRECIATION		
1.	To reflect accumulated depreciation per original cost study.	$ (45,471)	$ (194,452)
2.	To reflect pro forma acc. depr. on hydro-pneumatic tank.	(221)	0
3.	To reflect pro forma acc. depr. on additions to the utility building.	(15)	0
4.	To reflect pro forma retirement of old hydro-pneumatic tank.	10,980	0
5.	To reflect pro forma acc. depr. on chlorine alarm.	(159)	0
6.	To reflect pro forma acc. depr. on back-up motor for well pump.	(15)	0
7.	To reflect pro forma acc. depr. on meters.	(835)	0
8.	To reflect pro forma acc. depr. on blower.	0	(32)
9.	To reflect averaging adjustment.	1,432	2,852
		$ (34,304)	$ (191,632)
F.	AMORTIZATION OF CIAC		
1.	To reflect accumulated amortization per original cost study.	$ 8,692	$ 56,596
2.	To reflect averaging adjustment.	(546)	(1,348)
		$ 8,146	$ 55,248
G.	WORKING CAPITAL ALLOWANCE		
1.	To reflect 1/8 of test year O & M expenses.	$ 3,095	$ 3,570

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 990356-WS

	PER AUDIT	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
RETAINED EARNINGS	$ 33,865	$ 0	$ 33,865	$ (16,776)	$ 17,089	21.00%	10.12%	2.13%
PAID IN CAPITAL	14,175	0	14,175	(7,022)	7,153	8.79%	10.12%	0.89%
LONG TERM DEBT	64,365	0	64,365	(31,885)	32,480	39.91%	6.30%	2.51%
LONG TERM DEBT (Pro Forma)	48,660	0	48,660	(24,105)	24,555	30.17%	9.25%	2.79%
COMMON STOCK	200	0	200	(99)	101	0.12%	10.12%	0.01%
CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
TOTAL	$ 161,265	$ 0	$ 161,265	$ (79,887)	$ 81,378	100.00%		8.33%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.12%	11.12%
OVERALL RATE OF RETURN	8.03%	8.63%

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
DOCKET NO. 990356-WS

	TEST YEAR PER AUDIT	STAFF ADJ. TO AUDIT		STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		TOTAL PER STAFF
OPERATING REVENUES	$ 14,538	$ 246	A	$ 14,784	$ 22,406	E	$ 37,190
					151.56%		
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	19,390	5,368	B	24,758	0		24,758
DEPRECIATION (NET)	0	3,930	C	3,930	0		3,930
AMORTIZATION	0	0		0	0		0
TAXES OTHER THAN INCOME	0	2,050	D	2,050	1,008	F	3,058
INCOME TAXES	0	0		0	0		0
TOTAL OPERATING EXPENSES	$ 19,390	$ 11,348		$ 30,738	$ 1,008		$ 31,746
OPERATING INCOME/(LOSS)	$ (4,852)			$ (15,954)			$ 5,444
WATER RATE BASE	$ 0			$ 65,333			$ 65,333
RATE OF RETURN	0.00%			-24.42%			8.33%

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
DOCKET NO. 990356-WS

	TEST YEAR PER UTILITY	STAFF ADJ. TO AUDIT		STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		TOTAL PER STAFF
OPERATING REVENUES	$ 11,088	$ (336)	A	$ 10,752	$ 24,475	E	$ 35,227
					227.64%		
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	27,103	1,460	B	28,563	0		28,563
DEPRECIATION (NET)	0	2,220	C	2,220	0		2,220
AMORTIZATION	0	0		0	0		0
TAXES OTHER THAN INCOME	0	2,006	D	2,006	1,101	F	3,107
INCOME TAXES	0	0		0	0		0
TOTAL OPERATING EXPENSES	$ 27,103	$ 5,686		$ 32,789	$ 1,101		$ 33,890
OPERATING INCOME/(LOSS)	$ (16,015)			$ (22,037)			$ 1,337
WASTEWATER RATE BASE	$ 0			$ 16,045			$ 16,045
RATE OF RETURN	0.00%			-137.34%			8.33%

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B
DOCKET NO. 990356-WS

		WATER	WASTEWATER
A.	OPERATING REVENUES		
1.	a. To adjust utility revenues to audited test year amount.	$ 246	$ (336)
B.	OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages - Employees		
	a. To bring employee salaries to staff's recommended amount.	$ 6,240	$ 6,240
2.	Sludge Removal Expense		
	a. To reflect engineer recommended test year sludge expense.	$ 0	$ 311
3.	Purchased Power		
	a. To reflect repression adjustment.	$ (1,037)	$ (1,688)
4.	Chemicals		
	a. To reclassify chemical expense from Account No. 720.	$ 0	$ 1,222
	b. To allow engineer recommended chemical expense.	136	60
	c. To reflect repression adjustment.	(218)	(994)
		$ (82)	$ 288
5.	Materials and Supplies		
	a. To reclassify chemical expense to Account No. 718.	$ 0	$ (1,222)
6.	Contractual Sevices - Billing		
	a. To amortize set-up cost over 5 years.	$ 70	$ 70
	b. To include billing and collections cost.	1,833	1,833
		$ 1,903	$ 1,903
7.	Contractual Sevices - Professional		
	a. To include DEP permit amortized over 5 years.	$ 0	$ 600
	b. To include 5 year amortized CPA initial set-up cost for USOA.	250	250
		$ 250	$ 850
8.	Contractual Services - Testing		
	a. To include engineer recommended testing amount.	$ 1,107	$ 0
9.	Contractual Services - Other		
	a. To amortize non-recurring expenses over 5 years.	$ (452)	$ (459)
	b To remove contracted expenses which will now be completed by full time employee.	(890)	(2,192)
	c. To change contracted operator to utility employee.	(2,700)	(3,600)
		$ (4,042)	$ (6,251)
10.	Insurance Expenses		
	a. To reflect worker's compensation insurances.	$ 1,029	$ 1,029
	TOTAL O & M ADJUSTMENTS	$ 5,368	$ 1,460
C.	DEPRECIATION EXPENSE		
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	$ 2,865	$ 5,704
2.	To reflect test year amortization expense.	(1,092)	(2,697)
3.	To reflect non-used and useful test year depreciation.	0	(850)
4.	To include depreciation expense on pro forma plant.	2,157	63
		$ 3,930	$ 2,220
D.	TAXES OTHER THAN INCOME		
1.	To include regulatory assessment fees on test year revenue.	$ 665	$ 484
2.	To reflect test year real estate taxes.	31	168
3.	To adjust payroll tax for recommended salaries.	1,316	1,316
4.	To reflect corporate filing fees.	38	38
		$ 2,050	$ 2,006
E.	OPERATING REVENUES		
1.	To reflect staff's recommended increase in revenue	$ 22,406	$ 24,475
F.	TAXES OTHER THAN INCOME		
1.	To reflect additional regulatory assessment fee associated with recommended revenue requirement	$ 1,008	$ 1,101

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE

SCHEDULE NO. 3C
DOCKET NO. 990356-WS

	TOTAL PER AUDIT	STAFF ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$ 9,360	$ 6,240 [1]	$ 15,600
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	2,592	(1,037) [3]	1,555
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	408	(82) [4]	326
(620) MATERIALS AND SUPPLIES	901	0	901
(630) CONTRACTUAL SERVICES - BILLING	0	1,903 [6]	1,903
(631) CONTRACTUAL SERVICES - PROFESSIONAL	718	250 [7]	968
(635) CONTRACTUAL SERVICES - TESTING	467	1,107 [8]	1,574
(636) CONTRACTUAL SERVICES - OTHER	4,155	(4,042) [9]	113
(640) RENTS	94	0	94
(650) TRANSPORTATION EXPENSE	183	0	183
(655) INSURANCE EXPENSE	324	1,029 [10]	1,353
(655) REGULATORY COMMISSION EXPENSE	188	0	188
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	0	0	0
	$ 19,390	$ 5,368	$ 24,758

BREEZE HILL UTILITIES
TEST YEAR ENDING DECEMBER 31, 1998
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3D
DOCKET NO. 990356-WS

	TOTAL PER AUDIT	STAFF ADJUST.		TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$ 9,360	$ 6,240	[1]	$ 15,600
(703) SALARIES AND WAGES - OFFICERS	0	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(710) PURCHASED SEWAGE TREATMENT	0	0		0
(711) SLUDGE REMOVAL EXPENSE	309	311	[2]	620
(715) PURCHASED POWER	4,220	(1,688)	[3]	2,532
(716) FUEL FOR POWER PRODUCTION	0	0		0
(718) CHEMICALS	1,204	288	[4]	1,492
(720) MATERIALS AND SUPPLIES	2,706	(1,222)	[5]	1,484
(730) CONTRACTUAL SERVICES - BILLING	0	1,903	[6]	1,903
(731) CONTRACTUAL SERVICES - PROFESSIONAL	543	850	[7]	1,393
(735) CONTRACTUAL SERVICES - TESTING	1,186	0		1,186
(736) CONTRACTUAL SERVICES - OTHER	6,642	(6,251)	[9]	391
(740) RENTS	27	0		27
(750) TRANSPORTATION EXPENSE	183	0		183
(755) INSURANCE EXPENSE	535	1,029	[10]	1,564
(765) REGULATORY COMMISSION EXPENSES	188	0		188
(770) BAD DEBT EXPENSE	0	0		0
(775) MISCELLANEOUS EXPENSES	0	0		0
	$ 27,103	$ 1,460		$ 28,563

DOCKET NO 990356-WS
August 30, 1999

Attachment A

WATER TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 990356-WS

Date 07/28/99

Utility: Bieber Enterprises, Inc. D/b/a Breeze Hill Utilities

1) Capacity of Plant = 200 GPM *

2) Maximum Daily Flow
(1.1 X 2 X 115 customers) = 253 GPM *

3) Average Daily Flow
(1.1 X 115 customers) = 127 GPM *

4) Fire Flow Capacity
(4 fire hydrants avail. with NSF) = -0- GPM *

5) Margin Reserve (not to exceed 20% of Average GPM):

a) Average Number Customers in ERCs = 92

b) Average Customer Growth in ERCs for most Recent 5 Years = 3

c) Construction Time for Additional Capacity = 5 Years

$$\text{Margin Reserve} = 5b \times 5c \times \left(\frac{2}{5a}\right) = 33 \text{ GPM } *$$

6) Excessive Unaccounted for Water = none GPM *

a) Total Amount -0- GPM = N/A % of Av. GPM Flow

b) Reasonable Amount -0- GPM = N/A % of Av. GPM Flow

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{2 + 4 + 5 - 6}{1}\right] = 100 \%$$ Used and Useful

* This is a closed system. To evaluate its readiness to serve on a gallon per minute (GPM) basis is more appropriate.

Robert T. Davis - Engineer

DOCKET NO 990356-WS
August 30, 1999

Attachment B

WATER DISTRIBUTION SYSTEM — USED AND USEFUL DATA

Docket No. 990356-WS — Date 07/28/99

Utility: Bieber Enterprises, Inc. D/b/a/ Breeze Hill Utilities

1) Capacity 105 ERCs (Number of potential customers without expansion)

2) Average number of TEST YEAR Connections = 92 ERCs

3) Margin Reserve (Not to exceed 20% of present ERCs)

   a) Average yearly customer growth in ERCs for most recent 5 Years = 3 ERCs

   b) Construction Time for Additional Capacity = 5 Years

(3a) x (3b) = 15 ERCs Margin Reserve

PERCENT USED AND USEFUL FORMULA

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

Robert T. Davis - Engineer

DOCKET NO 990356-WS
August 30, 1999

Attachment C

WASTEWATER TREATMENT PLANT — USED AND USEFUL DATA

Docket No. 990356-WS — Date 01/04/99

Utility: Bieber enterprises, Inc. d/b/a Breeze Hill Utilities

1) Capacity of Plant = 40,000 gallons per day

2) Average Daily Flow = 19,470 gallons per day

3) Margin Reserve (Not to exceed 20% of present customers)

a) Average number of customers in ERCs 92 ERCs

b) Customer yearly customer growth in ERCs for Most Recent 5 Years Including Test Year 3 ERCs

c) Construction Time for Additional Capacity 5 Years

$$(3b) \times (3c) \times \left[\frac{2}{(3a)}\right] = 3,180 \text{ gallons per day}$$

4) Excessive Infiltration N/A gallons per day

a) Total Amount N/A gallons per day N/A % of Av. Daily Flow

b) Reasonable Amount N/A gallons per day N/A % of Av. Daily Flow

c) Excessive Amount N/A gallons per day N/A % of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\frac{[(2) + (3)] - 4}{1} = 56.63 \% \text{ Used and Useful}$$

Robert T. Davis Engineer

DOCKET NO 990356-WS
August 30, 1999

Attachment D

WASTEWATER COLLECTION SYSTEM USED AND USEFUL DATA

Docket No. 990356-WS Date 01/04/99

Utility: Bieber Enterprises, Inc. d/b/a Breeze Hill Utilities

1) Capacity of present collection system 105 ERCs

2) Average number of ERCs for the Test Year 92 ERCs

3) Margin Reserve (not to exceed 20% of present ERCs):

a) Average Yearly Customer Growth in ERCs for Most Recent 5 3

c) Construction Time for Additional Capacity 5 Years

(3a) x (3b) = 15 ERCs Margin Reserve

PERCENT USED AND USEFUL FORMULA

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

Robert T. Davis Engineer