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: 07/20/2000

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

FROM: DIVISION OF ECONOMIC REGULATION (KYLE, QUIJANO, EDWARDS, SLINGO, MERCHANT, CROUCH)
DIVISION OF LEGAL SERVICES (CHRISTENSEN, GERVASI)

RE: DOCKET [redacted] - APPLICATION FOR INCREASE IN WATER RATES BY WEDGEFIELD UTILITIES, INC.
COUNTY: ORANGE

AGENDA: 08/01/2000 - REGULAR AGENDA - PROPOSED AGENCY ACTION, EXCEPT FOR ISSUES 22 AND 23 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 5-MONTH EFFECTIVE DATE: AUGUST 4, 2000 (PAA RATE CASE)

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\991437.RCM

CASE BACKGROUND

Wedgefield Utilities, Inc. (Wedgefield or utility) is a Class B utility which, according to the Minimum Filing Requirements (MFRs) filed in this rate case, serves approximately 840 water and wastewater customers in Orange County, Florida. Wedgefield is a wholly-owned subsidiary of Utilities, Inc. In its annual report for 1998, the utility reported operating revenues of $252,903.

Rate base was last established for Wedgefield's water facilities by Order No. PSC-98-1092-FOF-WS, issued August 12, 1998, in Dockets Nos. 960235-WS and 960283-WS, pursuant to a transfer of the utility's assets from Econ Utilities Corporation.

On November 12, 1999, Wedgefield filed an application for an increase in water rates. The utility was notified by staff of

several deficiencies in the filing. Those deficiencies were corrected and the official filing date was established as February 29, 2000, pursuant to Section 367.083, Florida Statutes.

The utility's requested test year for final and interim purposes is the historical year ended June 30, 1999. Also, the utility requested that this case be processed using the Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes.

In its MFRs, the utility has requested final revenues of $404,098 for water. This represents a revenue increase of $144,838 (55.88%) for water. The final revenues are based on the utility's request for an overall rate of return of 8.34%. By Order No. PSC-00-0910-PCO-WU, issued May 8, 2000, the Commission suspended the rates requested by the utility pending final action and approved interim rates, subject to refund and secured by a corporate undertaking. The interim rates were designed to allow the utility the opportunity to generate additional annual operating revenues of $103,394 for its water operations (an increase of 40.19%).

As part of the PAA process, staff held a customer meeting on May 31, 2000, in Orlando, Florida. Staff discusses the meeting in Issue 1.

This recommendation addresses staff's recommended adjustments in this rate case. Staff also is recommending that the utility's water service availability charges be increased. Further, staff is recommending that the utility's books and records are not in compliance with the National Association of Utility Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA), and that it should be required to show cause, in writing within 21 days, why it should not be fined $3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code.

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ACCOUNTING AND RATE SCHEDULES

DISCUSSION OF ISSUES

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Wedgefield Utilities, Inc. satisfactory?

RECOMMENDATION: Yes, the quality of service is satisfactory. (EDWARDS)

STAFF ANALYSIS: In order to determine the overall quality of service provided by a utility, Commission staff evaluates three separate components of water operations. These are (1) the quality of the utility's product, (2) the operating conditions of the utility's plant and facilities, and (3) customers' satisfaction. Rule 25-30.433, Florida Administrative Code, also states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the County Health Department over the preceding three year period will be considered. The DEP and health department officials' input as well as customer comments will also be considered.

Wedgefield's service area is located approximately 25 miles south of I-4 on State Road 520 in Orlando, Florida. The utility provides water service to approximately 864 residential, 20 irrigation accounts, and 4 general service or commercial customers. The raw water is obtained from 2 wells in the area and treatment includes aeration, softening, chlorination, and storage (which is provide by a 350,000 gallon ground storage tank). Wastewater service is provided to existing customers by means of a 200,000 gallons per day (gpd) wastewater treatment plant. Effluent is disposed of by means of spray irrigation to a nearby privately owned golf course, and two percolation ponds owned by the utility.

Quality of The Product

Staff acknowledges that the finished product meets standards, and both staff and the DEP engineer concur that the finished product is satisfactory. However, all of the agencies (DEP, St. Johns River Water Management District (SJRWMD), and FPSC) involved have concerns regarding the unaccounted for water. Unaccounted for water is addressed, in further detail, in Issue 7.

Quality of Plant

On April 28, 2000, the staff engineer conducted a field inspection of the facilities. The investigation revealed that Wedgefield is currently in compliance with the Department of Health and DEP's rules and regulations. In addition, this utility is listed under the jurisdiction of SJRWMD. SJRWMD has placed water usage restrictions on Orange County.

Water Treatment Facilities: The plant has a source of supply permitted capacity of 0.356 million gpd. The utility's water treatment facilities consist of: two wells (8" & 10" cased), 25 horsepower pumps, a 12,000 gallon hydro pneumatic tank, two ion exchange softening units, and a gas chlorine injection system. At the time of the engineering investigation, the water treatment facilities appeared to be operating properly.

Water Distribution System: The water distribution system mains are polyvinyl chloride (PVC), concrete asbestos (CA), and ductile iron (DI) (2", 4", 6", 8", 10", 12", & 14" pipes). During the engineering investigation, the distribution system appeared to be operating properly.

At this time, the utility has no outstanding citations or violations on file with the DEP. The only deficiency detected by DEP officials was an accedence level of copper in water, which was noted by a DEP inspector during the most recent sanitary survey which was conducted in 1999. This deficiency had not been corrected; however, the utility has addressed this issue by treating the raw water with Aquadene, a corrosion inhibiter.

Customer Satisfaction

On May 31, 2000, staff conducted a customer meeting which was held in Orlando, Florida, at Wedgefield's Country Club. There was a relatively small representation of the total population. Twenty-one customers attended the customer meeting and seven registered complaints. The opinion expressed by the majority of the customers present was an expression of disagreement with any form of a rate increase. The customers feel that they should not be required to pay more for water and that a rate increase is unwarranted. The utility received 48 customer complaints during the test year. These included no billing complaints, 14 complaints of low pressure, and 6 complaints about an odor from a water treatment plant. The remaining 28 complaints concerned wastewater service problems. All complaints appear to have been resolved by utility personnel in a reasonable period of time.

On July 13, 2000, a Wedgefield customer filed an unsigned petition from the "residents of the Wedgefield Community" listing several complaints about the quality of service provided by Wedgefield. These complaints concerned pressure problems, alleged violations of the Environmental Protection Agency (EPA) Lead and Copper rule, sediment in the water, and corrosion of home plumbing. Staff has contacted this customer by phone to advise that she may participate at the agenda conference, as well as to advise her that if she, or other customers, wish to request a hearing after the Commission renders its PAA decision, they must do so, in writing, within the protest period which will be identified in the Notice of Further Proceedings or Judicial Review attached to the PAA Order.

Wedgefield has extremely corrosive water. Along with direction and permission of DEP, the utility is attempting to solve this problem. They are not in violation of DEP standards in this respect. While the utility has exceeded levels set by EPA concerning lead and copper, these excesses are at the homes and interior faucets and not in the finished water provided at the point of delivery to the customers. The corrosiveness of the water causes leaching of copper particles from pipes within the homes. It is normal procedure for the homeowner to take appropriate samples of the water within the home. These samples are not taken by the utility. It should be noted that lead and copper samples should not be taken from homes which have a home treatment (softener) unit since water softeners cause the water to be even more corrosive. Hard water and corrosive water by their very nature cause discoloration of sinks and faucets and formation of a scale on some surfaces. Wedgefield is working closely with DEP in an attempt to lower the corrosivity of its finished product.

Other than the copper testing, Wedgefield is not in violation of any DEP/EPA standard and is making every effort to improve the quality of its finished product by adding Zinc Orthophosphate to its water. EPA's lead and copper testing procedures specify that testing be done by the homeowner, and that testing be accomplished every six months starting within 60 days after the installation of the new Zinc Orthophosphate system. The 60 day delay is to allow the chemicals sufficient time to "coat" the pipes and decrease the corrosive action.

The petition also complained about pressure problems. It referred to pressure in the 35-45 psi range. This is well within the range specified by DEP, which requires the utility to maintain a minimum of 20 psi.

Summary

The quality of product by DEP's standards is satisfactory, and the operating conditions of the plant are satisfactory. In view of the information presented above, staff recommends that the Commission find that the quality of service provided by Wedgefield, in treating and distributing water, is satisfactory.

RATE BASE

ISSUE 2: What adjustments, if any, should be made to the utility's plant-in-service, accumulated depreciation, and depreciation expense?

RECOMMENDATION: Plant-in-service should be decreased by a total of $105,166. Accumulated depreciation should be decreased by a total amount of $74,119. Depreciation expense should be decreased by a total of $13,796. (KYLE)

STAFF ANALYSIS: During the course of this rate case, staff auditors conducted an audit of Wedgefield's MFR schedules. Most of the field work was done at Utilities, Inc.'s offices, along with a tour of the utility's facilities in the service area. The audit report included a number of exceptions and recommendations for adjustments. In its response to the Audit Report, dated June 12, 2000, Wedgefield did not state any objections to the adjustments discussed in this issue.

Plant-in-Service

In Audit Exception No. 2, staff auditors compared amounts booked by the utility with the transfer balances approved by the Commission in Order No. PSC-96-1241-FOF-WS, issued October 7, 1996, in Dockets Nos. 960235-WS and 960283-WS. The auditors noted that Wedgefield booked $1,417 in transfer costs which were not authorized by the transfer order. In Order No. PSC-93-1713-FOF-SU, issued November 30, 1993, in Docket No. 921293-SU, the Commission ordered transfer costs to be removed from rate base, stating:

> We believe that the costs incurred for a transfer should not be capitalized and should be recorded as below the line costs of the shareholder. If a utility were purchased and resold several times, capitalizing acquisition costs would result in the rate base being artificially inflated above the original cost of the assets. We believe the only organizational costs which should be allowed are those that are incurred when a utility is first organized. Those organizational costs incurred beyond that time frame serve to benefit the shareholder and not the ratepayer. (Id. at 9)

Accordingly, staff recommends that plant-in-service be reduced by $1,417.

In Audit Exception No. 3, staff auditors stated that their tour of water plant facilities conducted as part of their audit revealed that certain pressure tanks, wells and pumps on the utility's books were no longer in service. These assets, with a total original cost of $64,087, should be retired and plant-in-service should be reduced accordingly.

Audit Exception No. 4 is the result of the staff auditors' analysis of additions to plant-in-service since the transfer of assets from Econ Utilities. The auditors identified a total of $16,040 in costs such as Florida Public Service Commission (FPSC) filing fees, major repairs and professional fees which should not have been capitalized as plant-in-service. The audit workpapers indicate that the majority of these costs were incurred prior to the test year and should be removed in their entirety. A smaller portion of the costs were incurred during the test year, so that only half of the costs were included in the average balances submitted in the MFRs. Accordingly, staff recommends that plant-in-service for this rate case should be reduced by $13,863, and that the utility make the adjustments to its books as recommended in the staff audit report.

Staff recommends that two adjustments be made as a result of Audit Exception No. 5. Staff auditors identified $18,342 in asset transfer costs which are non-utility expenses which should be removed from rate base. Additionally, the audit revealed that invoices totaling $5,034 for maintenance equipment were recorded on the water system books. This amount should have been split between water and wastewater; therefore, staff recommends a reduction to water plant-in-service in the amount of $2,517.

In Audit Exception No. 6, staff auditors noted that Wedgefield included in its MFRs a pro forma addition of $13,172 for a new diesel fuel storage tank. The utility did not make a corresponding adjustment to reflect the retirement of the tank being replaced. Prior utility policy is to record 75 percent of the new asset's purchase price as retirement when original cost cannot be determined. Accordingly, the utility should record a reduction of $9,879 on its books to reflect retirement of the old tank, and average plant-in-service for this rate case should be reduced by the $4,940.

Schedule 1-B summarizes the above recommended adjustments, which would result in a total reduction to test year plant-in-service of $105,166.

Accumulated Depreciation

Staff believes that several adjustments to accumulated depreciation should be made as a result of recommended adjustments to plant described in the preceding section. NARUC Accounting Instruction 27 B. (2) requires an equal charge to accumulated depreciation when an asset is retired. Accordingly, staff recommends that accumulated depreciation be reduced by $64,087 for assets identified by staff auditors in Audit Exception No. 3 as no longer in service, and by $4,940 for the retirement of the old fuel storage tank recommended in Audit Exception No. 6.

Additionally, staff has calculated corresponding reductions in accumulated depreciation associated with other recommended adjustments to plant. The reclassification of non-capitalized amounts pursuant to Audit Exception No. 4 would result in a decrease in accumulated depreciation of $1,660. The removal of non-utility transfer costs and reclassification of maintenance equipment to wastewater pursuant to Audit Exception No. 5 would result in decreases to accumulated depreciation of $1,064 and $609, respectively.

Finally, staff has recalculated depreciation expense for the test year resulting from recommended adjustments to plant-in-service. Staff recommends that Depreciation expense be decreased by $3,519, with a corresponding decrease in average test year accumulated depreciation of $1,759.

Schedule 1-B summarizes the above recommended adjustments, which would result in a total reduction to test year accumulated depreciation of $74,119.

Depreciation Expense

If staff's recommended used and useful adjustments are made, staff recommends a corresponding reduction in test year depreciation expense of $10,277 in addition to the reduction proposed by the utility in the MFRs. This amount, combined with the reduction of test year depreciation expense resulting from adjustments to plant-in-service described in the preceding section would result in a total decrease in depreciation expense of $13,796.

ISSUE 3: Should accumulated depreciation be adjusted to reflect overstated depreciation calculations in years prior to the test year resulting from the utility's recording assets in incorrect sub-accounts?

RECOMMENDATION: No. The utility should not be allowed to adjust accumulated depreciation as filed in the MFRs. The utility should, however, be ordered to correct its books and records on a going-forward basis. (KYLE)

STAFF ANALYSIS: In Audit Exception No. 2, staff auditors stated that, in addition to overstating the plant-in-service transferred from Econ Utilities, Wedgefield recorded many of the assets and associated accumulated depreciation in the wrong sub-accounts. As a result, incorrect depreciation rates have been applied to some asset groups since the transfer. The auditors re-calculated accumulated depreciation and stated that the utility's accumulated depreciation as of the beginning of the test year was overstated by $10,855.

Staff does not recommend an adjustment to the accumulated depreciation reflected in the MFRs for this overstatement. Staff believes that it is inappropriate for the Commission to allow utilities to recalculate reserves as a result of errors in maintaining books and records in prior years. Pursuant to Rule 25-30.110(5)(b), Florida Administrative Code, the utility filed annual reports from 1996 to 1999 and has certified that these reports were in substantial compliance with all applicable rules and orders of the Commission. The Commission has relied on these reports for purposes of monitoring the utility's earnings level. Because the utility has already expensed the higher level of depreciation, staff believes the utility has fully recovered the associated costs.

The Commission similarly declined to re-calculate accumulated depreciation in a limited proceeding request filed by Aloha Utilities, Inc. See Order No. PSC-99-1917-PAA-WS, issued September 28, 1999, in Dockets Nos. 970536-WS and 980245-WS, and Consummating Order No. PSC-99-2083-CO-WS, issued October 21, 1999.

Staff recommends that no adjustment be made to accumulated depreciation, but that the utility be ordered to make the appropriate corrections on a going-forward basis.

ISSUE 4: What adjustments, if any, should be made to Contributions-in-Aid-of-Construction (CIAC), and Accumulated Amortization of CIAC?

RECOMMENDATION: CIAC should be increased by $750. Accumulated amortization of CIAC should be increased by $12. (KYLE)

STAFF ANALYSIS: In Audit Exception No. 8, staff auditors disclosed that water service availability fees totaling $1,500 in the test year were incorrectly recorded in the utility's wastewater CIAC account. Accordingly, staff recommends that water CIAC and accumulated CIAC should be increased by average amounts of $750 and $12, respectively.

Additionally, in Audit Exception No. 8, the staff auditors noted, and the utility agreed, that Wedgefield failed to record CIAC Amortization Expense in 1996, resulting in an understatement of the Accumulated Amortization of CIAC account in the amount of $20,931. Staff does not recommend an adjustment to the accumulated amortization of CIAC reflected in the MFRs for this understatement. As noted in the analysis of a similar issue related to accumulated depreciation in Issue 3, staff believes that it is inappropriate for the Commission to recalculate reserves as a result of errors in maintaining books and records in prior years. Pursuant to Rule 25-30.110(5)(b), Florida Administrative Code, the utility filed annual reports from 1996 to 1999 and has certified that these reports were in substantial compliance with all applicable rules and orders of the Commission. The Commission has relied on these reports for purposes of monitoring the utility's earnings level. Accordingly, staff believes that it is not appropriate to make an adjustment to correct this error.

ISSUE 5: Should the parcel of land purchased on June 18, 1999, be considered 100 percent used and useful? If not, what percentage should be allowed?

RECOMMENDATION: No, the land should not be considered 100% used and useful. In its official filing and also in its response to the auditor's report, the utility stated that the land was purchased for future water plant. However, staff recommends allowing 25% of the land that was purchased, for future plant, to be considered use and useful. Accordingly, used and useful land should be reduced by $8,888. (EDWARDS, KYLE)

STAFF ANALYSIS: On June 18, 1999, the utility purchased a parcel of land located adjacent and parallel to the water plant. The utility included this purchase in Account 303 (Land & Land Right) of its accounting records. However, after reviewing the utility accounting records, staff auditors determined that the land had been recorded in the wrong account and should be reclassified to Account 103 (Land Held for Future Use).

The utility requested that all of this land be considered 100% used and useful. However, in its response to the staff audit report dated May 6, 2000, the utility stated that "The purchase of Parcel C provides sufficient land on which to locate additional wells and storage, and it provides a buffer between the water treatment and storage facilities and platted residential lots. The purchase of Parcel C also guarantees access to an existing well site and to supply and related mains already running in different directions through Parcel C in various places and to any other wells or mains that may be required to be located on the property." Staff agrees that this parcel provides sufficient land on which to locate **additional** wells and storage and is not used totally for existing purposes.

After reviewing the parcel of land, engineering staff determined that 25% of the 40,301 square feet (sq. ft.) parcel should be considered used and useful.

In determining the land used and useful percentage, the staff engineer's calculation included three considerations. First, the existing well No. 3 was located on that parcel of land. Second, DEP's well head safety rule should be observed (100 foot radius). While DEP requires a 100 foot radius for well head safety, only a segment of the circle is actually within the purchased land in question. Therefore, staff recommends that 9,500 square feet of the circle located within the purchased parcel be considered used and useful. Third, accessibility would be required in order to

provide maintenance to the well No. 3; therefore, an easement would also be necessary. (A map is available upon request.)

In conclusion, staff recommends that the total area of the land purchased (40,301 sq. ft.), minus the amount of easement required (10' x 45' sq. ft.) and minus the area contained in the radius for the DEP well head safety rule (approx. 9,500 sq. ft) should be considered non-used and useful (approximately 75%). Accordingly, used and useful land should be decreased by $8,888, which is 75% of the average land balance of $11,850.

ISSUE 6: What percentage of the utility's water treatment plant and distribution system is used and useful?

RECOMMENDATION: The water treatment plant should be considered 76%, and the water distribution system should be considered 66% used and useful. Accordingly, used and useful plant should be reduced by $706,209 and used and useful accumulated depreciation should be reduced by $205,813. Used and useful CIAC should be reduced by $11,941 and used and useful accumulated amortization of CIAC should be reduced by $372. Used and useful depreciation expense, property taxes and CIAC amortization expense should be reduced by $19,924, $4,818, and $743, respectively, to reflect the expenses associated with the non-used and useful plant. (EDWARDS, KYLE)

STAFF ANALYSIS: On February 29, 2000, Wedgefield filed an application for a rate increase. In its filing, the utility requested that the used and useful percentage for the plant and distribution system be in excess of 100% and 66%, respectively. The utility's calculation included a 5-year allowance for growth (margin reserve). The utility's records for the test year were utilized to calculate the used and useful percentage. Currently, the utility's records indicate that the system is operating properly.

Water Treatment System

The utility calculated the treatment plant to be over 100% used and useful in their MFR's. The utility had several inconsistencies in its calculation of water plant used and useful. The utility used a single maximum day demand instead of maximum five days. It also calculated used and useful by component instead of the overall treatment plant and in so doing, it used an incorrect margin reserve for each component, as well as a questionable firm reliable capacity for its Ion Exchange units.

The water treatment plant has a source of supply design capacity of 891,000 gpd. As stated above, the utility used a single maximum day in its calculation. The Commission's practice has been to use a five maximum day average in order to compensate for line breaks, fires, or other anomalies which could cause a single day to reflect usage out of the normal range. (See Orders Nos. PSC-96-0663-FOF-WS, issued May 13, 1996, in Docket No. 950336-WS, and PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS.) The five maximum day average flow, per the utility's records, is 507,000 gpd. The fire flow requirement equates to 120,000 gpd (500 gallons per minute (gpm) at 4 hours). Customer growth for the

previous five years was calculated to be 33.3 equivalent residential connections (ERCs) per year which equates to 97,350 gpd. Staff has calculated the excessive unaccounted for water which exceeds 10% to be 17.1% or 49,031 gpd. In accordance with the formula method for calculating used and useful, the water plant is considered 76% used and useful. This is calculated by taking the five maximum days average flow to which are added the growth allowance and the fire flow requirement and subtracting the excess unaccounted for water which produces the flows that are then divided by the plant capacity. The calculation is summarized in Attachment A to this issue.

The 76% used and useful should be applied to the following accounts:

304.3 Structure & Improvements
320.3 Water Treatment Equipment

Water Distribution System

Wedgefield's customer base is predominantly residential, and in this case lots are equivalent to equivalent residential connections (ERCs). The water distribution system has the potential to serve an estimated 1,323 equivalent residential lots or connections without the construction of additional distribution mains. The average number of connections served during the test year was 860 lots. Growth over the past five years was calculated to be 33.3 lots per year. In accordance with the formula method of calculating used and useful, staff calculates the distribution system to be 77% used and useful. This is calculated by taking the test year lots plus the growth allowance then dividing that total by the estimated capacity in lots. The calculation is summarized in Attachment B to this issue.

The utility, however, calculated and requested 66% used and useful for its distribution system. Staff recommends that the utility's request be accepted.

The 66% used and useful should be applied to the following accounts:

330.4 Distribution Reservoirs & Standpipes
331.4 Transmission. & Distribution Mains
333.4 Services
335.4 Hydrants

Summary

Based on the above, staff recommends that water treatment plant should be considered 76% used and useful. Further, the water distribution system should be considered 66% used and useful.

The total cost of Wedgefield's water plant is $2,669,595. The non-used and useful portion, 24% of the water treatment plant and 34% of the water distribution system, is $706,209. The portion of accumulated depreciation associated with the non-used and useful plant is $205,813 and the depreciation expense is $19,924. Non-used and useful CIAC is $11,941, non-used and useful accumulated amortization of CIAC is $372, and non-used and useful CIAC amortization expense is $743. The percentage of non-used and useful plant to total plant is 26.67%. Staff has also removed $4,818 for non-used and useful property taxes, or 26.67% of the total property taxes of $18,065.

Attachment A

Water Treatment Plant - Used and Useful Data

Docket No. 991437 - WU Wedgefield Utilities, Inc.

1)	Capacity of Plant	315,000 + 579,000	gallons per day
2)	Average of 5 maximum days from maximum month	507,000	gallons per day
3)	Average Daily Flow	286,731	gallons per day
4)	Fire Flow Capacity	120,000	gallons per day
	a) Required Fire Flow		gallons per day
	(If utility is not providing required fire flow, explain)		
5)	Growth	97,350	gallons per day
	a) Test year Customers in ERC's: Begin	851	
	End	868	
	Avg	860	
	(Use average number of customers)		
	b) Customer Growth in ERC's using Regression Analysis for most recent 5 years including Test Year	33	ERC's
	c) Statutory Growth Period	5	Years
	(b)x(c)x [2\(a)]= 111,855 gallons per day for growth		
6)	Excessive Unaccounted for Water	49,031	gallons per day
	a) Total Unaccounted for Water	77,704	gallons per day
	Percent of Average Daily Flow	27.1%	
	b) Reasonable Amount	28,673	gallons per day
	(10% of average Daily Flow)		
	c) Excessive Amount	49,031	gallons per day

USED AND USEFUL FORMULA

(2 + 5 + 4 - 6) / 1 = 76% Used and Useful

Attachment B

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

Docket No. 991437-WU Wedgefield Utilities, Inc.

1)	Capacity of System	1,323	lots or connections (Number of potential customers, ERC's or Lots without expansion)
2)	Test year connections		
	a) Beginning of Test Year	851	lots or connections
	b) End of Test Year	868	lots or connections
	c) Average Test Year	860	lots or connections
3)	Growth	165	lots or connections

(Use End of Test Year and End of Previous Years for growth connections)

a) customer growth in connections for last 5 years including Test Year using Regression Analysis	33	lots or connections
b) Statutory Growth Period	5	Years

(a)x(b) = 165 connections allowed for growth

USED AND USEFUL FORMULA

(2 + 3) / 1 = 77% Used and Useful

ISSUE 7: Does Wedgefield have excessive unaccounted for water and if so, what adjustments should be made?

RECOMMENDATION: Yes, Wedgefield has 17.1% excessive unaccounted for water. Therefore, allowable expenses for purchased electricity should be reduced by $2,565 and allowable chemical expenses should be reduced by $8,643. (EDWARDS, KYLE)

STAFF ANALYSIS: It is Commission practice to allow 10% of the total water treated as acceptable unaccounted for water in order to allow for a reasonable amount or non-revenue producing water caused by stuck meters, line flushing, etc. (See Orders Nos. PSC-00-0248-PAA-WU, issued February 7, 2000, in Docket No. 990535-WU, Consummating Order PSC-00-0434-CO-WU, issued March 2, 2000, and PSC-00-2005-PAA-WU, issued June 7, 2000, in Docket No. 000331-WU, Consummating Order PSC-00-1196-CO-WU, issued July 3, 2000). Wedgefield reported 104.657 million gallons of water treated during the test year and 28.323 million gallons were unaccounted for. Since Wedgefield experienced a total of 27.1% of unaccounted for water, staff recommends, in accordance with Commission practice, that 17.1% be considered excessive and that allowable expenses for purchased electricity be reduced by $2,565 and expenses for chemicals be reduced by $8,643.

ISSUE 8: What is the appropriate working capital allowance?

RECOMMENDATION: The appropriate amount of working capital is $17,485 based on the formula approach. (QUIJANO)

STAFF ANALYSIS: Rule 25-30.433(2), Florida Administrative Code, requires that Class B utilities use the formula method, or one-eighth of operation and maintenance (O&M) expenses, to calculate the working capital allowance. The utility has properly filed its allowance for working capital using the formula approach. Staff has recommended several adjustments to the utility's balance of O&M expenses to reflect an adjusted amount of $140,242. Accordingly, the working capital allowance should be $17,530. This is a decrease of $2,659 from the utility's requested working capital allowance.

ISSUE 9: What is the appropriate rate base?

RECOMMENDATION: The appropriate water rate base for the test year ended June 30, 1999 is $956,803. (KYLE)

STAFF ANALYSIS: Staff has calculated Wedgefield's water rate base, using the utility's MFRs with adjustments as recommended in the preceding issues, as $956,803.

COST OF CAPITAL

ISSUE 10: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the test year ended June 30, 1999?

RECOMMENDATION: The appropriate overall cost of capital is 8.34%, with a range of 7.91% to 8.77%. The return on equity (ROE) should be 9.82%, with a range of 8.82% to 10.82%. (KYLE)

STAFF ANALYSIS: Based upon the proper components, amounts and cost rates associated with the capital structure for the test year ended June 30, 1999, staff recommends a weighted average cost of capital of 8.34%.

In its MFRs, Wedgefield used the capital structure of Utilities, Inc., with the exception of customer deposits and deferred taxes, which were specifically identified. However, the deferred taxes and customer deposits stated in the MFRs include amounts related to both water and wastewater. Staff has calculated the amounts allocable to water operations as $6,084 for customer deposits, based on water billing units as a percentage of total billing units, and $47,053 for deferred taxes, based on average water plant as a percentage of total plant. These amounts were used by staff in calculating ROE.

Staff agreed with and used the cost rates provided by Wedgefield with the exception of the cost rate for common equity. Based upon the adjustment discussed above and the application of the leverage formula approved in Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, the ROE decreased slightly from 10% filed by the utility to 9.82%.

Schedule No. 2 shows the components, amounts, cost rates and weighted average cost of capital associated with the test year. Staff recommends approval of an overall rate of return of 8.34%, with a range of 7.91% to 8.77%, and a return on equity of 9.82%, with a range of 8.82% to 10.82%.

ISSUE 11: What is the appropriate allowance for funds used during construction (AFUDC) rate?

RECOMMENDATION: The annual AFUDC rate for Wedgefield should be approved at 8.34%, in accordance with Rule 25-30.116, Florida Administrative Code, with a discounted monthly AFUDC rate of .695013%, to be applied to Wedgefield's qualified construction projects, effective July 1, 1999. (KYLE)

STAFF ANALYSIS: In Schedule A-15 of its MFRs, Wedgefield requested the approval of an AFUDC rate based on the cost of capital used in this proceeding. As discussed in Issue 10, staff has recommended that the appropriate cost of capital for this proceeding should be 8.34%. Accordingly, staff recommends that an annual AFUDC rate of 8.34% be approved and a discounted monthly rate of .695013% be applied to Wedgefield's qualified construction projects, beginning on July 1, 1999.

Net Operating Income

ISSUE 12: Should adjustments be made to operation and maintenance expenses for non-utility items?

RECOMMENDATION: Yes. Operation and maintenance expenses should be reduced by $604 to remove the allocation for non-utility shareholder expenses and keyman/life and fiduciary life insurance premium expenses. (QUIJANO)

STAFF ANALYSIS: In Audit Exception No. 9, the staff auditors found that the utility recorded payments of $35,000 for two special Board of Director meetings in which the agenda was limited to discussions concerning shareholder issues and an invoice of $12,300 for consulting services related to additional shareholder services. Wedgefield's allocated portion of this expense was $187.

The Commission has disallowed this type of expense when incurred by a parent and passed through to subsidiary companies. The Commission has addressed stockholder relations expense for other utilities. See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS. In that Order, the Commission found that shareholder costs were built into the component of the leverage formula for the cost of equity and recovery of additional shareholder expenses would be duplicative. Based on the above, staff recommends that the allocation of $187 for non-utility shareholder expenses be disallowed for the test year.

Also, in Audit Exception No. 9, the staff auditors found that the utility recorded premiums of $88,398 from the parent company for insurance expenses. Wedgefield's allocated portion of this expense is $417. This amount includes the costs for life insurance policies for officers and key employees in which Utilities, Inc., the parent, is the beneficiary. Also, included in insurance expense are costs for fiduciary policies protecting directors, officers, and pension funds.

Staff believes that the purpose of these policies is to protect the utility and that these expenses do not demonstrate a clear benefit to the ratepayers. The Commission has previously addressed this same issue for Utilities, Inc. in the Mid-County Services, Inc., rate case. By Order No. PSC-98-0524-FOF-SU, issued April 16, 1998, in Docket No. 971065-SU, the Commission disallowed these costs as non-utility expenses. Accordingly, staff recommends that the allocation of $417 for insurance expense be disallowed in this rate case. The total adjustment for non-utility expenses is a reduction of $604.

ISSUE 13: What is the appropriate amount of rate case expense?

RECOMMENDATION: The appropriate rate case expense for this docket is $42,992. This expense is to be recovered over four years for an annual expense of $10,748. (QUIJANO)

STAFF ANALYSIS: The utility included a $79,200 estimate in the MFRs for current rate case expense. As part of its analysis, staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete. The utility submitted a revised estimated rate case expense through completion of the Proposed Agency Action (PAA) process of $49,148. The components of the estimated rate case expense are as follows:

			REVISED ESTIMATE	
	MFR ESTIMATED	ACTUAL	ADDITIONAL ESTIMATE	TOTAL
Filing Fee	$2,000	$2,000	$0	$2,000
Legal Fees	35,000	14,349	3,500	17,849
Consultant Fees	15,000	4,766	1,500	6,266
Capitalized Time	22,200	16,829	1,000	17,829
Miscellaneous Expense	5,000	5,104	100	5,204
Total Rate Case Expense	$79,200	$43,048	$6,100	$49,148
Annual Amortization	$19,800			$12,287

Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Staff believes that the revised estimate is prudent with the exception of $6,156 incurred to refile the MFR deficiencies. This amount is believed to be unreasonable.

Florida Statutes 367.081(7) states that:

> The Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. No rate case expense determined to be unreasonable shall be paid by a consumer.

On October 4, 1999, Wedgefield filed a request for the approval of a test year ended June 30, 1999, for its water system. This request was approved by the Chairman on October 19, 1999. The

utility then filed its MFRs with the Commission on November 12, 1999. After reviewing the information on the MFRs, staff determined that there were deficiencies. A letter was sent out on November 30, 1999 identifying eight (8) specific deficiencies on the MFRs. Some of the specifics were failure to submit a breakdown of CIAC and Accumulated Amortization of CIAC by account or classification, failure to provide allocation of expenses between water and wastewater systems, failure to submit appropriate system maps, and failure to submit a detailed description and itemization of distribution of expense for the test year ended June 30, 1999. The utility had filed its distribution of expense report for the year end December 31, 1998, instead of the test year June 30, 1999.

The utility submitted its first deficiency response on December 8, 1999. After reviewing the information, staff still was not satisfied because the utility did not provide all information requested as a deficiency. In our review of that first MFR deficiency response, staff became aware that the utility had used year-end 1998 allocations of expenses from its parent company mixed with June 30, 1999 test year data for specific Wedgefield expenses. Staff sent a second deficiency letter on January 7, 2000 and required the utility to resubmit its MFRs using all June 30, 1999 test year data, and not a blend of two separate years of data. Staff believes that the decision to file for a specific test year was the utility's choice. It then made a management decision to file incorrect test year data. As a result, it had to resubmit a completely revised set of MFRs. Staff believes that this additional cost to completely re-do the MFRs would not have been incurred if the utility had used its approved test year correctly when it submitted its MFRs the first time.

The official filing date was established on February 29, 2000, after the utility had completely satisfied the minimum filing requirements. Staff believes that all expenses incurred pertaining to deficiencies on the MFRs for the period of December 1, 1999 through February 29, 2000, in the amount of $6,156 are unreasonable. Therefore, we recommend that this cost be disallowed as rate case expense. However, the cost incurred for providing the maps should be allowed because the utility would have incurred this expense had they submitted the correct map initially.

Staff recommends that the appropriate total rate case expense is $42,992. A breakdown of the allowance of rate case expenses is as follows:

	MFR ESTIMATED	UTILITY REVISED ACTUAL & ESTIMATE	STAFF ADJUSTMENTS	STAFF ADJUSTED BALANCE
Filing Fee	$2,000	$2,000	$0	$2,000
Legal Fees	35,000	17,849	1,386	16,463
Consultant Fees	15,000	6,266	451	5,815
Capitalized Time	22,200	17,829	4,319	13,510
Miscellaneous Expense	5,000	5,204	0	5,204
Total Rate Case Expense	$79,200	$49,148	$6,156	$42,992
Annual Amortization	$19,800			$10,748

The recommended allowable rate case expense is to be amortized over four years, pursuant to Chapter 367.0816, Florida Statutes, at $10,748 per year. Based on the data provided by the utility and the staff recommended adjustments mentioned above, staff recommends that the rate case expense should be reduced by $9,052. This is the difference between the $10,748 recommended by staff and the $19,800 included as expenses on MFR Schedule B-10.

ISSUE 14: What adjustments, if any, should be made to the utility's property taxes?

RECOMMENDATION: Property taxes should be decreased by $8,571. (KYLE)

STAFF ANALYSIS: In Audit Adjustment No. 11, staff auditors identified certain property tax balances totaling $3,190 which were improperly allocated between water and wastewater. The auditors also identified available early payment discounts totaling $563 which were not taken by the utility. Accordingly, staff recommends that property tax expense be reduced by $3,753.

In addition, the utility did not make an adjustment in its MFRs for property taxes resulting from non-used and useful property. If staff's recommended used and useful adjustments are made, staff recommends a corresponding reduction in test year property tax expense of $4,818. This amount, combined with the reduction resulting from the adjustment proposed in Audit Adjustment 11, results in a total decrease in property tax expense of $8,571.

ISSUE 15: What is the test year operating income before any revenue increase?

RECOMMENDATION: Based on the adjustments discussed in previous issues, staff recommends that the test year operating income before any provision for increased revenues should be $39,047. (KYLE)

STAFF ANALYSIS: As shown on attached Schedule No. 3-A, after applying staff's adjustments, net operating income for the test year is $39,047. Staff's adjustments to operating income are listed on attached Schedule No. 3-B.

REVENUE REQUIREMENT

ISSUE 16: What is the appropriate revenue requirement?

RECOMMENDATION: The following revenue requirement should be approved. (KYLE)

	TOTAL	$ INCREASE	% INCREASE
Water	$ 327,729	$ 68,469	26.41%

STAFF ANALYSIS: Wedgefield requested final rates designed to generate annual revenues of $404,098. These revenues exceed test year revenues by $144,889 (55.90%).

Based upon staff's recommendations concerning the underlying rate base, cost of capital, and operating income issues, we recommend approval of rates that are designed to generate a revenue requirement of $327,729. These revenues exceed staff's adjusted test year revenues by $68,469 (26.41%) as shown on attached Schedule No. 3-A. This increase will allow the utility the opportunity to recover its expenses and earn a 8.34% return on its investment in rate base.

RATES AND RATE STRUCTURE

ISSUE 17: Is an inclining-block rate structure appropriate for this utility, and, if so, what are the appropriate usage blocks, conservation adjustment and rate factors to be used?

RECOMMENDATION: Yes. An inclining-block rate structure is the appropriate rate structure for residential customers. The appropriate monthly usage blocks consist of three tiers of 0-10,000 gallons, 10,001-20,000 gallons and over 20,000 gallons per month. A conservation adjustment of 30% is appropriate, with usage block rate factors for each tier of 1.0, 1.25 and 1.5, respectively. The appropriate rate structure for the general service customers is a continuation of the traditional base facility charge (BFC) and uniform gallonage charge rate structure. (LINGO)

STAFF ANALYSIS: The utility's current rate structure consists of a traditional base facility and uniform gallonage charge rate structure. The utility has proposed a continuation of this rate structure for all its customers.

Initial analysis indicated that the **overall** average monthly consumption for residential customers is 7,316 gallons. This figure is not only below 10,000 gallons (which has traditionally been the benchmark figure used at the Commission as an initial indication of possible excessive consumption), but it is also below the 150 gallons per day per capita (gpdpc) target for a two-person household as established by the St. Johns River Water Management District (SJRWMD or District). Therefore, staff did not originally contemplate recommending an inclining-block rate structure for the residential class.

However, closer analysis of the utility's residential consumption patterns, coupled with information obtained from the SJRWMD, has led staff to recommend that an inclining block rate structure be applied to the residential class. The entire District is designated a water resource caution area, and for over the past five years, the District has advocated rate structures that provide pricing incentives to conserve. A representative of the District (Mr. Dwight Jenkins, Director of the Division of Water Use Regulation, Department of Resource Management) has written a letter indicating SJRWMD's support. As discussed in the letter, the utility is located near the saline/fresh water interface; therefore, the potential for saline water intrusion exists. In addition, the potential for such an occurrence will become greater as the development grows and the need for water increases. The District believes that a conservation rate structure will help

reduce water usage, thus reducing the possibility of saline water intrusion. A copy of this letter is included in this recommendation as Attachment C.

The potential for a change in residential rate structure was **not** discussed at the customer meeting. However, staff has taken several steps to alert the residential customers to this possible rate structure change. First, copies of this recommendation (with an attached cover letter) were mailed to each customer who had requested one. In the body of each letter staff included a separated, bolded print paragraph alerting the customers to pay special attention to both this issue and the monthly rates issue. In addition, we included in the bolded paragraph staff's name and phone number in the event customers had questions about the rate structure change. Finally, we called each customer to whom a recommendation was sent, emphasizing the importance of both reading this issue and the monthly rates issue, and sharing the recommendation with other customers.

On July 11, 2000, staff contacted the utility and discussed our recommendation to implement an inclining-block rate structure for the residential class. The utility does not oppose our recommendation on this issue. The general service BFC/uniform gallonage charge, however, should be continued. The general service gallonage charge should be calculated as if the uniform gallonage charge would continue to apply to both the residential and general service customers. Staff believes that the overall price increase should be enough to promote some conservation by the general service customers.

There are several steps involved in developing, evaluating and selecting an inclining-block rate structure including (but not limited to) determining: 1) the appropriate usage blocks; 2) the appropriate "conservation adjustment," if any; and 3) the appropriate usage block rate factors. Our analysis of the steps involved in arriving at our recommended rate structure is discussed below.

Selection of Usage Blocks

A closer analysis of residential consumption patterns during the test year is shown below:

Gallons Sold (000)	% Cumulative Bills	Consumption Consolidated Factor	Ratio of Remaining Cons to Remaining Bills
0	4.7%	0.0%	1.05
5	50.7	21.8	1.59
10	82.3	53.9	2.60
15	91.1	69.2	3.46
20	95.0	78.5	4.30
25	97.4	86.0	5.38
30	98.2	89.1	6.06
50	99.6	96.5	8.75

For example, bills of 5,000 gallons or less accounted for approximately one half of the cumulative residential bills, but barely one fifth of the total corresponding consumption. At bills of 10,000 gallons or less, over 80% of the bills have been accounted for, but these bills have accounted for just over one half of the total consumption. In fact, for all bills below 10,000 gallons, the average monthly consumption is 4,795. This figure indicates a high degree of nondiscretionary consumption; that is, it represents necessary consumption that the customer has little control over.

Staff believes consumption disparities become evident at bills of 10,000 gallons or greater. For example, for bills of greater than 10,000 gallons sold, the last 17.7% (100% - 82.3%) of bills account for 46.1% (100% - 53.9%) -- or almost half -- of total consumption. This translates into each one percent of bills above 10,000 gallons accounting for 2.6% of consumption. Further, at gallons sold above 20,000, the last 5% of bills account for over 20% (21.5%) of total consumption -- over a four to one ratio of consumption to bills. Staff believes these consumption disparities must be addressed, and the appropriate method to address these disparities is with the implementation of a conservation-oriented, inclining-block rate structure.

Shifting to a more conservation-oriented rate structure increases the utility's risk of revenue instability. One method of mitigating this risk is to capture at least 50% of consumption in the first block. In this case, this is accomplished by capping the first block at a monthly consumption level of 10,000 gallons per month (gpm). Setting the first block at a lesser level could jeopardize revenue stability, because it would <u>increase</u> the percentage of total gallons that would be subject to the second and third blocks, and, therefore, increase the potential consumption reductions and the possibility of revenue instability.

We believe the second block should be for consumption at 10,001 - 20,000 gpm for several reasons. First, we believe usage blocks capped at 10,000 and 20,000 gpm, respectively, increases the customers' ease of understanding of the rate structure. Second, we believe capping the second block at a usage level below 20,000 gpm may unfairly penalize larger families, as the monthly consumption based on the District's 150 gpdpc target would be 18,000 gallons (4 persons x 150 gpdpc x 30 days). Third, we do not believe capping the second block at some consumption level above 20,000 gpm would target a sufficient number of bills and gallons to maximize the desired reduction in consumption. At a 20,000 gpm cap, we target 5% of the bills, accounting for the last 21.5% of consumption, Capping the second block, for example, at 30,000 gpm, would only target the last two percent of bills and the last 11% of consumption.

Selection of the Appropriate Conservation Adjustment and Usage Block Rate Factors

We disagree with the utility's proposed rate design in that it recovers a greater portion of its revenue requirement from the BFC than the gallonage charge. An analysis of MFR Schedule E-2, page 3, indicates that the utility proposes to recover $225,133 (or approximately 56%) from the BFC, while the remaining $176,629 (or approximately 44%) is recovered through the gallonage charge.

Based on a preliminary recommended revenue requirement and standard allocation of cost recovery between the fixed and variable costs to provide service, staff calculated cost-based rates of $16.85 for the BFC for a 5/8" x 3/4" meter and $2.13 for the gallonage charge. These charges would result in 51% of cost recovery through the BFC and 49% through the gallonage charge. However, the Water Management Districts, along with experts in the field of conservation rate structures, have long advocated recovery of more costs via the gallonage charge than through the BFC to encourage conservation.

The relatively low gallonage charge rate as compared to the BFC is due in part to the relatively high consumption levels of a segment of Wedgefield's residential customers. To mitigate this disparity, as well as shift more of the burden of cost recovery to the gallonage charge to promote conservation, staff believes that some "conservation adjustment" is appropriate. Staff believes that 60% of cost recovery via the gallonage charge should be the minimum starting point when designing an inclining-block rate structure.

A conservation adjustment of 20% or more will result in a recommended BFC less than the current BFC of $14.40. In the past, we have refrained from recommending a BFC rate less than the current rate due in part to revenue stability concerns. However, we believe we have mitigated revenue stability concerns with our recommended design of the usage blocks discussed above.

The next step in our analysis was to incorporate different usage block rate factors into our calculations. We calculated rates (using our preliminary recommended revenue requirement) based on nineteen different rate factor combinations at conservation adjustments of 20%, 25% and 30%. We then selected seven rate factor combinations which we believe are the most representative of why we would (or would not) recommend that particular set of rate factors. This analysis is shown on Table 1, included at the end of this issue. Pages 1 through 3 of Table 1 show consumption charges (charges excluding the BFC) that were calculated at different usage levels, and the resulting price increases in the gallonage charges over the current rates at those different usage levels. We also calculated the **total** change in price (BFC plus gallonage charges); this analysis is shown on page 4 of Table 1.

It is virtually impossible to merely look at the results on page 4 of Table 1 to select the rate design which best meets our conservation rate design goals. We therefore had to design an objective method of evaluating each of the 21 different sets of inclining-block rates.

Because there are two variables (the magnitude of conservation adjustment and the different combinations of rate factors) in the rates calculations, evaluation of the 21 sets of rates was a two-step process. First, we evaluated the usage block rate factors against one another while holding the conservation adjustment and consumption level constant. For example, as shown on page 4 of Table 1, at a conservation adjustment of 20% and 5 kgal (e.g., 5 thousand gallons) of consumption, the range of total price changes across the different rate factors is 11.8% to (0.8%). A double thick-line box was selected to indicate that the 11.8% price increase sends the strongest price signal to conserve. Similarly, at a conservation adjustment of 20% and 50 kgal of consumption, the range of total price changes across the different rate factors is 81.2% to 118.2%. Again, a double thick-line box highlights that the 118.2% price increase sends the strongest price signal to conserve. This process was done for each conservation adjustment and kgal consumption level.

We then reversed the process, evaluating the conservation adjustments against one another while holding the rate factors and consumption level constant. For example, as shown on page 4 of Table 1, at 5 kgal of consumption, the rate factors of 1.0/1.25/1.5 result in respective price changes of 11.8%, 10.2% and 8.4% at conservation adjustments of 20%, 25% and 30%. A shaded box highlights that the 11.8% price increase sends the strongest price signal to conserve. Similarly, at 50 kgal of consumption, the rate factors of 1.0/1.75/2.75 result in price changes of 118.2% at a conservation adjustment of 20%, 125.8% at a conservation adjustment of 25% and 133.3% at a conservation adjustment of 30%. Again, 133.3% is shaded because it sends the strongest price signal to conserve.

The final step in evaluating the different combinations was to determine if one particular rate design results in the greatest number of strong price signals across all levels of consumption, especially at the higher consumption levels. Based on staff's analysis, a rate design based on a 30% conservation adjustment and rate factors of 1.0/1.25/1.5 is clearly the most appropriate. It is the only rate design out of the 21 different rate designs depicted on page 4 of Table 1 which, whether by the conservation adjustment or the specific combination of rate factors, results in strong pricing signals at each consumption level.

Based on the analysis discussed above, staff recommends usage blocks of 0-10,000 gpm, 10,001-20,000 gpm, and over 20,000 gpm. In conjunction with these usage blocks, staff recommends that the appropriate conservation adjustment is 30%, and that the appropriate rate in the second block is 1.25 times the initial block rate, and the rate in the third block is 1.5 times the initial block rate.

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS								
		Inclining-Block Rates @ 20% Conservation Adjustment						
Usage Blocks (kgal)	Current Rates	1.0/1.25/ 1.5	1.0/1.25 /1.75	1.0/1.25 /2.0	1.0/1.25 /2.25	1.0/1.25 /2.5	1.0/1.5/ 2.0	1.0/1.75 /2.75
0-10	$1.50	$2.20	$2.10	$2.02	$1.93	$1.86	$1.92	$1.65
10-20	$1.50	$2.75	$2.63	$2.53	$2.41	$2.33	$2.88	$2.89
20+	$1.50	$3.30	$3.68	$4.04	$4.34	$4.65	$3.84	$4.54
Consump (kgal)	Current Consump Charges	Inclining-Block Consumption Charges						
5	$7.50	$11.00	$10.50	$10.10	$9.65	$9.30	$9.60	$8.25
10	$15.00	$22.00	$21.00	$20.20	$19.30	$18.60	$19.20	$16.50
15	$22.50	$35.75	$34.15	$32.85	$31.35	$30.25	$33.60	$30.95
20	$30.00	$49.50	$47.30	$45.50	$43.40	$41.90	$48.00	$45.40
25	$37.50	$66.00	$65.70	$65.70	$65.10	$65.15	$67.20	$68.10
30	$45.00	$82.50	$84.10	$85.90	$86.80	$88.40	$86.40	$90.80
50	$75.00	$148.50	$157.70	$166.70	$173.60	$181.40	$163.20	$181.60
Consump (kgal)			Changes in Consumption Charges					
5		46.7%	40.0%	34.7%	28.7%	24.0%	28.0%	10.0%
10		46.7%	40.0%	34.7%	28.7%	24.0%	28.0%	10.0%
15		58.9%	51.8%	46.0%	39.3%	34.4%	49.3%	37.6%
20		65.0%	57.7%	51.7%	44.7%	39.7%	60.0%	51.3%
25		76.0%	75.2%	75.2%	73.6%	73.7%	79.2%	81.6%
30		83.3%	86.9%	90.9%	92.9%	96.4%	92.0%	101.8%
50		98.0%	110.3%	122.3%	131.5%	141.9%	117.6%	142.1%

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS								
		Inclining-Block Rates @ 25% Conservation Adjustment						
Usage Blocks (kgal)	Current Rates	1.0/1.25/ 1.5	1.0/1.25 /1.75	1.0/1.25 /2.0	1.0/1.25 /2.25	1.0/1.25 /2.5	1.0/1.5/ 2.0	1.0/1.75 /2.75
0-10	$1.50	$2.30	$2.20	$2.10	$2.02	$1.94	$2.01	$1.72
10-20	$1.50	$2.88	$2.75	$2.63	$2.53	$2.43	$3.02	$3.01
20+	$1.50	$3.45	$3.85	$4.20	$4.55	$4.85	$4.02	$4.73
Consump (kgal)	Current Consump Charges	Inclining-Block Consumption Charges						
5	$7.50	$11.50	$11.00	$10.50	$10.10	$9.70	$10.05	$8.60
10	$15.00	$23.00	$22.00	$21.00	$20.20	$19.40	$20.10	$17.20
15	$22.50	$37.40	$35.75	$34.15	$32.85	$31.55	$35.20	$32.25
20	$30.00	$51.80	$49.50	$47.30	$45.50	$43.70	$50.30	$47.30
25	$37.50	$69.05	$68.75	$68.30	$68.25	$67.95	$70.40	$70.95
30	$45.00	$86.30	$88.00	$89.30	$91.00	$92.20	$90.50	$94.60
50	$75.00	$155.30	$165.00	$173.30	$182.00	$189.20	$170.90	$189.20
Consump (kgal)		Changes in Consumption Charges						
5		53.3%	46.7%	40.0%	34.7%	29.3%	34.0%	14.7%
10		53.3%	46.7%	40.0%	34.7%	29.3%	34.0%	14.7%
15		66.2%	58.9%	51.8%	46.0%	40.2%	56.4%	43.3%
20		72.7%	65.0%	57.7%	51.7%	45.7%	67.7%	57.7%
25		84.1%	83.3%	82.1%	82.0%	81.2%	87.7%	89.2%
30		91.8%	95.6%	98.4%	102.2%	104.9%	101.1%	110.2%
50		107.1%	120.0%	131.1%	142.7%	152.3%	127.9%	152.3%

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS								
		Inclining-Block Rates @ 30% Conservation Adjustment						
Usage Blocks (kgal)	Current Rates	1.0/1.25/ 1.5	1.0/1.25 /1.75	1.0/1.25 /2.0	1.0/1.25 /2.25	1.0/1.25 /2.5	1.0/1.5/ 2.0	1.0/1.75 /2.75
0-10	$1.50	$2.39	$2.29	$2.19	$2.10	$2.02	$2.09	$1.79
10-20	$1.50	$2.99	$2.86	$2.74	$2.63	$2.53	$3.14	$3.13
20+	$1.50	$3.59	$4.01	$4.38	$4.73	$5.05	$4.18	$4.92
Consump (kgal)	Current Consump Charges	Inclining-Block Consumption Charges						
5	$7.50	$11.95	$11.45	$10.95	$10.50	$10.10	$10.45	$8.95
10	$15.00	$23.90	$22.90	$21.90	$21.00	$20.20	$20.90	$17.90
15	$22.50	$38.85	$37.20	$35.60	$34.15	$32.85	$36.60	$33.55
20	$30.00	$53.80	$51.50	$49.30	$47.30	$45.50	$52.30	$49.20
25	$37.50	$71.75	$71.55	$71.20	$70.95	$70.75	$73.20	$73.80
30	$45.00	$89.70	$91.60	$93.10	$94.60	$96.00	$94.10	$98.40
50	$75.00	$161.50	$171.80	$180.70	$189.20	$197.00	$177.70	$196.80
Consump (kgal)		Changes in Consumption Charges						
5		59.3%	52.7%	46.0%	40.0%	34.7%	39.3%	19.3%
10		59.3%	52.7%	46.0%	40.0%	34.7%	39.3%	19.3%
15		72.7%	65.3%	58.2%	51.8%	46.0%	62.7%	49.1%
20		79.3%	71.7%	64.3%	57.7%	51.7%	74.3%	64.0%
25		91.3%	90.8%	89.9%	89.2%	88.7%	95.2%	96.8%
30		99.3%	103.6%	106.9%	110.2%	113.3%	109.1%	118.7%
50		115.3%	129.1%	140.9%	152.3%	162.7%	136.9%	162.4%

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS								
		Changes in Total Price @ 20% Conservation Adjustment						
Consump (kgal)		1.0/1.25 /1.5	1.0/1.25 /1.75	1.0/1.25 /2.0	1.0/1.25 /2.25	1.0/1.25 /2.5	1.0/1.5/ 2.0	1.0/1.75 /2.75
5		21.8%	9.5%	7.7%	5.6%	4.0%	5.4%	0.1%
10		20.7%	17.3%	14.6%	11.5%	9.1%	11.2%	2.0%
15		33.4%	29.1%	25.6%	21.5%	18.5%	27.6%	20.4%
20		41.8%	36.9%	32.8%	28.1%	24.7%	38.5%	32.6%
25		53.1%	52.6%	52.6%	51.4%	51.5%	55.5%	57.2%
30		61.6%	64.3%	67.3%	68.8%	71.5%	68.1%	75.6%
50		81.2%	91.5%	101.5%	109.3%	118.0%	97.6%	118.2%
Consump (kgal)		Changes in Total Price @ 25% Conservation Adjustment						
5		10.2%	7.9%	5.6%	3.8%	2.0%	3.6%	-3.1%
10		21.2%	17.8%	14.4%	11.7%	8.9%	11.3%	1.5%
15		35.6%	31.1%	26.8%	23.3%	19.7%	29.6%	21.6%
20		45.1%	39.9%	35.0%	30.9%	26.9%	41.7%	35.0%
25		57.4%	56.8%	55.9%	55.8%	55.3%	60.0%	61.0%
30		66.5%	69.4%	71.6%	74.5%	76.5%	73.6%	80.5%
50		87.8%	98.7%	108.0%	117.7%	125.8%	105.3%	125.8%
Consump (kgal)		Changes in Total Price @ 30% Conservation Adjustment						
5		8.4%	6.1%	3.8%	1.8%	0.0%	1.6%	-5.3%
10		21.4%	18.0%	14.6%	11.5%	8.8%	11.2%	1.0%
15		37.2%	32.8%	28.4%	24.5%	21.0%	31.1%	22.9%
20		47.7%	42.5%	37.6%	33.1%	29.0%	43.3%	37.4%
25		61.0%	60.6%	59.9%	59.4%	59.0%	63.8%	65.3%
30		70.9%	74.1%	76.6%	79.1%	81.5%	78.3%	85.5%
50		93.6%	105.4%	115.3%	124.8%	132.5%	112.0%	132.3%
Legend:	= greatest price chg across rate factors holding consump (kgal) & conservation adj constant (horizontal analysis)				= greatest price chg across conservation adj holding consump (kgal) & rate factors constant (vertical analysis)			

Henry Dean, Executive Director
John R. Wehle, Assistant Executive Director

WATER MANAGEMENT DISTRICT

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July 18, 2000

Ms. Jennie Lingo
Economic Analyst
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Adoption of water conservation rate structure for Wedgefield Utilities, Inc., Orange County

Dear Ms. Lingo:

In setting the water rates which the Wedgefield Utilities, Inc., will charge to its customers, the District strongly supports the FPSC staff's recommendation to authorize a water conservation rate structure that will encourage beneficial water conservation. The District promotes water conservation for the purpose of sustaining and extending the usefulness of existing water supply resources. This goal is supported by conservation requirements required in the District's consumptive use permitting rules and by providing technical and financial assistance to permittees to help them achieve efficient water use and avoidance of water losses.

Publicly owned utilities may freely choose to raise rates to pass the cost of water conservation on to customers who are responsible for excess usage. However, investor owned utilities, such as Wedgefield Utilities, have that option only if the FPSC allows it. In the event that the FPSC does not allow Wedgefield Utilities to implement a water conservation rate structure, it may not be able to achieve water conservation as required by the District. By failing to allow a utility to implement a water conservation rate structure, we often miss out on the opportunity to achieve significant water savings. Therefore, it is in the public interest to allow the utility to implement the proposed rate structure.

Wedgefield Utilities is an excellent example of a utility that can benefit from water conservation measures since the utility is located in an area where the potential for saline water intrusion exists. The utility is located in eastern Orange County near the saline/fresh water interface. While the utility has not experience saline water intrusion historically, other utilities such as the City of Cocoa have experienced intrusion. In addition, the potential for such an occurrence will become greater as the development grows and the need for water increases. Implementation of water conservation measures, including a conservation rate structure, will help reduce water usage, thus reducing the possibility of saline water intrusion.

In closing, I would like to commend the staff of the FPSC in their efforts to require Wedgefield Utilities, Inc., to implement a water conservation rate structure. Without such requirements, we would not be able to conserve and extend Florida's valuable water resources.

Sincerely,

Dwight T. Jenkins

Dwight Jenkins, Director
Division of Water Use Regulation
Department of Resource Management

C: James Hollingshead
Don Brandes
Hal Wilkening

ISSUE 18: Is repression of consumption likely to occur, and, if so, what is the appropriate adjustment and the resulting consumption to be used to calculate consumption charges?

RECOMMENDATION: Yes, repression of consumption is likely to occur. The appropriate repression adjustment is a reduction in consumption of 4,355 kgals, and the resulting consumption to be used to calculate consumption charges is 71,170 kgals. In order to monitor the effects of this rate proceeding on consumption, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed (by usage block for residential customers) and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect. (LINGO)

STAFF ANALYSIS: Based on information contained in our database of utilities receiving rate increases and decreases, water utilities receiving an approximate 33% price increase with no change in rate structure experienced an approximate 7% reduction (repression) in average consumption. This is used as a benchmark for estimating the impact of staff's recommended rate structure.

Since the 0-10,000 gpm usage block will experience a preliminary price increase (based on an average of 4,795 gpm of consumption) of approximately 8%, staff does not believe this nominal price increase necessitates a repression adjustment in this usage block.

For monthly bills with consumption between 10,001 and 20,000 gallons, the average consumption is 14,137 gpm and the preliminary increase in customers' bills range from 25% to 48%. Therefore, we believe a repression adjustment in this usage block is warranted. There are three utilities in our database which received price increases ranging from 25% to 48%. The average consumption changes experienced by these three utilities were (13%), (1%) and 2%. We believe it is highly unlikely that price increases of 25% to 48% will result in repression of merely 1% or lead to an increase in consumption. Therefore, we are left with the remaining consumption change of (13%).

However, we do not believe a (13%) adjustment in this block is appropriate. Once again using a 7% reduction in consumption as a benchmark, we would not expect price increases of 25% to 48% to result in a consumption reduction of 13%. However, we recognize that customers in this usage block will pay rates from two progressively higher blocks, and, therefore, would expect the

consumption reduction to be somewhat greater than the 7% benchmark. Although arguably arbitrary, we believe an adjustment of (10%) is appropriate for the 10,001-20,000 gpm usage block.

For bills with consumption above 20,000 gpm, the average consumption is 31,445 gpm, and the corresponding preliminary price increase is approximately 73%. Not only will the increases in customers' bills in this usage block range from 51% to 119%, but customers in this usage block will pay progressively higher rates in each of the three different usage blocks. Staff believes this pricing signal will lead to greater consumption reductions than would otherwise be expected.

There are six utilities in our database which received price increases of 51% to 80%. The changes in average consumption experienced by these six utilities were (18%), (12%), (6%), (5%), (4%) and 1%. Again, we believe 7% is reasonable to use as the floor in our analysis. This leaves possible adjustments of (18%) and (12%). We examined the usage characteristics of the utilities which experienced the (18%) and (12%) changes in consumption, and found that the utility which experienced the (18%) change is a better match to Wedgefield's. Therefore, we believe an (18%) adjustment is reasonable to consumption in the third usage block.

Repression adjustments are not typically applied to the general service class, and we have not made that adjustment in this case. First, this class is typically more heterogenous than the residential class. Therefore, without specific knowledge about the business makeup of the general service customers (i.e., carwashes vs. Laundromats vs. convenience stores, etc.), it is not possible to reasonably predict what an appropriate repression adjustment might be. Furthermore, consumption in this class represents less than 10% of overall utility consumption, so any adjustment made to this class would not be material.

The effects of staff's recommended repression adjustments in each usage block result in an overall residential repression adjustment of 6%, or an anticipated reduction in consumption of 4,355 kgals. The resulting consumption to be used to calculate consumption charges is 71,170 kgals.

In order to monitor the effects of this rate proceeding on consumption, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed (by usage block for the residential class) and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years,

beginning with the first billing period after the increased rates go into effect.

ISSUE 19: What are the appropriate monthly rates for water service for this utility?

RECOMMENDATION: The appropriate monthly rates are listed below.

Meter Sizes	Residential Service	General Service
5/8" x 3/4"	$ 11.78	$ 11.78
3/4"	17.67	17.67
1"	29.45	29.45
1 ½"	58.90	58.90
2"	94.24	94.24
3"	188.48	188.48
4"	294.50	294.50
6"	589.00	589.00
Gallonage Charge		
0 - 10,000 gallons	$ 2.53	$ 2.92
10,001 - 20,000 gallons	3.16	2.92
Over 20,000 gallons	3.80	2.92

These rates, also shown on Schedule No. 4-A, should be designed to produce revenues of $325,730, excluding miscellaneous service charge revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until staff has approved the proposed customer notice, and the notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (LINGO, KYLE)

STAFF ANALYSIS: As discussed in Issue 16, the appropriate revenue requirement, excluding miscellaneous service charges, is $325,730. As discussed in Issue 17, staff recommends that an inclining-block rate structure is appropriate for the residential class, while the general service class should continue with its traditional

BFC/uniform gallonage charge rate structure. As discussed in Issue 18, staff recommends that the appropriate consumption to be used for rate setting is 71,170 kgals. Therefore, the resulting monthly rates for service are those shown above and on Schedule No. 4-A.

The permanent rates requested by the utility are designed to produce revenues of $404,098 for water service. The requested revenues represent an increase of $144,838, or 56%. Staff's recommended increase in revenue requirement is $68,469, or approximately 26%. The final rates approved for the utility should be designed to produce revenues of $325,730 (excluding miscellaneous service charge revenues).

Approximately 36% (or $117,848) of the revenue requirement is recovered through the recommended base facility charge. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 64% of the revenue requirement (or $207,882) represents revenues collected through the consumption charge based on the number of factored gallons.

The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), Florida Administrative Code. The rates should not be implemented until staff has approved the proposed customer notice, and the notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

A comparison of the utility's original rates, requested rates and staff's recommended rates is shown on Schedule No. 4-A.

ISSUE 20: What is the appropriate amount of the interim refund, if any?

RECOMMENDATION: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund 12.85% of water revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code. (KYLE)

STAFF ANALYSIS: In Order No. PSC-00-0910-PCO-WU, issued on May 8, 2000, the utility's proposed rates were suspended and interim water rates were approved subject to refund, pursuant to Section 367.082, Florida Statutes. The approved interim revenue from rates is shown below:

	Revenues	Increase	Percentage
Water	$ 360,655	$ 103,394	40.19%

According to Section 367.082, Florida Statutes, any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Examples of these adjustments would be an attrition allowance or rate case expense, which are recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates was the twelve months ended June 30, 1999. The approved interim rates did not include any provisions for consideration of staff proposed adjustments in operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

To establish the proper refund amount, staff has calculated a revised interim revenue requirement utilizing the same data used to establish final rates. Rate case expense was excluded, because it was not an actual expense during the interim collection period.

Using the principles discussed above, staff has calculated the interim revenue requirement from rates for the interim collection

period to be $314,314 for water. This revenue level is less than the interim revenue which was granted in Order No. PSC-98-0524-FOF-SU issued April 16, 1998, in Docket No. 971065-SU. Therefore, staff recommends a refund of 12.85% of interim rates.

The utility should be required to refund 12.85% of water revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7). The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

ISSUE 21: Should Wedgefield's water system capacity charge be discontinued? (QUIJANO)

RECOMMENDATION: Yes. Wedgefield's water system capacity charge of $640 should be discontinued and replaced with a $490 plant capacity charge and $830 main extension fee. If approved, the utility shall file revised tariff sheets within thirty days of the issuance date of the consummating order 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 the revised tariff sheets are filed and approved, the plant capacity charge and main extension fee should become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. (QUIJANO)

STAFF ANALYSIS: Wedgefield provides service to a developing residential community, and its customers are primarily single family homes. Distribution and treatment facilities are in place for expansion to build-out. The utility as of June 30, 1999 has $690,681 in CIAC, as recommended by staff. This amount represents a CIAC ratio of 25% of total plant-in-service of $2,714,990. Further, Wedgefield's percentage of transmission and distribution plant to total plant is 46%.

Rule 25-30.580(1) and (2), Florida Administrative Code, state that:

> (1) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
>
> (2) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

Staff believes that the utility is not in compliance with the above stated rule because its CIAC level is below the amount of transmission and distribution plant.

The utility has a current water system capacity charge of $640 in its tariff which was approved and effective as of September 23, 1996. This charge represents the CIAC for both the water treatment plant and mains. Current Commission practice is to separate system capacity charges into a plant capacity charge and a main extension charge when calculating service availability charges. With a system capacity charge, staff believes it is possible that over collection of CIAC could occur if lines are also being donated in addition to payment of the system capacity charge.

Therefore, staff recommends redesigning the existing water service availability charge into a plant capacity charge and a main extension fee. Staff has calculated the amount of CIAC that is necessary to bring utility up to minimum level of water transmission and distribution plant. In order to determine what charge might be appropriate, staff calculated the average cost per ERC for both the treatment plant and the transmission and distribution plant. Staff used the total treatment plant cost as of June 30, 1999, net of our recommended adjustments in prior issues, of $1,257,991. We then divided this amount by 2,546 which represents the total capacity in ERCs the treatment plant is capable of serving. This calculation resulted in an average plant capacity cost per ERC of approximately $490.

We then took the total transmission and distribution plant, excluding meters, of $1,241,384. We divided this by 1,500, which represents the number of available lots. Staff's calculation generated an average cost for the transmission and distribution plant of approximately $830. Staff's calculation is shown below.

When we applied these costs as plant capacity and main extension fees to the future ERCs that will add on to the system, this brought the utility's CIAC level to slightly higher than the minimum level. As such, staff believes that the average costs per ERC will result in reasonable CIAC charges. Further, we believe that a combined service availability charge of $1,320 for water is fair, just, and reasonable.

Based on our analysis, staff recommends that the Commission approve a plant capacity charge of $490 and main extension fee of $830 for the utility's water service areas. If approved, the utility shall file revised tariff sheets within thirty days of the issuance date of the consummating order which are consistent with the Commission's vote. Also, staff recommends that 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 the revised tariff sheets are filed and

approved, the plant capacity charge and main extension fee should become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code.

WEDGEFIELD UTILITIES, INC.
STAFF RECOMMENDED PLANT CAPACITY CHARGE

ACCT. NO.	ACCOUNT NAME	PLANT IN SERVICE
303	Land & Land Rights	$21,692
304	Structures & Improvements	806,816
307	Wells & Springs	117,105
311	Pumping Equipment	116,711
304	Structures & Improvements	404
320	Water Treatment Equipment	195,263
	Total Treatment Plant in Service	**$1,257,991**

Firm Reliable Capacity - Supply	576,000	gals/day
Firm Reliable Capacity - Storage	315,000	gals/day
Total Treatment Plant Capacity	891,000	gals/day
Divided by: Average Consumption/ERC	350	gals/day
Total capacity in ERCs plant is capable of serving	**2,546**	gals/day

Total Treatment Plant in Service	=	$1,257,991	
Total capacity in ERC		2,546	ERCs
Plant Capacity Charge	**=**	**$ 490**	**per ERC**

Remaining Plant Capacity in ERCs:		
Maximum Day Demand	583,000	gals/day
Fire Demand	120,000	gals/day
Total Current Usage	703,000	gals/day
Total Treatment Plant Capacity	891,000	gals/day
Total Current Usage	703,000	gals/day
Remaining Plant Capacity	188,000	gals/day
Divided by: Average Consumption/ERC	350	gals/day
Remaining Plant Capacity in ERCs	**537**	**ERCs**

WEDGEFIELD UTILITIES, INC.
STAFF RECOMMENDED MAIN EXTENSION FEE

ACCT. NO.	ACCOUNT NAME	PLANT IN SERVICE
330	Distribution Reservoirs	$2,198
331	Transmission & Distribution	1,030,823
333	Services	135,624
335	Hydrants	72,739
	Total Transmission & Distribution Plant in Service	**$1,241,384**

Transmission and Distribution Plant	$1,241,384	
Future/Total ERCs Available	1,500	Lots
Main Extension Fee =	**$830**	Per Lot
Total Lots Available	1,500	Lots
Actual Lots Served	995	Lots
Remaining Main Capacity in ERCs	**505**	Lots

WEDGEFIELD UTILITIES, INC.
STAFF RECOMMENDED CIAC TO PLANT LEVELS

Staff Recommended CIAC Charges	Future ERCs	COST	TOTAL
Plant Capacity Charge	537	$490	$263,200
Main Extension Fee	505	$470	419,150
Existing CIAC at 6-3-2000			690,681
Total Estimated CIAC			$1,373,031

CIAC Levels	Amount
Transmission & Distribution Plant (Minimum level of CIAC)	$1,241,384
Total Year-End Plant in Service	$2,714,990
Total Percent of Future CIAC to Total Plant in Service (Less than 75% Maximum)	50.57%

OTHER ISSUES

ISSUE 22: Should the utility be required to show cause, in writing within 21 days, why it should not be fined $3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU, issued May 9, 1995, in Docket No. 960444-WU, for its failure to maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA)?

RECOMMENDATION: Yes. the utility be required to show cause, in writing within 21 days, why it should not be fined $3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU, issued May 9, 1995, in Docket No. 960444-WU, for its failure to maintain its books and records in conformance with the NARUC USOA. (CHRISTENSEN, KYLE)

STAFF ANALYSIS: In Audit Exception No. 1, the auditors stated that the utility did not maintain its accounts and records in conformance with the NARUC USOA. In its response to the audit report, dated June 12, 2000, Wedgefield did not object to this exception.

Rule 25-30.115, Florida Administrative Code, requires all water and wastewater utilities to maintain their accounts and records in conformance with the 1996 NARUC USOA. Accounting Instruction 2.A. of the NARUC USOA for Class B utilities states:

> Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto. (emphasis added)

Further, Accounting Instruction 3.D. of the NARUC USOA for Class B utilities states:

> The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that it shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the

> account numbers and titles provided herein. Further, the records must be kept to permit classification or summarization of each accounting period according to the prescribed accounts. (emphasis added)
>
> Rule 25-30.450, Florida Administrative Code, states:
>
> In each instance, the utility must be able to support any schedule submitted, as well as any adjustments or allocations relied on by the utility. The work sheets, etc., supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. The supporting work sheets, etc., shall list all reference sources necessary to enable Commission personnel to track to original source of entry into the financial and accounting system and, in addition, verify amounts to the appropriate schedules. (emphasis added)

Utilities, Inc. and its Florida subsidiaries have been cited in prior Commission Orders for failure to comply with one or both of the above-mentioned rules. (See Orders Nos. PSC-95-0574-FOF-WS, issued May 9, 1995, in Docket No. 940917-WS, Utilities, Inc. of Florida; PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, Lake Utility Services, Inc.; PSC-96-0910-FOF-WS, issued July 15, 1996, in Docket No. 951027-WS, Lake Placid Utilities, Inc.; and PSC-98-0524-FOF-SU, issued April 16, 1998, in Docket No. 971065-SU, Mid-County Services, Inc.)

In Order No. PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, the Commission stated:

> Utilities, Inc., the parent utility of LUSI, owns a number of water and wastewater utilities under our jurisdiction, in addition to those in other states. WSC maintains the books and records for all of Utilities, Inc.'s subsidiaries. In the two most recent rate cases filed by Utilities, Inc.'s subsidiaries in Florida, Lake Placid Utilities, Inc. and Utilities, Inc. of Florida, we found that the books and records were not in compliance with the NARUC Uniform System of Accounts. (See Order No. PSC-95-0574-FOF-WS, issued on May 9, 1995 in Docket No. 951027-WS and Order No. PSC-96-0910-FOF-WS, issued on July 15, 1996 in Docket No. 940917-WS, respectively). At this time, we are performing compliance audits on Lake Placid Utilities, Inc., Utilities, Inc. of Florida, and

Mid-County Services, Inc. These audits are scheduled to be completed as of July 31, 1997. Id. at 47.

The above referenced compliance audit was completed, and, in the Auditor's Report, dated March 26, 1998, the auditors stated, in part:

> In our opinion, because of the findings noted below, the utility's books and records are not maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission...

Although the auditors' finding was that the utility was not in compliance, the dollar amounts of the errors were not considered sufficiently material to initiate a show cause action at that time.

In Order No. PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, discussed above, the Commission also stated:

> Further, Utilities, Inc. is hereby placed on notice that all of its Florida utilities owned and/or purchased in the future that are under our jurisdiction shall become in compliance and/or continue to maintain their books and records in compliance with our rules and the NARUC Uniform Systems of Accounts. Other than the companies previously cited for non-compliance, the remaining Utilities, Inc. Commission regulated utilities shall be given until January 31, 1998 to bring their books and records into compliance with the NARUC Uniform System of Accounts and Rule 25-30.450, Florida Administrative Code. The additional Florida subsidiaries are Alafaya Utilities, Inc., Miles Grant Water and Sewer Co., Tierre Verde Utilities, Inc., and Utilities Inc. of Longwood.
>
> If, at the end of aforementioned period, any of these Commission regulated subsidiaries fail to be in substantial compliance, we shall immediately initiate proceedings requiring the utility to show cause why a fine should not be imposed. To ensure that all the Utilities, Inc. subsidiaries are placed on notice, each shall be provided a copy of this Order. Further, if the parent utility purchases any additional companies under our jurisdiction, the parent utility shall timely notify us if the purchased utility's books are not in compliance with NARUC. The utility shall then request a reasonable amount of time necessary to bring the books and records into compliance. Id. at 47, 48.

In the audit report for the current proceeding, the auditors stated that, although the utility renumbered several accounts in its accounting system in 1998, the utility did not make a substantive change in its accounting system. An Arthur Andersen internal memorandum discussing the utility's conversion to the USOA dated December 9, 1998, states:

> Per . . . Director of Accounting, for Utilities, Inc. (the Company), the conversion has been transparent to the financial statements. Conversion merely changed the account numbers within the general ledger (G/L). It did not change any balances in an individual G/L account. Therefore, all mapping from the old account to the new account was one to one (i.e., no rolling up of multiple old system accounts into the new system G/L account, nor any breaking down from one old account into multiple new accounts.)

Many of the problems that the audit staff encountered with the utility's accounting system in the current rate case audit are not caused by the "account number" in its accounting system. The problems that the audit staff encountered were caused by a complex utility accounting system that must be converted to the NARUC-required format for each rate proceeding that the utility brings before the Commission. This clearly is a violation of the requirements to keep the information readily available. Audit staff had to request the utility to reconcile Accounts Nos. 620, 635, 641, and 675 of its filing because staff was unable to tie the account balances to the utility's general ledger. The utility's response included 62 separate sub-account balances that were used to compile the balances in the respective accounts. Utility Account No. 675 now consists of 90 separate sub-accounts which encompass water and wastewater accounts. Many account titles included in Account 675 should be included in other NARUC USOA accounts.

Despite the state of the utility's books and records, staff was able to perform the audit; however, the auditors stated that the condition of the books and records resulted in significant excess time in the field and a corresponding delay in completing the audit report.

The errors identified by the auditors constitute apparent violations of Rule 25-30.115, Florida Administrative Code, "Uniform System of Accounts for Water and Wastewater Utilities" as well as an apparent violation of the Commission's mandate in Order No. PSC-

97-0531-FOF-WU, requiring that all jurisdictional subsidiaries of Utilities, Inc. be brought into compliance with this rule.

Section 367.161, Florida Statutes, authorizes the Commission to assess a penalty of not more than $5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. In failing to maintain its books and records in conformance with the USOA, the utility's act was "willful" within the meaning and intent of Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., the Commission having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833).

The utility's failure to keep its books and records in conformance with the NARUC USOA is an apparent violation of Rule 25-30.115, Florida Administrative Code, and the portion of Order No. PSC-97-0531-FOF-WU which required the utility to timely notify the Commission if a purchased utility's books are not in compliance with NARUC and to request a reasonable amount of time to bring the books into compliance. Therefore, staff believes that a show cause proceeding is warranted at this time. Staff recommends that the Commission order the utility to show cause, in writing within 21 days, why it should not be fined $3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU for its failure to maintain its books and records in conformance with the NARUC USOA

Staff further recommends that the show cause order incorporate the following conditions: The utility's response to the show cause order must contain specific allegations of fact and law. Should the utility file a timely written response that raises material questions of fact and makes a request for a hearing pursuant to Section 120.57(1), Florida Statutes, at which time further proceedings will be scheduled on this matter before a final determination is made. A failure to file a timely written response to the show cause order shall constitute an admission of the facts herein alleged and a waiver of the right to a hearing. In the

event the utility fails to file a timely response to the show cause order, the penalty is deemed assessed with no further action required by the Commission. Reasonable collection efforts shall consist of two certified letters requesting payment. If the utility fails to respond to reasonable collection efforts by Commission staff, the collection of penalties should be referred to the Comptroller's Office for further collection efforts. The referral to the Comptroller's Office would be based on the conclusion that further collection efforts by this Commission would not be cost effective. If, however, the utility responds to the show cause by remitting the fine imposed by this Commission, no further action is required. Any collection of the fines imposed shall be deposited in the State General Revenue Fund pursuant to Section 367.161, Florida Statutes.

ISSUE 23: Should the docket be closed?

RECOMMENDATION: No. If no timely protest is filed within 21 days of the issuance of the PAA Order, the Order should become effective and final upon the issuance of a consummating order. This docket should remain open pending completion of these conditions: the utility's filing and staff's approval of the revised tariff sheets; proof of notice; and verification of the refund. If Issue 21 is approved, this docket should remain open pending disposition of the show cause. However, if the utility does not protest the show cause and remits the fine, than this docket should be administratively closed upon completion of the above conditions. (CHRISTENSEN, KYLE)

STAFF ANALYSIS: No. If no timely protest is filed within 21 days of the issuance of the PAA Order, the Order should become effective and final upon the issuance of a consummating order. This docket should remain open pending completion of these conditions: the utility's filing and staff's approval of the revised tariff sheets; proof of notice; and verification of the refund. If Issue 21 is approved, this docket should remain open pending disposition of the show cause. However, if the utility does not protest the show cause and remits the fine, than this docket should be administratively closed upon completion of the above conditions.

WEDGEFIELD UTILITIES, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED 06/30/99

SCHEDULE NO. 1-A
DOCKET 991437-WU

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST-MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	$2,768,175	$6,586	$2,774,761	($105,166)	$2,669,595
2 LAND & LAND RIGHTS	$3,218	$8,632	$11,850	$0	$11,850
3 NON-USED & USEFUL COMPONENTS	$0	($260,922)	($260,922)	($236,794)	($497,716)
4 ACCUMULATED DEPRECIATION	($863,631)	($300)	($863,931)	$74,119	($789,811)
5 CIAC	($642,436)	$0	($642,436)	($750)	($643,186)
6 AMORTIZATION OF CIAC	$163,348	$0	$163,348	$12	$163,359
7 ADVANCES FOR CONSTRUCTION	$0	$0	$0	$0	$0
8 DEFERRED INCOME TAXES	$0	$0	$0	$0	$0
9 WORKING CAPITAL ALLOWANCE	$19,375	$815	$20,189	($2,659)	$17,530
10 ALLOCATED PLANT	$13,962	$11,221	$25,183	$0	$25,183
11 RATE BASE	$1,462,009	($233,968)	$1,228,041	($271,238)	$956,803

WEDGEFIELD UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED 06/30/99

SCHED. NO. 1-B
DOCKET 991437-WU
PAGE 1 OF 1

EXPLANATION	WATER
PLANT IN SERVICE	
1 Remove Transfer Costs	(1,417)
2 Remove Retired Assets	(64,087)
3 Reclassify Non-capitalizable Expenses	(13,863)
4 Remove Non-utility Transfer Costs	(18,342)
5 Reclassify Maintenance Equipment to Wastewater	(2,517)
6 Record Pro-forma Retirement of Diesel Storage Tank	(4,940)
Total	(105,166)
NON-USED AND USEFUL	
To reflect net non-used and useful adjustment	236,794
ACCUMULATED DEPRECIATION	
1 Adjust for Staff Adjustments to Plant	1,759
2 Remove Retired Assets	64,087
3 Reclassify Non-capitalizable Expenses	1,660
4 Remove Non-utility Transfer Costs	1,064
5 Reclassify Maintenance Equipment to Wastewater	609
6 Record Pro-forma Retirement of Diesel Storage Tank	4,940
Total	74,119
CIAC	
Record Additional CIAC, per Audit	(750)
ACCUM. AMORT. OF CIAC	
Amortization of Additional CIAC, per Audit	12
WORKING CAPITAL	
Adjust for Decrease in O & M Expenses	(2,659)

WEDGEFIELD UTILITIES, INC.
CAPITAL STRUCTURE
TEST YEAR ENDED 06/30/99

SCHEDULE NO. 2
DOCKET 991437-WU

	DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUST-MENTS (EXPLAIN)	PRO RATA ADJUST-MENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
	PER UTILITY							
1	LONG TERM DEBT	$45,786,053	$0	($44,973,317)	$812,736	39.97%	8.32%	3.33%
2	SHORT-TERM DEBT	$12,499,700	$0	($12,277,734)	$221,966	10.92%	6.55%	0.71%
3	PREFERRED STOCK	$0	$0	$0	$0	0.00%	0.00%	0.00%
4	COMMON EQUITY	$48,581,126	$0	($47,718,685)	$862,441	42.41%	10.00%	4.24%
5	CUSTOMER DEPOSITS	$12,020	$0	$0	$12,020	0.59%	8.00%	0.05%
6	DEFERRED INCOME TAXES	$124,256	$0	$0	$124,256	6.11%	0.00%	0.00%
7	OTHER	$0	$0	$0	$0	0.00%	0.00%	0.00%
8	**TOTAL CAPITAL**	$107,003,155	$0	($104,969,736)	$2,033,419	100.00%		8.33%
	PER STAFF							
9	LONG TERM DEBT	$45,786,053	$0	($45,398,885)	$387,168	40.46%	8.32%	3.37%
10	SHORT-TERM DEBT	$12,499,700	$0	($12,394,002)	$105,698	11.05%	6.55%	0.72%
11	PREFERRED STOCK	$0	$0	$0	$0	0.00%	0.00%	0.00%
12	COMMON EQUITY	$48,581,126	$0	($48,170,323)	$410,803	42.93%	9.82%	4.21%
13	CUSTOMER DEPOSITS	$12,020	($5,936)	$0	$6,084	0.64%	6.00%	0.04%
14	DEFERRED INCOME TAXES	$124,256	($77,203)	$0	$47,053	4.92%	0.00%	0.00%
15	OTHER	$0	$0	$0	$0	0.00%	0.00%	0.00%
16	**TOTAL CAPITAL**	$107,003,155	($83,140)	($105,963,211)	$956,804	100.00%		8.34%

	LOW	HIGH	
RETURN ON EQUITY	8.82%	10.82%	
OVERALL RATE OF RETURN	7.91%	8.77%	
AFUDC RATE			0.695013%

WEDGEFIELD UTILITIES, INC.
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED 06/30/99

SCHEDULE NO. 3-A
DOCKET 991437-WU

	DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST-MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRE-MENT
1	**OPERATING REVENUES**	$259,209	$144,889	$404,098	($144,838)	$259,260	$68,469 26.41%	$327,729
	OPERATING EXPENSES:							
2	OPERATION & MAINTENANCE	$148,483	$13,029	161,512	(21,270)	140,242		140,242
3	DEPRECIATION	$93,212	($9,048)	84,164	(13,796)	70,368		70,368
4	CIAC AMORTIZATION	($20,033)	$371	(19,662)	348	(19,314)		(19,314)
5	TAXES OTHER THAN INCOME	$37,251	$6,774	44,025	(14,835)	29,190	3,081	32,271
6	INCOME TAXES	$6,558	$25,123	$31,681	($31,955)	($274)	$24,605	$24,332
7	**TOTAL OPERATING EXPENSES**	$265,471	$36,249	$301,720	($81,507)	$220,213	$27,687	$247,899
8	**OPERATING INCOME**	($6,262)	$108,640	$102,378	($63,331)	$39,047	$40,782	$79,829
9	**RATE BASE**	$1,462,009		$1,228,041		$956,803		$956,803
10	**RATE OF RETURN**	-0.43%		8.34%		4.08%		8.34%

WEDGEFIELD UTILITIES, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED 06/30/99

SCHED. NO. 3-B
DOCKET 991437-WU
PAGE 1 OF 1

EXPLANATION	WATER
OPERATING REVENUES	
1 Remove requested final revenue increase	(144,838)
OPERATION & MAINTENANCE EXPENSE	
1 Reclassify Plant Additions as major repairs	2,708
2 Remove Allocated Shareholder Fees	(187)
3 Remove Allocated Officers' & Director Insurance Premiums	(417)
4 Adj. Purchased Power for Unaccounted For Water	(2,565)
5 Adj. Chemical Expense for Unaccounted For Water	(8,643)
6 Adj. Purchased Power for Repression	(713)
7 Adj. Chemicals for Repression	(2,402)
8 Adjust Rate Case Expense	(9,052)
Total	(21,270)
DEPRECIATION EXPENSE-NET	
1 Adjust for Staff Adjustments to Plant	(3,519)
2 To reflect net non-used and useful adjustment	(10,277)
Total	(13,796)
CIAC AMORTIZATION EXPENSE	
1 Adjust for Staff Adjustments to Plant	(23)
2 To reflect net non-used and useful adjustment	372
Total	348
TAXES OTHER THAN INCOME	
1 RAFs on revenue adjustments above	(6,518)
2 Property tax discount and allocation adjustment	(3,753)
3 Non-used and useful property adjustment.	(4,818)
4 To correct test year RAFs.	253
Total	(14,835)
INCOME TAXES	
To adjust to test year income tax expense	(31,955)

WEDGEFIELD UTILITIES, INC. WATER MONTHLY SERVICE RATES TEST YEAR ENDED 06/30/99			SCHEDULE NO. 4-A DOCKET 991437-WU PAGE 1 OF 1	
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recomm. Final
Residential and General Service				
Base Facility Charge:				
Meter Size:				
5/8"	$14.40	$20.19	$22.51	$11.78
3/4"	$21.64	$30.34	$33.82	$17.67
1"	$36.09	$36.09	$56.41	$29.45
1.5"	$71.89	$71.89	$112.36	$58.90
2"	$115.47	$115.47	$180.48	$94.24
3"	$230.90	$230.90	$339.56	$188.48
4"	$360.80	$360.80	$530.59	$294.50
6"	$721.61	$721.61	$1,061.20	$589.00
Gallonage Charges, per 1,000				
Residential Service				
Usage Levels per Month				
0 - 10,000 gallons	$1.50	$2.10	$2.34	$2.53
10,001 - 20,000 gallons	$1.50	$2.10	$2.34	$3.16
Over 20,000 gallons	$1.50	$2.10	$2.34	$3.80
General Service				
Usage Levels per Month				
All gallons	$1.50	$2.10	$2.34	$2.92
		Typical Residential Bills		
5/8" x 3/4" Meter Size				
5,000 gallons	$21.90	$30.69	$34.21	$24.43
10,000 gallons	$29.40	$41.19	$45.91	$37.08
20,000 gallons	$44.40	$62.19	$69.31	$68.71
30,000 gallons	$59.40	$83.19	$92.71	$106.66
		Typical General Service Bills		
5/8" x 3/4" @ 25,000 gallons	$51.90	$72.69	$81.01	$84.78
2" @ 100,000 gallons	$265.47	$325.47	$414.48	$386.24