BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Orange County by Wedgefield Utilities, Inc.	DOCKET NO. 991437-WU ORDER NO. PSC-00-1528-PAA-WU ISSUED: August 23, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER

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FINAL ORDER INITIATING A SHOW CAUSE PROCEEDING AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING INCREASED WATER RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

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 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. The utility requested that this case be processed using our Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes. As part of the PAA process, our staff held a customer meeting on May 31, 2000, in Orlando, Florida.

In its MFRs, the utility has requested final revenues of $404,098 for water. This represents a revenue increase of $144,838 (55.87%) 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, we 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%).

QUALITY OF SERVICE

In order to determine the overall quality of service provided by a utility, we evaluate 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) customer satisfaction. Pursuant to Rule 25-30.433, Florida Administrative Code, 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 are considered. The DEP and health department officials' input as well as customer comments are also 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 four general service or commercial customers. The raw water is obtained from two wells in the area and treatment includes aeration, softening, chlorination, and storage (which is provided 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 Plant

On April 28, 2000, our 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 the St. Johns River Water Management District (SJRWMD or District). 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 inch and 10 inch 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 inch, 4 inch, 6 inch, 8 inch, 10 inch, 12 inch, and 14 inch 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 conducted in 1999. Although this deficiency had not been corrected, the utility has addressed this issue by treating the raw water with Aquadene, a corrosion inhibiter.

Quality of the Product

We note that the finished product meets standards, and the DEP engineer concurs that the finished product is satisfactory. However, all of the agencies involved, included the DEP, SJRWMD, and this Commission, have concerns regarding the unaccounted for water. Unaccounted for water is addressed in further detail later in this Order.

Customer Satisfaction

On May 31, 2000, a customer meeting was held in Orlando, Florida, at Wedgefield's Country Club. Twenty-one customers attended the customer meeting and seven of those customers 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 expressed 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 six 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. This customer was advised that if she, or other customers, wish to request a hearing after this PAA decision issues, they must do so, in writing, within the protest period which is identified in the Notice of Further Proceedings or Judicial Review attached to this Order.

Wedgefield has extremely corrosive water. Although, the utility is not in violation of DEP standards in this respect, it is working closely with DEP in an attempt to lower the corrosivity of its finished product. However, the utility has exceeded levels set by EPA concerning lead and copper. The excess levels of lead and copper have been detected at the customer's homes and interior faucets but 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. EPA's lead and copper testing procedures specify that testing be done by the homeowner and the homeowner 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 making every effort to improve the quality of its finished product by adding Zinc Orthophosphate to its water to reduce its corrosivity. In accordance with the EPA's lead and copper testing procedures, testing will be conducted every six months starting within 60 days after the installation of the new Zinc Orthophosphate system by the homeowners. The 60 day delay is to allow the chemicals sufficient time to "coat" the pipes and decrease the corrosive action.

The petition also addressed pressure problems. It referred to pressure in the 35-45 pounds per square inch (psi) range. This is well within the range specified by DEP, which requires the utility to maintain a minimum of 20 psi.

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, we find that the quality of service provided by Wedgefield, in treating and distributing water, is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule 1-A and our adjustments are itemized on Schedule 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

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

Plant-in-Service

Audit Exception No. 2 compared the amounts booked by the utility with the transfer balances approved by this Commission in Order No. PSC-96-1241-FOF-WS, issued October 7, 1996, in Dockets Nos. 960235-WS and 960283-WS. We 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, this 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, plant-in-service is reduced by $1,417.

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

Audit Exception No. 4 is the result of the analysis of additions to plant-in-service since the transfer of assets from Econ Utilities. Identified in our staff's audit was 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. We therefore find it appropriate to remove them 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, plant-in-service for this rate case is reduced by $13,863, and the utility shall make the appropriate adjustments to its books, as recommended in our staff audit report.

Audit Exception No. 5. identified $18,342 in asset transfer costs which are non-utility expenses and, thus, they are removed from rate base. Additionally, the audit revealed that invoices totaling $5,034 for maintenance equipment were recorded on the water system books. We find that this amount should have been split between water and wastewater. Therefore, water plant-in-service is reduced in the amount of $2,517.

Wedgefield included in its MFRs a pro forma addition of $13,172 for a new diesel fuel storage tank. Audit Exception No. 6 identified that 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 shall 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 is reduced by $4,940.

The adjustments discussed above result in a total reduction to test year plant-in-service of $105,166.

Accumulated Depreciation

Several adjustments to accumulated depreciation result from the 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, accumulated depreciation is reduced by $64,087 for assets identified in Audit Exception No. 3 as no longer in service, and by $4,940 for the retirement of the old fuel storage tank identified in Audit Exception No. 6.

Additionally, we find it appropriate to make the following corresponding reductions in accumulated depreciation associated with other adjustments to plant. The reclassification of non-capitalized amounts pursuant to Audit Exception No. 4 results 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 results in decreases to accumulated depreciation of $1,064 and $609, respectively.

Finally, we find that it is necessary to recalculate depreciation expense for the test year resulting from adjustments to plant-in-service. Therefore, depreciation expense is decreased by $3,519, with a corresponding decrease in average test year accumulated depreciation of $1,759.

The above adjustments discussed above result in a total reduction to test year accumulated depreciation of $74,119.

Depreciation Expense

Due to the used and useful adjustments made and discussed in a subsequent section of this Order, a corresponding reduction in test year depreciation expense of $7,160 is required 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, results in a total decrease in depreciation expense of $10,679.

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

We do not find it necessary to make an adjustment to the accumulated depreciation reflected in the MFRs for this overstatement. We find it inappropriate 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 this Commission. We have relied on these reports for purposes of monitoring the utility's earnings level. We find that because the utility has already expensed the higher level of depreciation, the utility has fully recovered the associated costs.

For the foregoing reasons, no adjustment shall be made to accumulated depreciation. However, the utility shall make the appropriate corrections on a going-forward basis.

Contributions-in-Aid-of-Construction (CIAC)

Audit Exception No. 8 stated that water service availability fees totaling $1,500 in the test year were incorrectly recorded in the utility's wastewater CIAC account. Accordingly, water CIAC and accumulated CIAC shall be increased by average amounts of $750 and $12, respectively.

Additionally, in Audit Exception No. 8, we note, and the utility agrees, that Wedgefield failed to record CIAC Amortization Expense in 1996, which results in an understatement of the Accumulated Amortization of CIAC account in the amount of $20,931. We do not find it necessary to make an adjustment to the accumulated amortization of CIAC reflected in the MFRs for this understatement. As previously noted, we find it inappropriate 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. We have relied on these reports for purposes of monitoring the utility's earnings level. Accordingly, we find that it is not appropriate to make an adjustment to correct this error.

Land

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, upon review of the accounting records, we note that the land has been recorded in the wrong account and should have been 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 our staff audit report, 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." We agree that this parcel provides sufficient land on which to locate additional wells and storage and is not used totally for existing purposes.

We conclude that 25% of the 40,301 square feet (sq. ft.) parcel shall be considered used and useful. In determining the land used and useful percentage, our calculation includes three considerations. First, the existing well No. 3 is 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, 9,500 square feet of the circle located within the purchased parcel is 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.

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

Used and Useful

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 five-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

In its MFRs, the utility calculated the treatment plant to be over 100% used and useful. The utility had several inconsistencies in its calculation of water plant used and useful. The utility used a single maximum day demand instead of a maximum five days of demand. It also calculated used and useful by component instead of the overall treatment plant. 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. Our 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. We calculate 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, adding 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 attached to the body of this Order.

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

304.2 Structures & Improvements
307.2 Wells & Springs
311.2 Pumping Equipment
304.3 Structures & Improvements
320.3 Water Treatment Equipment

Water Distribution System

Wedgefield's customer base is predominantly residential, and in this case the number of lots are equivalent to the number of 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, we calculate the distribution system to be 77% used and useful. This is calculated by taking the test year lots plus the growth allowance, and dividing that total by the estimated capacity in lots. The calculation is summarized in Attachment B attached to the body of this Order.

The 77% used and useful shall be applied to the following accounts:

331.4 Transmission & Distribution Mains
333.4 Services
335.4 Hydrants

Based on the foregoing, we find that water treatment plant is 76% used and useful. Further, we find that the water distribution system is 77% 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 23% of the water distribution system, is $573,835. The portion of accumulated depreciation associated with the non-used and useful plant is $165,261 and the depreciation expense is $16,807. Non-used and useful CIAC is $8,078, non-used and useful accumulated amortization of CIAC is $251, and non-used and useful CIAC amortization expense is $502. The percentage of non-used and useful plant to total plant is 21.73%. We have removed $3,926 for non-used and useful property taxes, or 21.73% of the total property taxes of $18,065.

Unaccounted for Water

Our practice is to allow up to 10% unaccounted for water of the total water treated in order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc. Wedgefield reported 104.657 million gallons of water treated during the test year and had 28.323 million gallons of unaccounted for water. Since Wedgefield experienced a total of 27.1% of unaccounted for water, in accordance with our practice, we find that 17.1% is excessive unaccounted for water. Therefore, the allowable expenses for purchased electricity are reduced by $2,565 and expenses for chemicals are reduced by $8,643.

Appropriate Working Capital

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. We have made several adjustments to the utility's balance of O&M expenses to reflect an adjusted amount of $140,137. Accordingly, the working capital allowance is $17,517. This is a decrease of $2,672 from the utility's requested working capital allowance.

Appropriate Rate Base

Using the utility's MFRs with the adjustments set forth above, we calculate Wedgefield's water rate base to be $1,044,871. Therefore, the appropriate water rate base for the test year June 30, 1999 is $1,044,871.

COST OF CAPITAL

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

Based upon the proper components, amounts and cost rates associated with the capital structure for the test year ended June 30, 1999, we find a weighted average cost of capital of 8.38% is appropriate.

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. We have 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 $47,052 for deferred taxes, based on average water plant as a percentage of total plant. These amounts were used in calculating return on equity (ROE).

We agree 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. We approve an overall rate of return of 8.38%, with a range of 7.95% to 8.81%, and a ROE of 9.82%, with a range of 8.82% to 10.82%.

Appropriate Allowance for Funds Used During Construction (AFUDC)

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 found previously, the appropriate cost of capital for this proceeding is 8.38%. Accordingly, we approve an annual AFUDC rate of 8.38% and a discounted monthly rate of 0.698173% applied to Wedgefield's qualified construction projects, beginning on July 1, 1999.

NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedule 3-A, and our adjustments are itemized on Schedule 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected in the body of this Order. The major adjustments are discussed below.

Operation and Maintenance Expense

As noted in Audit Exception No. 9, 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.

We have previously addressed stockholder relations expense, and we have disallowed this type of expense when incurred by a parent and passed through to subsidiary companies. See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS. In that Order, this Commission found that shareholder costs were built into the component of the leverage formula for the cost of equity and that recovery of additional shareholder expenses would be duplicative. Therefore, we find it appropriate to disallow the allocation of $187 for non-utility shareholder expenses for the test year.

Moreover, it was noted in Audit Exception No. 9 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. We find that the purpose of these policies is to protect the utility and that these expenses do not demonstrate a clear benefit to the ratepayers. We have previously addressed this same issue for Utilities, Inc. in the Mid-County Services, Inc., rate case. In Order No. PSC-98-0524-FOF-SU, issued April 16, 1998, in Docket No. 971065-SU, this Commission disallowed these costs as non-utility expenses. Accordingly, the allocation of $417 for insurance expense is disallowed in this rate case. The total adjustment for non-utility expenses is a reduction of $604.

Rate Case Expense

The utility included a $79,200 estimate in the MFRs for current rate case expense. As part of our analysis, we requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. 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

We have examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. We find that the revised estimate is prudent with the exception of $6,156 incurred to refile the MFR deficiencies. We find this amount 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 on November 12, 1999. After reviewing the information on the MFRs, our staff determined that there were deficiencies. A letter was sent on November 30, 1999 identifying eight specific deficiencies in 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 ending December 31, 1998, instead of the test year June 30, 1999.

The utility submitted its first deficiency response on December 8, 1999. However, the utility did not provide all information requested to cure the deficiencies. Upon review of that first MFR deficiency response, our 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. Our staff sent a second deficiency letter on January 7, 2000 and requested that the utility resubmit its MFRs using all June 30, 1999 test year data, and not a blend of two separate years of data. The official filing date was established on February 29, 2000, after the utility had finally satisfied the minimum filing requirements.

The decision to file for a specific test year was the utility's choice. Because the utility filed incorrect test year data, the utility had to resubmit a completely revised set of MFRs. The 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. Therefore, we find that all expenses incurred due to deficiencies in the MFRs for the period of December 1, 1999 through February 29, 2000, in the amount of $6,156, are unreasonable. Accordingly, this cost is disallowed as rate case expense. However, the utility's cost for providing the maps would have been incurred regardless of whether it had submitted the correct maps initially. Therefore, the cost incurred for providing the maps is allowed.

Based upon the foregoing, we find 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	COMMISSION ADJUSTMENTS	COMMISSION 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 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 adjustments stated herein, rate case expense is reduced by $9,052, the difference between $10,748, our approved rate case expense per year, and $19,800, included by the utility as expenses on MFR Schedule B-10.

Property Taxes

Audit Adjustment No. 11 identified certain property tax balances totaling $3,190 which were improperly allocated between water and wastewater. Audit Adjustment No. 11 also identified available early payment discounts totaling $563 which were not taken by the utility. Accordingly, property tax expense is 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. Therefore, we find that test year property tax expense requires a corresponding reduction for non-used and useful property of $3,926. This amount, combined with the reduction resulting from the adjustment in Audit Adjustment 11, results in a total decrease in property tax expense of $7,679.

Test Year Operating Income

As shown on attached Schedule No. 3-A, after applying our approved adjustments, net operating income for the test year is

$38,198. Our approved adjustments to operating income are listed on attached Schedule No. 3-B.

REVENUE REQUIREMENT

Wedgefield requested final rates designed to generate annual revenues of $404,098. These revenues exceed test year revenues by $144,838 (55.87%).

Based upon the underlying rate base, cost of capital, and operating income issues, we approve rates that are designed to generate a revenue requirement of $342,157 on an annual basis. These revenues exceed our adjusted test year revenues by $82,897 (31.97%) as shown on attached Schedule No. 3-A. This increase will allow the utility the opportunity to recover its expenses and earn a 8.38% return on its investment in rate base.

RATE STRUCTURE AND RATES

Rate Structure

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 the 10,000 gallons which has traditionally been the benchmark figure used at this Commission as an initial indication of possible excessive consumption, but is also below the 150 gallons per day per capita (gpdpc) target for a two-person household as established by the SJRWMD. Therefore, we did not originally contemplate an inclining-block rate structure for the residential class.

However, upon closer analysis of the utility's residential consumption patterns, coupled with information obtained from the SJRWMD, we find that an inclining block rate structure is necessary for 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 filed a letter indicating

SJRWMD's support of a conservation-oriented rate structure. As discussed in the letter, because the utility is located near the saline/fresh water interface, 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.

The potential for a change in residential rate structure was not discussed at the customer meeting. However, we have taken several steps to alert the residential customers to this possible rate structure change. First, copies of the staff recommendation (with an attached cover letter) were mailed to each customer who had requested one. The body of each letter 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 our staff's name and phone number in the event customers had questions about the rate structure change. Finally, a member of our staff 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, our staff contacted the utility and discussed its recommendation to implement an inclining-block rate structure for the residential class. The utility does not oppose implementation of this rate structure. However, the base facility charge/uniform gallonage charge shall be continued for general service customers. The general service gallonage charge shall be calculated as if the uniform gallonage charge would continue to apply to both the residential and general service customers. We note 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 rate structure is discussed below.

Selection of Usage Blocks

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

Gallons Sold (000)	% Cumulative Bills	Consumption Consolidated Factor	Ratio of Remaining Consump. 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 merely 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 over which the customer has little control.

The 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%) 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. These consumption disparities must be addressed, and we believe that 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 increase 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 find that the second block should be for consumption at 10,001 - 20,000 gpm for several reasons. First, usage blocks capped at 10,000 and 20,000 gpm, respectively, increases the customers' ease of understanding of the rate structure. Second, 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 find that 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.

<u>Selection of the Appropriate Conservation Adjustment and Usage Block Rate Factors</u>

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 revenue requirement and standard allocation of cost recovery between the fixed and variable costs to provide service, we calculate cost-based rates of $17.51 for the BFC for a 5/8" x 3/4" meter and $2.23 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, we find that some "conservation adjustment" is appropriate. We find that 60% of cost recovery via the gallonage charge is 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 approving a BFC rate less than the current rate due in part to revenue stability concerns. However, we have mitigated revenue stability concerns with our 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 based on nineteen different rate factor combinations at conservation adjustments of 20%, 25% and 30%. We then evaluated seven rate factor combinations which we believe are the most representative of why we would (or would not) use that particular set of rate factors. This analysis includes calculating consumption charges (charges excluding the BFC) at usage levels ranging from 5 kgal to 50 kgal, and the resulting price increases in the gallonage charges over the current rates at those different usage levels. We also evaluated the corresponding total changes in price (BFC plus gallonage charges).

It is virtually impossible to merely look at these results 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. This process was done for each conservation adjustment and thousand gallon consumption level. We then reversed the process, evaluating the conservation adjustments against one another while holding the rate factors and consumption level constant.

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 our evaluation, 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 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, we approve usage blocks of 0-10,000 gpm, 10,001-20,000 gpm, and over 20,000 gpm. In conjunction with these usage blocks, we find that the appropriate conservation adjustment is 30%. 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.

Repression of Consumption

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 information is used as a benchmark for estimating the impact of this 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 13%, we do not find 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 31% to 54%. Therefore, we find that a repression adjustment in this usage block is warranted. There are four utilities in our database which received price increases ranging from 31% to 54%. The average consumption changes experienced by these four utilities were (13%), (12%), (1%) and 2%. We believe that it is highly unlikely that price increases of 31% to 54% will result in repression of merely 1% or lead to an increase in consumption. Therefore, we are left with the remaining consumption changes of (13%) and (12%).

However, we do not find that a (13%) or a (12%) adjustment in this block is appropriate. Once again using a 7% reduction in consumption as a benchmark, we do not expect price increases of 31% to 54% to result in a consumption reductions of 12% to 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. We find that 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 81%. Not only will the increases in customers' bills in this usage block range from 58% to 128%, but customers in this usage block will pay progressively higher rates in each of the three different usage blocks. We estimate that this pricing signal will lead to greater consumption reductions than would otherwise be expected.

There are five utilities in our database which received price increases of 58% to 80%. The changes in average consumption experienced by these five utilities were (19%), (6%), (5%), (4%) and 1%. Again, we find that 7% is reasonable to use as the floor in our analysis. This leaves a possible adjustment of (19%). We examined the usage characteristics of the utility which experienced the (19%) change in consumption, and found that it was reasonably comparable to Wedgefield's. Therefore, we find that a (19%) adjustment to consumption is reasonable 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, 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 the repression adjustments in each usage block result in an overall residential repression adjustment of approximately 7%, or an anticipated reduction in consumption of 4,503 kgals. The resulting consumption to be used to calculate consumption charges is 71,022 kgals.

In order to monitor the effects of this rate proceeding on consumption, the utility shall 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 shall 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.

Monthly Rates

As discussed previously, we find that an inclining-block rate structure is appropriate for the residential class, while the general service class shall continue with its traditional BFC/uniform gallonage charge rate structure. As stated above, we find that the appropriate consumption to be used for rate setting is 71,022 kgals. Therefore, the resulting monthly rates for service which we find to be reasonable and appropriate are those shown on Schedule No. 4-A.

The permanent rates requested by the utility are designed to produce annual revenues of $404,098 for water service. The requested revenues represent an increase of $144,838, or 55.87%. Our approved increase in revenue requirement is $82,897, or 31.97%. The final rates approved for the utility have been designed to produce annual revenues of $340,158 (excluding miscellaneous service charge revenues).

Approximately 36% (or $122,508) of the revenue requirement is recovered through the base facility charge approved herein. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 64% of the revenue requirement (or $217,650) represents revenues collected through the consumption charge based on the number of factored gallons.

The utility shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates shall 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 shall not be implemented until our staff has approved the proposed customer notice, and the notice has been received by the customers. The utility shall 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 our approved rates is shown on Schedule No. 4-A.

Interim Refunds

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%

Pursuant to Section 367.082, Florida Statutes, any refund shall 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 are 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 our 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, we 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, we have calculated the interim revenue requirement from rates for the interim collection period to be $328,742 for water. This revenue level is less than the interim revenue which was granted in Order No. PSC-00-0910-PCO-WU. Therefore, we find that a refund of 8.85% of interim rates is appropriate. The refund shall be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility shall submit proper refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

Water System Capacity Charge

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. 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.

We find 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. Our current 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, 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, we find it appropriate to redesign the existing water service availability charge into a plant capacity charge and a main extension fee. We have calculated the amount of CIAC that is necessary to bring the utility up to the minimum level for water transmission and distribution plant. In order to determine what charge might be appropriate, we calculated the average cost per ERC for both the treatment plant and the transmission and distribution plant. We used the total treatment plant cost as of June 30, 1999, net of the adjustments approved herein of $1,257,991. We then divided this amount by 2,546 which represents the total capacity in ERCs of the treatment plant. This calculation results 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. Our calculation generated an average cost for the transmission and distribution plant of approximately $830.

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, the average costs per ERC will result in reasonable CIAC charges. Further, we find that a combined service availability charge of $1,320 for water is fair, just, and reasonable.

Based on our analysis, we approve a plant capacity charge of $490 and main extension fee of $830 for the utility's water service areas. The utility shall file revised tariff sheets within thirty days of the issuance date of the Consummating Order which are consistent with our decision. Our staff shall be given administrative authority to approve the revised tariff sheets upon our staff's verification that the tariffs are consistent with our decision. If the revised tariff sheets are filed and approved, the plant capacity charge and main extension fee shall 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.

SHOW CAUSE

Audit Exception No. 1 states 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 <u>so as to be able to furnish readily full information as to any item included in any account</u>. 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 <u>readily available</u> 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. <u>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</u>. 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, this 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, this 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.

The audit report for the current proceeding states 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 our 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 our 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 us. This clearly is a violation of the requirements to keep the information readily available. Our audit staff had to request the utility to reconcile Accounts Nos. 620, 635, 641, and 675 of its filing because our 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, our staff was able to perform the audit. However, 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 our 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 this 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 us 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 <u>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.</u>, 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 this 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, we find that a show cause proceeding is warranted at this time. We find it appropriate to order the utility to show cause, in writing within 21 days of the issuance of this Order, 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.

The utility's response to this 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, further proceedings will be scheduled on this matter before a final determination is made. A failure to file a timely written response to this 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. Reasonable collection efforts shall consist of two certified letters requesting payment. If the utility fails to respond to reasonable collection efforts by our staff, the collection of penalties shall be referred to the Comptroller's Office for further collection efforts. The referral to the Comptroller's Office shall 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, 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Wedgefield Utilities, Inc.'s application for an increase in water rates and charges is approved to the extent set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

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

ORDERED that Wedgefield Utilities, Inc. shall file revised tariff sheets and a proposed customer notice to reflect our approved rates and charges within thirty days of the issuance date of the Consummating Order. Our staff will administratively approve the revised tariff sheets upon verification that the revised tariff sheets are consistent with this Order. It is further

ORDERED that the rates and charges approved herein shall 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, provided customers have received notice. It is further

ORDERED that the rates and charges shall not be implemented until our staff has approved the proposed customer notice, and the notice has been received by the customers. It is further

ORDERED that Wedgefield Utilities, Inc. shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that Wedgefield Utilities, Inc. prepare monthly reports detailing the number of bills rendered, the consumption billed (by usage block for the residential class) and the revenue billed. There reports shall 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. It is further

ORDERED that Wedgefield Utilities, Inc. shall refund 8.85% of water revenues collected under interim rates. The refund shall be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. Wedgefield Utilities, Inc. shall to submit proper refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code, and shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code. It is further

ORDERED that the Proposed Agency Action portions of this Order shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that Wedgefield Utilities, Inc. shall show cause, in writing within 21 days of the issuance of this Order, 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. It is further

ORDERED that Wedgefield Utilities, Inc.'s response to the show cause portion of this Order must contain specific allegations of fact and law. It is further

ORDERED that in the event Wedgefield Utilities, Inc. makes a request for a hearing pursuant to Section 120.57(1), Florida Statutes, further proceedings will be scheduled on this matter and this docket shall remain open pending the disposition of the show cause. It is further

ORDERED that in the event that Wedgefield Utilities, Inc. fails to file a timely written response to the show cause portion of this Order, such failure shall constitute an admission of the facts alleged herein, and a waiver of the right to a hearing, and the penalty is deemed assessed. It is further

ORDERED that if reasonable collection efforts are unsuccessful, the collection of the penalties shall be forwarded to the Comptroller's Office for further collection efforts. It is further

ORDERED that in the event Wedgefield Utilities, Inc.'s responds to the show cause portion of this Order by remitting the fine set forth herein, no further action is required. It is further

ORDERED that any collection of the fine set forth herein shall be deposited in the State General Revenue Fund pursuant to Section 367.161, Florida Statutes. It is further

ORDERED that this docket shall remain open pending completion of these conditions: Wedgefield Utilities Inc.'s filing and our staff's approval of the revised tariff sheets; proof of notice; and verification of the refund. Further, this docket shall remain open pending disposition of the show cause portion of this Order. However, if Wedgefield Utilities, Inc. does not protest the show cause portion of this Order and remits the fine, this docket shall be administratively closed if no protest is filed to the Proposed Agency Action portion of this Order and upon completion of the above conditions.

By ORDER of the Florida Public Service Commission this 23rd day of August, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

PAC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

As identified in the body of this Order, our actions, except for the initiation of show cause proceeding are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 13, 2000. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

The show cause portion of this Order is preliminary, procedural or intermediate in nature. Any person whose substantial interests are affected by the show cause portion of this Order may file a response within 21 days of issuance of the show cause portion of this Order as set forth herein. This response must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 13, 2000.

Failure to respond within the time set forth above shall constitute an admission of all facts and a waiver of the right to a hearing and a default pursuant to Rule 28-106.111(4), Florida Administrative Code. Such default shall be effective on the day subsequent to the above date.

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

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	COMMISSION ADJUST-MENTS	COMMISSION 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)	($148,714)	($409,636)
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	($2,672)	$17,517
10	ALLOCATED PLANT	$13,962	$11,221	$25,183	$0	$25,183
11	**RATE BASE**	$1,462,009	($233,968)	$1,228,041	($183,170)	$1,044,871

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	(2,517)
6 Record Pro-forma Retirement of Diesel	(4,940)
Total	(105,166)
NON-USED AND USEFUL	
To reflect net non-used and useful	(148,714)
ACCUMULATED DEPRECIATION	
1 Adjust for 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	609
6 Record Pro-forma Retirement of Diesel	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	(2,672)

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 COMMISSION							
9	LONG TERM DEBT	$45,786,053	$0	($45,361,154)	$424,899	40.67%	8.32%	3.38%
10	SHORT-TERM DEBT	$12,499,700	$0	($12,383,702)	$115,998	11.10%	6.55%	0.73%
11	PREFERRED STOCK	$0	$0	$0	$0	0.00%	0.00%	0.00%
12	COMMON EQUITY	$48,581,126	$0	($48,130,288)	$450,838	43.15%	9.82%	4.24%
13	CUSTOMER DEPOSITS	$12,020	($5,936)	$0	$6,084	0.58%	6.00%	0.03%
14	DEFERRED INCOME TAXES	$124,256	($77,204)	$0	$47,052	4.50%	0.00%	0.00%
15	OTHER	$0	$0	$0	$0	0.00%	0.00%	0.00%
16	**TOTAL CAPITAL**	$107,003,155	($83,140)	($105,875,144)	$1,044,871	100.00%		8.38%

	LOW	HIGH	
RETURN ON EQUITY	8.82%	10.82%	
OVERALL RATE OF RETURN	7.95%	8.81%	
AFUDC RATE			0.698173%

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	COMMISSION ADJUST-MENTS	COMM. ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRE-MENT
1	**OPERATING REVENUES**	$259,209	$144,889	$404,098	($144,838)	$259,260	$82,897 31.97%	$342,157
	OPERATING EXPENSES:							
2	OPERATION & MAINTENANCE	$148,483	$13,029	$161,512	($21,375)	$140,137		$140,137
3	DEPRECIATION	$93,212	($9,048)	$84,164	($10,679)	$73,485		$73,485
4	CIAC AMORTIZATION	($20,033)	$371	($19,662)	$108	($19,554)		($19,554)
5	TAXES OTHER THAN INCOME	$37,251	$6,774	$44,025	($13,943)	$30,082	$3,730	$33,812
6	INCOME TAXES	$6,558	$25,123	$31,681	($34,768)	($3,087)	$29,790	$26,703
7	**TOTAL OPERATING EXPENSES**	$265,471	$36,249	$301,720	($80,658)	$221,062	$33,521	$254,583
8	**OPERATING INCOME**	($6,262)	$108,640	$102,378	($64,180)	$38,198	$49,376	$87,574
9	**RATE BASE**	$1,462,009		$1,228,041		$1,044,871		$1,044,871
10	**RATE OF RETURN**	-0.43%		8.34%		3.66%		8.38%

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	(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	(737)
7 Adj. Chemicals for Repression	(2,483)
8 Adjust Rate Case Expense	(9,052)
Total	(21,375)
DEPRECIATION EXPENSE-NET	
1 Adjust for Adjustments to Plant	(3,519)
2 To reflect net non-used and useful adjustment	(7,160)
Total	(10,679)
CIAC AMORTIZATION EXPENSE	
1 Adjust for Adjustments to Plant	(23)
2 To reflect net non-used and useful adjustment	131
Total	108
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.	(3,926)
4 To correct test year RAFs.	253
Total	(13,943)
INCOME TAXES	
To adjust to test year income tax expense	(34,768)

WEDGEFIELD UTILITIES, INC. WATER MONTHLY SERVICE RATES TEST YEAR ENDED 06/30/99		SCHEDULE NO. 4-A DOCKET 991437-WU		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final
Residential and General				
Base Facility Charge:				
Meter Size:				
5/8"	$14.40	$20.19	$22.51	$12.25
3/4"	$21.64	$30.34	$33.82	$18.38
1"	$36.09	$36.09	$56.41	$30.63
1.5"	$71.89	$71.89	$112.36	$61.25
2"	$115.47	$115.47	$180.48	$98.00
3"	$230.90	$230.90	$339.56	$196.00
4"	$360.80	$360.80	$530.59	$306.25
6"	$721.61	$721.61	$1,061.20	$612.50
Gallonage Charges, per 1,000 Gallons				
Residential Service Usage Levels per Month				
0 - 10,000 gallons	$1.50	$2.10	$2.34	$2.65
10,001 - 20,000 gallons	$1.50	$2.10	$2.34	$3.31
Over 20,000 gallons	$1.50	$2.10	$2.34	$3.98
General Service Usage Levels per Month				
All gallons	$1.50	$2.10	$2.34	$3.06
		Typical Residential		
5/8" x 3/4" Meter				
5,000 gallons	$21.90	$30.69	$34.21	$25.50
10,000 gallons	$29.40	$41.19	$45.91	$38.75
20,000 gallons	$44.40	$62.19	$69.31	$71.88
30,000 gallons	$59.40	$83.19	$92.71	$111.63
		Typical General Service		
5/8" x 3/4" @ 25,000	$51.90	$72.69	$81.01	$88.75
2" @ 100,000 gallons	$265.47	$325.47	$414.48	$404.00

ATTACHMENT A

Water Treatment Plant - Used and Useful Data

Docket No. 991437 - WU Wedgefield Utilities, Inc.

1)	Capacity of Plant	315,000 + 576,000	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)]= 97,350 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

ATTACHMENT C

WEDGEFIELD UTILITIES, INC.
COMMISSION APPROVED 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.
COMMISSION APPROVED 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.
COMMISSION APPROVED CIAC TO PLANT LEVELS

Commission Approved CIAC Charges	Future ERCs	COST	TOTAL
Plant Capacity Charge	537	$490	$263,200
Main Extension Fee	505	$830	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%