

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.

DOCKET NO. 000327-WS
ORDER NO. PSC-00-2500-PAA-WS
ISSUED: December 26, 2000

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST AND
REQUIRING CONFORMANCE WITH THE NARUC SYSTEM OF ACCOUNTS
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest, are 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

Buffalo Bluff Utilities, Inc. (Buffalo Bluff or utility) is a Class C water and wastewater utility located in Putnam County. Putnam County became jurisdictional on June 28, 1966. By Order No. PSC-92-0330-FOF-WS, issued May 11, 1992, in Docket No. 910646-WS, we granted the utility Certificates Nos. 542-W and 470-S for water and wastewater, respectively. We also approved the utility's rates that were in effect at the time the operating certificates were granted.

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FPSC-RECORDS/REPORTING

On March 17, 2000, the utility filed an application for a staff-assisted rate case and paid the appropriate filing fee on June 9, 2000. We have the authority to consider this rate case under Section 367.0814, Florida Statutes. Our staff has audited the utility's records for compliance with our rules and Orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. An historical test year ended May 31, 2000 was selected for this rate case.

The utility provides service to approximately 58 residential and 2 general service customers in the Sunraye River Estates Subdivision formerly known as the Bayou Club. A schedule of the adjusted revenues and expenses for the test period ended May 31, 2000 is as follows:

	<u>Revenues</u>	<u>Operating Expenses</u>
Water	\$8,550	\$14,418
Wastewater	\$8,834	\$14,526

The utility's service area is a mobile home community and a majority of the customers are full time residents. All the residents' homes are individually metered, with one exception.

We have a Memorandum of Understanding with the Florida Water Management Districts which recognizes that a joint cooperative effort is necessary to implement an effective, statewide water conservation policy. Water use in the utility's area is under the jurisdiction of the St. Johns River Water Management District (SJRWMD or District). However, this utility does not have to acquire a consumptive use permit because of its size.

A customer meeting was conducted on October 18, 2000, at the Palatka City Hall in Palatka, Florida. Forty-four customers, and two utility employees attended the meeting. Eight customers chose to give comments regarding the utility's quality of service and the proposed rate increase. Commission staff also met with the Sunraye River Estates Homeowners Association on October 18, 2000 and

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learned in this meeting of an unmetered residential customer and that the clubhouse's irrigation system was not metered.

QUALITY OF SERVICE

Rule 25-30.433(1) Florida Administrative Code states:

The Commission in every rate case shall make a determination of the quality of service provided by utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of the utility's product (water or wastewater); operational conditions of the utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and the county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered.

Buffalo Bluff's service area is located approximately 5 miles north of Satsuma, Florida. The raw water source is ground water which is obtained from two wells in the service area and treated. The processing sequence for this water treatment system is to pump raw water from the aquifer, inject air, Aquadene, and chlorine, pressurize and store in a tank, and distribute. Wastewater service is provided to existing customers by means of a 0.028 million gallons per day (mgd) extended aeration wastewater treatment plant. In addition, effluent is disposed of by means of two percolation ponds.

Quality of The Product

We concur with the DEP that the finished product is satisfactory. However, all of the agencies, (DEP, SJRWMD, and FPSC) involved have concerns regarding unaccounted for water.

Quality of Plant

On June 21, 2000, the staff engineer conducted a field inspection of the facilities. The investigation revealed that Buffalo Bluff is currently in compliance with the Department of Health and DEP's rules and regulations. This utility is under the jurisdiction of SJRWMD which has placed water usage restrictions on Putnam County.

Water Treatment Facilities: The plant has a source of supply capacity of 0.0205 mgd. The utility's water treatment facilities consist of: two wells (4 inches cased), two-1 horsepower pumps, a 2,500 gallon hydro pneumatic tank, two air injection units, Aquadene pump, and an add liquid chlorine pump. 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) (6", 4" and 2"). During the engineering investigation, the water distribution system appeared to be operating properly. Currently, the utility has no outstanding citations or violations on file with the DEP. The only deficiency detected by DEP officials was the necessity of exterior refurbishment to the hydro pneumatic tank to halt further corrosion. This was noted by the DEP inspector during the most recent sanitary survey, conducted on November 3, 1999. This deficiency has not been corrected; however, the utility addressed this issue in its request as part of the justification for filing for this rate increase.

Wastewater Treatment Plant: The wastewater treatment plant has a permitted capacity of 0.028 mgd, annual average daily flows (AADF). This is a American Enviroport (package plant) all in one plant and the design consists of: effluent disposal, aeration tanks, extended aeration digester, air lift pump, clarified tanks, chlorine tanks and two percolation ponds. This facility has a

second air lift pump that is in need of repair and the percolation ponds area needs to be mowed. At the time of the engineering investigation, the wastewater treatment facility appeared to be operating properly.

Wastewater Collection System: The wastewater collection system is comprised of: Collection mains- PVC pipes (8"); Force main-PVC (4"); eleven manholes (48") and one lift station. During the engineering investigation, the collection system appeared to be operating properly.

Customer Satisfaction

On October 18, 2000, our staff conducted a customer meeting in the service area. Approximately 44 customers (out of 60 connections) attended the meeting and eight customers spoke. The water quality issue expressed by the majority of the customers was low water pressure, and/or the lack of any water pressure. Customers also expressed concerns regarding unmetered customers, malfunctioning meters, water odor, water color, and that the proposed rate increase is too high. In addition, due to the system's design, one customer connection has a sewer line problem which causes the customer's service to be interrupted once a year. After hearing the opinions and concerns expressed by the customers, we concluded that the customers have legitimate concerns which need to be addressed in the most economically feasible manner.

Summary

Currently, a review of the water treatment plant's sanitary survey and the wastewater treatment plant's yearly evaluations for the past 3 years, which was provided by DEP, indicates no water or wastewater quality compliance problems. In addition, Commission staff's on-site engineering investigation of the water and wastewater plants, water distribution system, and the wastewater collection system found these systems to be functioning properly. However, a majority of the customers are not satisfied with the water quality, water volume and the proposed rate increase.

We acknowledge that to correct some of the concerns addressed by the customers would not be economically feasible with a current customer base of 60 connections. However, a representative of the

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utility has conversed with staff regarding resolving some of the problems that are economically feasible to address at this time. The utility requested an allowance for ten meters/meter boxes to replace damaged, unreadable, and slow meters. The utility shall replace the ten defective water meters. The utility also has one unmetered residential customer and a general service customer (clubhouse) with an unmetered irrigation system. The utility shall meter the two unmetered customers listed above.

The utility has one customer who has a recurring wastewater problem. Every year, after returning from vacation, this customer's wastewater system backs up. The customer calls a plumber to repair the problem and the utility pays the plumber to clear the lines. The utility has acknowledged that the problem is with the utility's collection system and we find it appropriate to allow \$450 to repair the collection system.

Currently, addressing the problem of odor would require adding an aerator to the water treatment system. In addition, to completely address the situation concerning low water pressure would require a modification to the water treatment system. Spreading the cost over a customer base of 60 connections would greatly increase the customers' rates. Therefore, at this time, it is not economically feasible to address the issues of water odor and low water pressure. However, refurbishing the hydro pneumatic tank is required by the DEP and although it will not correct the problem, it will assist in addressing the low water pressure problem.

The quality of service provided by Buffalo Bluff to its customers appears to be satisfactory. However, the utility shall to install meters at unmetered accounts, replace defective or damaged water meters, and repair the sewer line. All pro forma plant shall be completed within 180 days of the effective date of this Order.

UNACCOUNTED FOR WATER

It is our practice to allow 10% of the total water treated as acceptable unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc. See Orders Nos. PSC-00-0248-PAA-WU, issued February

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7, 2000, in Docket No. 990535-WU, and PSC-00-2005-PAA-WU, issued June 7, 2000, in Docket No. 000331-WU.

Buffalo Bluff reported 4,001,000 gallons of water treated during the test year and 834,120 gallons were unaccounted for. Since Buffalo Bluff experienced a total of 21% of unaccounted for water, allowable expenses for purchased electricity and chemicals would normally be reduced. However, we have ordered the utility to install irrigation meters and replace defective meters so that actual customer usage will be billed. The new and replacement meters are expected to significantly reduce unaccounted for water. Also, a meter installation and a meter change out program will aid in addressing the problem of unaccounted for water. Therefore, we find that no adjustments need to be made for the excessive unaccounted for water at this time.

USED AND USEFUL

The utility records for the test year were utilized to calculate the used and useful percentage. Currently, the utility's records indicate that the system is operating properly.

Water Treatment System

The water treatment plant has a source of supply design capacity of 0.048 mgd with firm reliable capacity of 0.0205 mgd. Our practice is to use a five maximum day average in order to compensate for line break, fires, or other anomalies which could cause a single day to reflect usage out of the normal range. See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495. The five maximum day average flows, per the utility's records is 21,620 gallons per day (gpd). The fire flow requirement equates to zero. Customer growth for the previous five years was calculated, pursuant to Rule 25-30.431, Florida Administrative Code, to be approximately 1 equivalent residential connection (ERC) per year times the 5 years statutory growth period, which equates to 929 gpd. As discussed above, we have calculated the excessive unaccounted for water which exceeds 10% to be 11% or 1,206 gpd. In accordance with the formula method for calculating used and useful, we consider the water plant to be 100% used and useful. This is calculated by adding the five maximum days average flow to 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 Page 1 of 4, which by reference is incorporated herein.

Water Distribution System

Buffalo Bluff's customer base is residential, and in this case lots are equivalent to ERCs. The water distribution system has the potential to serve an estimated 73 connections without the construction of additional distribution mains. The average number of connections served during the test year was 59 lots. Growth over the previous five years was calculated to be 1 ERC per year. In accordance with the formula method of calculating used and useful, we find that the distribution system is 88% used and useful. This is calculated by dividing the average test year number of lots plus the growth allowance by the estimated capacity in lots. The calculation is summarized in Attachment A Page 2 of 4, which by reference is incorporated herein.

Wastewater Treatment System

The wastewater treatment plant has an actual treatment design capacity of 0.028 mgd. Our practice is to use the DEP designated units of permitted capacity to calculate used and useful plant. The DEP permitted this utility at 9,900 gpd based on annual average daily flow (AADF). However, the utility requested a permit reduction from DEP because the wastewater treatment plant flow rates were low. By lowering the permit capacity, the plant's man hours, number of operator plant visits required by the DEP, and the utility plant operational cost would be reduced.

Because the permitted capacity was reduced per the utility's request, the actual capacity of 0.028 mgd was used in determining used and useful. See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495. The annual average daily flow, per the utility's records, is 3,497 gpd. Customer growth for the previous five years was calculated to be approximately 1 ERC per year which equates to 295 gpd. This utility appears to have no excessive infiltration or inflow. In accordance with the formula method for calculating used and useful, the wastewater plant is considered 14% used and useful. This is calculated by adding the

growth allowance to the annual average daily flow and subtracting the excess infiltration then divided by the plant capacity. The calculation is summarized in Attachment A Page 3 of 4, which by reference is incorporated herein.

Wastewater Collection System

The utility's customer base is residential, and in this case lots are equivalent to ERCs. The wastewater collection system, identical to the water distribution system, has the potential to serve an estimate 73 connections without the construction of additional collection mains or force mains. The average number of connections served during the test year was 59 lots. Customer growth during the previous five years was calculated to be one per year. In accordance with the formula method of calculating used and useful, we find that the collection system is 88% used and useful. This is calculated by adding the growth allowance to the average test year number of lots and then dividing that total by the estimated capacity in lots. The calculation is summarized in Attachment A Page 4 of 4, which by reference is incorporated herein.

Summary

Based on the above and most recent data, the water treatment plant, wastewater treatment plant, water distribution system, and wastewater collection system, are 100%, 14%, 88%, and 88%, used and useful, respectively.

RATE BASE

Buffalo Bluff began operations in 1984 and was operating without Commission approval. By Order No. PSC-92-0330-FOF-WS, issued May 11, 1992, in Docket No. 910646-WS, we granted Certificates Nos. 542-W and 470-S to Buffalo Bluff to operate its existing water and wastewater treatment systems. Further, we also approved the utility's existing rates and charges including a service availability charge of \$400 for water and \$400 for wastewater. However, rate base was not established at that time.

In this case, it was discovered that the utility did not have original cost documentation for plant. Therefore, an original cost study was completed by our engineer to determine plant values.

An historical test year ended May 31, 2000, was selected and the rate base components have been calculated using the original cost study for a plant balance through May 31, 2000. A discussion of each component of rate base follows:

Utility-Plant-in-Service (UPIS)

Based on the original cost study on May 31, 2000, Buffalo Bluff has UPIS of \$81,908 for water and \$122,751 for wastewater. The utility has recorded no additions or retirements since inception in 1984. Therefore, there is no change in plant prior to and during the test year and an averaging adjustment is not necessary.

We have increased UPIS by \$1,010 for water to reflect the \$794 cost of the ten meters requested by the utility and to reflect the \$216 cost associated with installing meters for the two unmetered customers. Further, we have decreased UPIS by \$728 for water to reflect the retirement of meters associated with the ten pro forma replacement meters.

We increased UPIS by \$450 to reflect the cost associated with repairing the collection system. Therefore, UPIS has been increased by \$82,190 for water and \$123,201 for wastewater.

Land

Based on a warranty deed provided in the audit, the utility owns the land on which its water and wastewater systems are located.

The utility did not record a land value on its books. Our auditor determined land value based on the sale of property to Bayou Club North, Inc. Audit Exception No. 2 specifies that on January 17, 1984, Bayou Club North, Inc., a development company, acquired 34 acres of land for \$150,000. This established a per acre price of \$4,412. Buffalo Bluff was formed on August 9, 1984, to serve the water and wastewater needs of the residents of the

Bayou Club Subdivision. On December 16, 1991, Bayou Club North, Inc. deeded .25 acres for the water plant site and 2.23 acres for the wastewater plant site to Buffalo Bluff in a related party transaction. Based on the per acre price established in 1984 (Buffalo Bluff's first year of operation) the calculated land values are as follows:

Plant Site	Acres	Price Per Acre	Land Value
Water	0.25	\$4,412	\$1,103
Wastewater	2.23	\$4,412	\$9,838
Total	2.48	\$4,412	\$10,941

We increased land value by \$1,103 and \$9,838 for water and wastewater, respectively to reflect land value per the audit.

Non-used and Useful Plant

Our engineer has determined the used and useful percentages for each plant account. Applying the non-used and useful percentages to average plant results in average non-used and useful plant of \$5,786 for water and \$43,799 for wastewater. The average non-used and useful accumulated depreciation is \$2,549 for water and \$25,853 for wastewater. This results in net non-used and useful plant of \$3,237 for water and \$17,946 for wastewater.

Contribution in Aid of Construction (CIAC)

Audit Exception No. 3 specifies that the utility has a zero balance for CIAC. By Order No. PSC-92-0330-FOF-WS, issued May 11, 1992, in Docket No. 910646-WS, we approved all the existing rates and charges of the utility. Included in these rates and charges is a \$400 per system service availability charge. We imputed CIAC of \$400 per system per connection. Currently there are 60 connections, and there were 55 connections at the time Order No. PSC-92-0330-FOF-WS, was issued. Our engineering report specifies an average annual growth in ERCs over the past five years of one ERC per year. Using regression analysis, we estimated that in 1984, the utility's first year of operations, the utility serviced 49 connections. According to the regression analysis, the utility's ERCs serviced increased at approximately one ERC per

year. We calculated CIAC of \$24,000 (60 ERCs at \$400) for both water and wastewater. Therefore, CIAC has been increased by \$24,000 for water and wastewater each. We decreased this amount by \$200 per system to reflect an averaging adjustment. Therefore, the average CIAC is \$23,800 for both water and wastewater.

Accumulated Depreciation

The utility did not record any accumulated depreciation on its books during the test year. Consistent with our practice, we have calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. The calculated accumulated depreciation on May 31, 2000, is \$47,602 for water and \$74,894 for wastewater. We decreased this account by \$728 for water to reflect the retirement associated with the pro forma meters. This account has been decreased by \$1,400 for water and \$2,141 for wastewater to reflect an averaging adjustment. Therefore, the average accumulated depreciation is \$45,474 for water and \$72,753 for wastewater.

Amortization of CIAC

The utility did not record any amortization of CIAC. Amortization of CIAC has been calculated using composite depreciation rates. Our calculated year-end amortization of CIAC is \$12,469 for water and \$13,071 for wastewater. This account has been decreased by \$405 for water and \$413 for wastewater to reflect an averaging adjustment. Therefore, the average amortization of CIAC is \$12,064 and \$12,658 for water and wastewater respectively.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, the one-eighth of operation and maintenance (O&M) expense formula approach was used for calculating working capital allowance. Applying that formula, we find that a working capital allowance of \$1,463 (based on O&M of \$11,703) for water and \$1,476 (based on O&M of \$11,808) for wastewater is appropriate. The utility did not record a working capital allowance. Working capital has been increased by \$1,463 and \$1,476 for water and wastewater respectively to reflect one-eighth of the O&M expenses.

Rate Base Summary

Based on the foregoing, the appropriate average test year rate base is \$24,309 for water and \$32,674 for wastewater.

Rate base is shown on Schedule No. 1-A, 1-B, and 1-C, which by reference is incorporated herein. Related adjustments are shown on Schedule No. 1-C, which by reference is incorporated herein.

COST OF CAPITAL

Audit Exception No. 6 states that the utility's capital structure consist of common stock of \$500, paid-in-capital of \$130,734, and negative retained earnings of \$152,097. In its 1999 annual report, the utility reported a notes payable balance of \$105,124. This balance consisted of loans from shareholders. However, the loans were not supported by a debt instrument or an interest cost. By Order No. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990243-WS, we classified utility debt that was not supported by a debt instrument or an interest cost as other common equity. In addition, by a letter dated June 12, 2000, the shareholders agreed to reclassify the debt as other common equity on the books, thus making the capital structure 100% equity.

Using the current leverage formula approved by Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, the appropriate rate of return on equity is 9.37%. Since the utility's capital structure is 100% equity, the overall rate of return is 9.37%. The range is 8.37% - 10.37%.

The utility's capital structure has been reconciled with rate base. Therefore, a return on equity and an overall rate of return of 9.37% with a range of 8.37% - 10.37% is approved for this utility.

The return on equity and overall rate of return are shown on Schedule No. 2, which by reference is incorporated herein.

NET OPERATING INCOME

Test Year Revenues

Audit Exception No. 4 states that the test year revenues for the 12-month period ended May 31, 2000 are \$8,300 and \$8,725 for water and wastewater, respectively.

The utility's current tariff authorizes a base facility charge of \$7.41 which includes 3,000 gallons usage and \$1.85 per 1,000 gallons over 3,000 per month for water and a flat rate of \$12.27 per month for wastewater services. The utility's existing rates became effective March 1, 2000. The utility's test year is June 1, 1999 through May 31, 2000. We have calculated annualized revenue using the existing rates times the number of bills and consumption provided in the billing analysis. Test year revenues have been increased by \$250 for water and \$109 for wastewater to reflect annualized revenue based on the existing rates.

Test year revenues are shown on Schedule Nos. 3-A and 3-B, which by reference is incorporated herein.. The related adjustments are shown on Schedule No. 3-C, which by reference is incorporated herein.

Operating Expense

Audit Exception No. 5 specifies that the utility's records do not completely separate or specifically identify its operations and maintenance (O&M) expenses. There was also no distinction between water and wastewater. The utility provided the auditor with access to all invoices, canceled checks and other utility records to assemble its O&M and taxes other than income expense for the 12-month period ended May 31, 2000. Using the documents provided by the utility, the auditor determined the appropriate operating expenses for the test year and a breakdown of expenses by account class. The auditor determined O&M expenses of \$9,882 and \$7,749 and taxes other than income of \$1,067 and \$996 for water and wastewater, respectively. Adjustments have been made to reflect the appropriate annual operating expenses that are required for utility operations on a going forward basis.

Operations and Maintenance Expenses (O&M)

Purchased Power-(615/715) - The audited purchased power expense is \$632 for water and \$1,161 for wastewater. We decreased these amounts by \$82 for water and \$151 for wastewater to reflect a 13% approved repression adjustment.

Chemicals-(618/718) - The audited chemical expense is \$315 for both water and wastewater. This expense has been increased by \$90 for water and decreased by \$90 for wastewater to reflect the appropriate allocation based on usage as determined by our engineer. We have decreased these amounts by \$53 for water and \$29 for wastewater to reflect a 13% approved repression adjustment. This allocation results in an annual expense of \$352 for water and \$196 for wastewater.

Contracted Services-Billing-(630/730) - Billing and collection services are performed by Ms. Barbara Rardon, who is also a customer. The audited expense for these services is \$694 for water and wastewater each, for a total of \$1,388 annually. Based on invoices provided in the audit work papers, Ms. Rardon charges \$150 per month or \$1,800 annually for billing and collection. The audited amount has been increased by \$412; or \$206 per system to reflect the appropriate annual allowance.

In addition, we have estimated additional billing cost totaling \$186 for water and wastewater each. This amount includes \$100 for envelopes, \$198 for postage, \$54 for blank statement pages, and \$20 for ledger book pages. Therefore, this expense has been increased by \$186 for water and wastewater each.

Based upon all of the foregoing, we find that the billing allowance is \$1,086 for water and wastewater each.

Contracted Services-Professional-(631/731) - The audited accounting service expense is \$2,600 or \$1,300 for each system and the audited engineering services expense is \$125 for water. The utility's accountant provided us with the cost for providing services to the utility on a going forward basis. These costs include \$2,700 for processing regulatory assessment fee returns, corporate tax returns, preparation of annual reports, annual accounting services, and an initial fee of \$1,000 to bring the

utility into compliance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA). We find that these amounts are reasonable.

This expense has been increased by \$100 or \$50 each for water and wastewater to reflect the appropriate annual accounting allowance. Moreover, the initial set up cost of \$1,000 has been amortized over five years pursuant to Rule 25-30.433(8), Florida Administrative Code, allowing the utility to recover \$200 annually (\$100 for water and \$100 for wastewater).

Contractual Services-Testing-(635/735) - The audited testing expense is \$3,596 for water and \$3,024 for wastewater for a total of \$6,620. This total includes \$4,800 for operator services. This expense has been decreased by \$2,400 each for water and wastewater to reclassify operators fees to Accounts Nos. 636 & 736, contractual services other.

The audited total also includes \$1,820 for testing expenses, \$1,196 for water and \$624 for wastewater. Each utility must adhere to specific testing conditions prescribed within its operating permit. These testing requirements are tailored to each utility as required by Rules 62-550 and 62-551, Florida Administrative Code, and enforced by DEP. The tests and the frequency at which those tests must be repeated for this utility are:

<u>Water</u>		
<u>Test</u>	<u>Frequency</u>	<u>Amount</u>
Total Coliform	Monthly	\$720
Nitrates	Yearly	\$27
Lead & Copper	3 Years	\$33
VOC's	3 Years	\$100
Gross Alpha	3 Years	\$28
P&S Inorganic	3 Years	\$188
<u>Pest \$ PCB's</u>	<u>3 Years</u>	<u>\$210</u>
Total		<u>\$1,306</u>
<u>Wastewater</u>		
<u>Test</u>	<u>Frequency</u>	<u>Amount</u>
<u>Sludge Analysis</u>	<u>Yearly</u>	<u>\$225</u>

CBOD	Monthly	\$23
TSS	Monthly	\$23
Nitrates	Monthly	\$324
Fecal Coli	Monthly	\$300
<u>RPZ Test</u>	<u>Yearly</u>	<u>\$85</u>
Total		<u>\$980</u>

We have increased contractual services testing by \$110 for water and \$356 for wastewater to reflect annual DEP required testing. Therefore, the testing expense is \$1,306 for water and \$980 for wastewater.

Contractual Services Other-(636/736) - The audited total for this expense is \$3,113, \$2,826 for water and \$288 for wastewater.

The utility has no salaried employees. The majority of the utility services are performed by Mr. McGowan, which includes: reading meters, handling repairs and maintenance, attending meetings with regulatory agencies, handling the collection of delinquent accounts, and receiving and responding to customer complaints. Based on the duties performed by Mr. McGowan, it appears that he manages the utility. Mr. McGowan bills the utility \$120 per month to read meters and perform additional plant checks, and \$65 dollars an hour for all other services rendered. However, we find it appropriate to allow a \$25 an hour management fee. The hourly rate is consistent with the management fee approved in Order PSC-95-0142-FOF-WU, issued January 31, 1995, in Docket No. 940558-WU. We estimate that Mr. McGowan spends approximately 4 hours per week conducting utility business. Therefore, an annual management fee of \$5,200, \$2,600 each for water and wastewater, shall be allowed. The audited balance of Mr. McGowan's services includes \$1,953 for water and \$138 for wastewater. This expense has been increased by \$647 for water and \$2,462 for wastewater to reflect the management allowance of \$2,600 for water and wastewater.

In addition, Mr. McGowan handles utility business out of his office. Therefore, \$100 per month or \$1,200 annually shall be allowed for overhead costs. This amount shall be allocated \$600 for water and wastewater each. This expense has been increased by \$600 for water and \$600 for wastewater to reflect the overhead cost.

According to a contract provided by the utility, Mr. McGowan provides operator services for the utility at a cost of \$360 per month. This expense has been increased by \$2,400 for water and wastewater, to reflect the reclassification from Accounts Nos. 635 and 735. This account has been decreased by \$240 for water and wastewater to reflect operators fees of \$4,320 per contract.

The utility also provided a contract for mowing services of \$720 annually, to mow the areas around the wastewater plant and retention pond. The utility recorded \$150 for this expense during the test year. We have increased this expense by \$570 (\$720-\$150) to reflect the contracted mowing expense.

During the test year, the utility recorded \$384 for expenses associated with a customer's wastewater lines backing up. The utility asked for an allowance to repair the collection system in order to avoid this annual cost and to improve service to its customer. This cost shall be allowed and capitalized. Therefore, this expense has been decreased by \$384 to reflect the elimination of plumber's expense due to an improved collection system.

The total adjustment for this expense is an increase of \$3,407 for water and \$5,792 for wastewater, resulting in an annual expense of \$6,233 for water and \$6,080 for wastewater.

Insurance Expense-(635/735) - The audited amount for insurance expense is \$122 for water and \$544 for wastewater. Insurance expense premiums were allocated based on the insurance coverage amounts specific to the water and wastewater plants.

We have determined above used and useful percentages for plant. The water plant is 100% used and useful and no adjustment is necessary. The wastewater treatment plant is 14% used and useful. Insurance expense for wastewater consists of property coverage for lift stations and plant. This expense has been decreased by \$468 (86%) to remove insurance expense associated with non-used and useful plant. See Order No. 12691, issued March 4, 1998, in Docket No. 980062-WS (Lindrick Service Corporation's insurance expense was decreased by the non-used and useful percentage.)

Regulatory Commission Expense-(655/755) - The utility paid a \$1,000 rate case filing fee pursuant to Rule 25-30.020, Florida Administrative Code. In addition, the utility's accountant submitted invoices totaling \$1,650 for accounting services rendered for the rate case. The audited amount for this expense is \$125 (\$1,000/4 years) for water and wastewater each. This expense has been increased by \$207 (\$1,650/4 years) for water and wastewater each. The total annual expense is \$332 per system.

Miscellaneous Expense-(675/775) - The audited expense is \$147 for water and \$141 for wastewater. The utility's audited expenses do not include permit costs. We have determined that the utility is not required to apply for a consumptive use permit because of the size of the utility. The utility is required to obtain a new wastewater operating permit every 5 years at a cost of \$1,500. This expense has been increased by \$300 (\$1,500/5 years) for wastewater to reflect the annual operating permit cost.

Operation and Maintenance Expense (O&M Summary) - Total O&M adjustments are an increase of \$1,956 for water and \$4,239 for wastewater. Therefore, the O&M expenses are \$11,838 for water and \$11,988 for wastewater. O&M expenses are shown on Schedules Nos. 3-E and 3-F, which by reference are incorporated herein.

Depreciation Expense - The depreciation expense has been calculated using the prescribed rates in Rule 25-30.140, Florida Administrative Code. The calculated depreciation is \$2,799 for water and \$4,282 for wastewater. Net pro forma depreciation expense is \$16 for water and \$11 for wastewater. Non-used and useful depreciation is \$165 for water and \$1,302 for wastewater. Amortization of CIAC is \$826 for water and \$836 for wastewater. Non-used and useful depreciation and amortization of CIAC has a negative impact on depreciation expense. Net depreciation expense is \$1,824 for water and \$2,155 for wastewater. Therefore, this expense has been increased by \$1,824 for water and by \$2,155 for wastewater to reflect the test year depreciation expense.

Taxes Other Than Income - The audit balance for taxes other than income is \$1,067 for water and \$966 for wastewater. This expense has been increased by \$24 for water and \$27 for wastewater to reflect RAFs on annualized income.

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This expense has been decreased by \$200 for water and increased by \$200 for wastewater to reflect a reallocation of tangible property taxes based on the value of plant determined by the original cost study.

In addition, this expense has been decreased by \$630 for wastewater to remove the non-used and useful amount associated with a tangible property tax. Therefore, the total adjustment for this expense is an increase of \$176 for water and a decrease of \$403 for wastewater.

Income Tax - Buffalo Bluff is a Subchapter S corporation. Therefore, the utility pays no income taxes.

Operating Revenues - Revenues have been increased by \$8,529 for water and \$9,166 for wastewater to reflect the increase in revenue required to cover expenses and allow return on investment approved herein.

Taxes Other Than Income - This expense has been increased by \$384 for water and \$412 for wastewater to reflect regulatory assessment fees of 4.5% on the increase in revenues.

Operating Expenses Summary - The application of our adjustments to the audited test year operating expenses results in operating expenses of \$14,802 for water and \$14,938 for wastewater.

Operating expenses are shown on Schedules Nos. 3-A and 3-B, which by reference are incorporated herein. The related adjustments are shown on Schedules Nos. 3-C and 3-D, which by reference are incorporated herein.

REVENUE REQUIREMENT

The utility shall be allowed an annual increase of \$8,529 (99.76%) for water and \$9,166 (103.75%) for wastewater. We find that this will allow the utility the opportunity to recover its expenses and earn a 9.37% return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted rate base	\$24,309	\$32,674
Rate of Return	x .0937	x .0937
Return on investment	\$2,278	\$3,062
Adjusted O & M expense	\$11,703	\$11,808
Depreciation expense (Net)	\$1,824	\$2,155
Taxes Other Than Income	\$1,274	\$975
Revenue Requirement	<u>\$17,079</u>	<u>\$18,000</u>

Revenue requirements are shown on Schedules Nos. 3-A and 3-B, which by reference are incorporated herein.

RATES AND CHARGES

Conservation Rate Structure

The utility's current water system rate structure consists of a monthly base facility charge (BFC)/gallage charge rate structure, in which the BFC of \$7.41 includes an allotment of 3,000 gallons (3 kgal) of water, and all gallons in excess of 3 kgal used are charged \$1.85 per 1 kgal. The utility's current wastewater system rate structure consists of a monthly flat rate of \$12.27.

Water System

Our preferred rate structure is the traditional BFC/gallage charge rate structure. This usage sensitive rate structure allows customers to reduce their total bill by reducing their water consumption. However, the utility's current rate structure is considered nonusage sensitive because of the 3 kgal allotment in the BFC. This allotment discourages conservation at and below the allotment level. We find it appropriate to eliminate the 3 kgal allotment from the BFC to be consistent not only with our practice, but with the overall statewide goal of eliminating conservation-discouraging water rate structures.

In this case, the elimination of the 3 kgal allotment in the BFC will result in those customers with monthly usage at 3 kgal receiving the greatest percentage price increase. Therefore, since an important rate design goal is to minimize the price increase at monthly consumption of 3 kgal, different conservation adjustments were used to shift varying portions of cost recovery from the BFC to the gallonage charge. The results of this analysis are shown in the following table:

PRICE INCREASES AT VARIOUS CONSERVATION ADJUSTMENTS					
	Conservation Adjustment Percentages				
Monthly Consumption	0%	15.0%	20.0%	25.0%	30.0%
0 kgal	52.6%	29.7%	22.1%	14.4%	6.9%
1 kgal	86.9%	68.6%	62.6%	56.4%	50.5%
2 kgal	121.2%	107.4%	103.1%	98.4%	94.1%
3 kgal	155.5%	146.3%	143.6%	140.4%	137.7%
4 kgal	131.9%	128.2%	127.3%	125.9%	125.1%
5 kgal	116.1%	116.1%	116.5%	116.3%	116.7%
10 kgal	80.3%	88.7%	91.8%	94.4%	97.5%
20 kgal	59.8%	73.0%	77.7%	81.9%	86.6%
30 kgal	52.6%	67.4%	72.7%	77.4%	82.7%
50 kgal	46.6%	62.8%	68.6%	73.8%	79.5%

As shown above, the 30% conservation adjustment (relative to the other adjustments) accomplishes two things: a) it minimizes the price increases for monthly consumption at 4 kgal or less; while b) maximizing the price increases for monthly usage at levels greater than twice the residential average monthly consumption of 4.844 kgal. Therefore, a 30% conservation adjustment shall be approved in conjunction with the elimination of the 3 kgal allotment in the utility's BFC.

Wastewater System

As noted above, the utility currently utilizes a flat rate structure for its wastewater customers. This rate structure is typically used when it is difficult (or impossible) to obtain accurate consumption data. However, all of the utility's water customers are metered, making consumption data readily available. Therefore, the wastewater system's flat rate structure shall be eliminated in favor of the traditional BFC/gallage charge rate structure. It is our preferred rate structure, because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. In addition, implementation of the traditional BFC/gallage charge rate structure sends more appropriate price signals to the customers because it charges the customer for wastewater usage.

Repression Adjustment

Based on information contained in our database of utilities receiving rate increases and decreases, there were five water utilities that had 3 kgal allotments removed from a BFC/gallage rate structure. On average, these utilities experienced an approximate 60% price increase while experiencing an approximate 13% reduction (repression) in average monthly consumption. Specifically, the consumption reductions were 35%, 15%, 14%, 9% and 6%, respectively. Three utilities were removed from consideration because the average monthly consumption levels were far greater than Buffalo Bluff's, leaving two utilities in the sample: one of the remaining utilities experienced a 15% consumption reduction, while the other utility's corresponding consumption reduction was 9%.

Although a 9% consumption reduction would be consistent with our past practice of approving repression adjustments which are conservative in nature, a 9% reduction is not appropriate in this case because it is less than the overall five-utility average consumption reduction of 13%. Instead, a 13% repression adjustment is both conservative and appropriate, especially when considering that the average price increase of the five utilities in the database was approximately 60%, compared to Buffalo Bluff's average preliminary residential price increase of approximately 117%. Therefore, the resulting residential repression adjustment, based

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on a consumption reduction of 13%, is approximately 438 kgal, and the resulting total residential consumption for rate setting is 2,933 kgal.

Further, the wastewater residential consumption charge shall be capped at 8 kgal. Based on the utility's billing analysis, the consolidated factor at 8 kgal is 81.65%. Therefore, we find that the residential wastewater consumption is 2,395 kgal (2,933 kgal x 81.65%), and the associated repression adjustment is 358 kgal.

In order to monitor the effects of both the changes in rate structure and the revenue increases, the utility shall prepare monthly reports detailing the number of bills rendered, the consumption billed 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.

Residential Gallonage Cap

The rates for wastewater service shall include a base charge for all residential customers regardless of meter size with a cap of 8,000 gallons of usage per month on which the gallonage charge may be billed. There is no cap on usage for general service wastewater bills. The differential in the gallonage charge for residential and general service wastewater customers is designed to recognize that a portion of a residential customer's water usage will not be returned to the wastewater system.

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

Generally, we set monthly caps of 6,000 gallons, 8,000 gallons, or 10,000 gallons per month. The utility's billing analysis indicates that almost 86% of the total residential bills were for usage not exceeding 8,000 gallons per month and accounted for 54% of total water usage. Conversely, only 14% of total residential bills were for usage over 8,000 gallons, but accounted for 46% of total water usage, thereby indicating high irrigation usage.

Considering the above factors, we find it appropriate to set the wastewater gallonage cap for residential customers at 8,000 gallons per month. We find that setting a lower cap would raise the gallonage charge and may result in low users subsidizing high users. Therefore, a gallonage cap of 8,000 gallons per month for wastewater residential customers is appropriate. However, if usage patterns change, this gallonage cap will be re-examined in the next rate case.

Rates

During the test year the utility provided service to approximately 60 water and wastewater customers. The customer base includes 58 residential customers with 5/8" x 3/4" meters and 2 general service customers with 5/8" x 3/4" meters.

The two general service customers include a developer's office and a clubhouse with a swimming pool and irrigation system. We have calculated rates using test year number of bills and consumption for water. During the customer meeting held on October 18, 2000, we learned of an unmetered customer and an unmetered irrigation system. We have included estimated gallons for one unmetered residential customer, five residential customers with slow meters, and the unmetered irrigation system at the clubhouse. The rates for wastewater have been calculated based on 80% of the water used by residential customers and actual usage for the general service customers minus an estimated usage for the irrigation system.

As discussed previously, the appropriate revenue requirement, excluding miscellaneous service charges, is \$17,079 for the water system and \$18,000 for the wastewater system. In addition, we have changed the water system rate structure to a traditional BFC/gallonage charge rate structure by removing the 3 kgal allotment and a 30% conservation adjustment was implemented. Also, we changed the wastewater system rate structure to the traditional BFC/gallonage charge rate structure. Further, the appropriate repression adjustments are 438 kgal for the water system and 358 kgal for the wastewater system.

Schedules of the utility's existing rates and rate structure and the new approved rates and rate structure are as follows:

Monthly Rates - Water
Residential and General Service

Base Facility Charge

<u>Meter Sizes</u>	<u>Existing Rates</u>	<u>Approved Rates</u>
All Sizes	\$7.41 (0-3,000 gals)	N/A
5/8" x 3/4"	N/A	\$7.91
3/4"	N/A	\$11.87
1"	N/A	\$19.78
1 1/2"	N/A	\$39.55
2"	N/A	\$63.28
3"	N/A	\$126.56
4"	N/A	\$197.75
6"	N/A	\$395.50

Gallage Charge per 1,000 gallons

Over 3,000 gallons	\$1.85	N/A
per 1,000 gallons	N/A	\$3.63

Monthly Rates - Wastewater

	<u>Residential Existing Rates</u>	<u>Approved Rates</u>
Flat Rate	\$12.27	N/A
<u>Base Facility Charge</u>		
All Meter Sizes	N/A	\$11.09
<u>Gallage Charge</u> per 1,000 gallons (8,000 gallon cap)		\$3.84

Monthly Rates - Wastewater

General Service

	<u>Existing</u>	<u>Approved Rates</u>
Flat Rate	\$12.27	N/A
<u>Base Facility Charge</u>		
<u>Meter Sizes</u>		
5/8" x 3/4"	N/A	\$11.09
3/4"	N/A	\$16.64
1"	N/A	\$27.73
1 1/2"	N/A	\$55.45
2"	N/A	\$88.72
3"	N/A	\$177.44
4"	N/A	\$277.25
6"	N/A	\$554.50
<u>Gallage Charge</u>		
Per 1,000 Gallons		\$4.60

Approximately 33% (\$5,698) of the water system revenue requirement is recovered through the approved BFC. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 67% of the revenue requirement (\$11,381) represents revenues collected through the consumption charge based on the number of gallons. Approximately 44% (\$7,985) of the wastewater system revenue requirement is recovered through the approved BFC. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 56% of the revenue requirement (\$10,014) represents revenues collected through the consumption charge based on the number of factored gallons.

The following is a comparison of residential rates at various usage levels:

Monthly Rates - Water

<u>Gallons</u>	<u>Residential</u>	
	<u>Existing</u>	<u>Approved Rates</u>
3,000	\$7.41	\$18.80
5,000	\$11.11	\$26.06
10,000	\$20.36	\$44.21

Monthly Rates - Wastewater

<u>Gallons</u>	<u>Residential</u>	
	<u>Existing</u>	<u>Approved Rates</u>
3,000	\$12.27	\$22.61
5,000	\$12.27	\$30.29
10,000	\$12.27	\$41.81

These rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision, that the customer notice is adequate, and that any required security has been provided.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Customer Deposits

Rule 25-30.311, Florida Administrative Code, provides guidelines for collecting, administering and refunding customer deposits. It also authorizes customer deposits to be calculated using an average monthly bill for a 2-month period. The utility's

existing tariff authorizes the utility to collect a \$25 customer deposit for water and wastewater. This amount will not provide an average bill for a 2-month period based on the utility's new rates. Therefore, we calculated customer deposits using the new rates and an average monthly bill for a 2-month period. A schedule of the utility's existing and the new approved deposits follows:

Water

Residential and General Service

<u>Meter Size</u>	<u>Existing deposit</u>	<u>Approved deposit</u>
5/8" x 3/4"	\$25.00	\$50.00
All over 5/8" x 3/4"	N/A	2 x average bill

Wastewater

Residential and General Service

<u>Meter Size</u>	<u>Existing deposit</u>	<u>Approved deposit</u>
5/8" x 3/4"	\$25.00	\$50.00
All over 5/8" x 3/4"	N/A	2 x average bill

The utility shall file revised tariff sheets which are consistent with our decision. Our staff shall have the administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

Miscellaneous Charges

The utility's existing tariff authorizes the utility to collect miscellaneous service charges. The utility has requested an increase in the authorized charges. The requested charges have been reviewed and appear reasonable. The utility is authorized to collect charges consistent with Rule 25-30.460, Florida

Administrative Code, and past Commission practice. The charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the rate paying body as a whole. No expenses incurred for miscellaneous service charges were included in the calculation of test year operating expenses. A schedule of the new charges follows:

<u>Description</u>	<u>Water</u>	
	<u>Existing</u>	<u>Approved Charges</u>
Initial Connection	\$15.00	\$25.00
Normal Reconnection	\$15.00	\$25.00
Violation Reconnection	\$15.00	\$25.00
Premises Visit(in lieu of disconnection)	\$10.00	\$25.00

<u>Description</u>	<u>Wastewater</u>	
	<u>Existing</u>	<u>Approved Charges</u>
Initial Connection	\$15.00	\$25.00
Normal Reconnection	\$15.00	\$25.00
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit(in lieu of disconnection)	\$10.00	\$25.00

Definition of each charge is provided for clarification:

Initial Connection - this charge will be levied for service initiation at a location where service did not exist previously.

Normal Reconnection - this charge will be levied for transfer of service to a new customer account, a previously served location or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection - this charge will be levied prior to reconnection of an existing customer after disconnection of service for cause in accordance with Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (in lieu of disconnection) - this charge will be levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The utility shall file revised tariff sheets which are consistent with our decision. Our staff shall have the administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the miscellaneous service charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

Service Availability Charges

The utility's existing tariff authorizes a water and wastewater plant capacity charge of \$400 each. We have approved the inclusion of a main extension charge of \$545 for water and \$935 for wastewater and a meter installation charge of \$110.

The utility's current contribution level is 32.59% for water and 18.85% for wastewater. The utility's water and wastewater facilities can accommodate additional connections. Therefore, calculated service availability charges for water and wastewater are based on existing capacity.

In order to evaluate the utility's service availability charges, we relied on Rule 25-30.580, Florida Administrative Code, which states in part that:

- (a) 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

(b) 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 lines and sewage collection lines.

The calculated charges will not cause the utility to exceed the 75% maximum level pursuant to Rule 25-30.580, Florida Administrative Code. Currently both the contributed amounts for water and wastewater are less than the minimum amounts pursuant to Rule 25-30.580, Florida Administrative Code. We have allocated the existing service availability charge to recover the cost associated with the water transmission and distribution lines and sewage collection lines. We have also calculated a meter installation charge of \$110 based on cost justification provided by the utility.

A schedule of the utility's existing charges and the new charges are as follows:

<u>Water</u>	
<u>Main Extension Charge</u>	<u>Approved Charge</u>
Residential-Per ERC (186 GPD)	\$545.00
All Others-Per Gallon	\$2.93
<u>Meter Installation Charge</u>	
5/8" x 3/4"	\$110.00
All Over 5/8" x 3/4"	Actual Cost
<u>Wastewater</u>	
<u>Main Extension Charge</u>	<u>Approved Charge</u>
Residential-Per ERC (59 GPD)	\$935.00
All Others-Per Gallon	\$15.84

If revised tariff sheets are filed and approved, the service availability charges shall become effective for connections made on

or after the stamped approval date of the revised tariff sheets, if no protest is filed.

TEMPORARY RATES IN THE EVENT OF PROTEST

Pursuant to Section 367.0814(7), Florida Statutes, in the event of a protest filed by a party other than the utility, the new rates shall be approved as temporary rates. The rates collected by the utility shall be subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$12,314. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

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

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

This account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase shall be maintained by the utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with the Commission Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

NON-CONFORMANCE WITH NARUC USOA

During our staff's audit, the auditors discovered that the utility did not maintain its accounts and records in conformance with the NARUC USOA. Despite this fact, our auditor was able to perform the audit. Utility records consist of one check register and one customer billing register which are used for all transactions involving the utility. The records are maintained on a cash basis for income tax purposes. This is an apparent violation of Rule 25-30.115, Florida Administrative Code, "Uniform System of Accounts for Water and Wastewater Utilities," which provides that "Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners".

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Although 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, we find that a show cause proceeding is not warranted and shall not be initiated at this time. The utility's existing rates do not provide for accounting services. Therefore, the utility shall be given time and an accounting allowance for setting up the utility's books to conform with the NARUC USOA and to reconcile the utility's books with our Order.

As previously discussed, we have provided for a one time accounting allowance of \$1,000. This will provide funds to set up the utility's books in compliance with our Order.

In this case, the utility was unaware that using the cash basis for income tax purposes was an improper accounting method according to our rules. However, once notified, the utility indicated that it will convert its books and records to the NARUC USOA.

Based on the foregoing, we find that the violation of Rule 25-30.115, Florida Administrative Code, under these circumstances does not rise to the level that warrants the initiation of a show cause proceeding. However, the utility shall maintain its books and records in conformance with the 1996 NARUC USOA and submit a statement from its accountant by March 31, 2001, along with its 2000 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with this Order.

DOCKET CLOSURE

If no timely protest is received upon expiration of the protest period, this Order will become final upon the issuance of a Consummating Order. However, this docket shall remain open for an additional 180 days from the effective date of the Order to verify that the utility has installed two meters for unmetered customers and has made repairs ordered to the collection system. Once our staff has verified that the work has been completed, the docket shall be closed administratively.

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that Buffalo Bluff Utilities, Inc.'s application for increased water and wastewater rates and charges is hereby approved as 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 attached hereto are incorporated herein by reference. It is further

ORDERED that Buffalo Bluff Utilities, Inc. shall replace the ten defective water meters. In addition, Buffalo Bluff Utilities, Inc. shall meter the unmetered residential customer and the general service customer (clubhouse) with an unmetered irrigation system. It is further

ORDERED that Buffalo Bluff Utilities, Inc. shall replace defective or damaged water meters, and repair the sewer line as set forth in the body of this Order. Further, all pro forma plant shall be completed within 180 days of the effective date of this Order. It is further

ORDERED that Buffalo Bluff Utilities, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that in order to monitor the effects of both the changes in rate structure and the revenue increases, Buffalo Bluff Utilities, Inc. shall prepare monthly reports detailing the number of bills rendered, the consumption billed 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. It is further

ORDERED that Buffalo Bluff Utilities, Inc.'s rates and charges shall be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

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ORDERED that Buffalo Bluff Utilities, Inc., shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by a substantially affected person other than the utility, Buffalo Bluff Utilities, Inc., is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Buffalo Bluff Utilities, Inc., first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

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

ORDERED that prior to the implementation of the rates and charges approved herein, Buffalo Bluff Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$12,314 as a guarantee of any potential refund of revenues collected on a temporary basis. Alternatively, the utility may establish an escrow account with an independent financial institution. It is further

ORDERED that Buffalo Bluff Utilities, Inc., shall submit monthly reports no later than twenty days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that Buffalo Bluff Utilities, Inc., shall maintain its books and records in conformance with the 1996 NARUC USOA and submit a statement from its accountant by March 31, 2001, along with its 2000 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with our Order. It is further

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ORDERED that the provisions of this Order, issued as proposed agency action, 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 or Judicial Review" attached hereto. It is further

ORDERED that this docket shall remain open for an additional 180 days from the effective date of this Order to verify that Buffalo Bluff Utilities, Inc. has installed meters for unmetered customers as set forth in the body of this Order and that Buffalo Bluff Utilities, Inc. has made the repairs ordered to the collection system. Once it is verified that the work has been completed, the docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 26th day of December, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

DTV

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest 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 January 16, 2001. If such a petition is filed, 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. 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.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the

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First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Attachment A page 1 of 4

WATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 00327-WS - Buffalo Bluff Utilities, Inc.

- | | | | |
|--|--------|-----------------|-------|
| 1) Firm Reliable Capacity of Plant | 20,500 | gallons per day | |
| 2) Average of 5 Highest Days From Maximum Month | 21,620 | gallons per day | |
| 3) Average Daily Flow | 10,962 | gallons per day | |
| 4) Fire Flow Capacity | 0 | gallons per day | |
| a) Required Fire Flow: Not providing fire flow | | | |
| 5) Growth | 929 | gallons per day | |
| a) Test year Customers in ERCs: | | | |
| | | Begin | 57 |
| | | End | 60 |
| | | Average | 59 |
| (Use average number of customers) | | | |
| b) Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year | | 1 | ERCs |
| c) Statutory Growth Period | | 5 | Years |
| (b)x(c)x [3\ (a)] = 929 gallons per day for growth | | | |
| 6) Excessive Unaccounted for Water | 1,189 | gallons per day | |
| a) Total Unaccounted for Water | | | |
| Percent of Average Daily Flow | 2,285 | gallons per day | |
| | 21% | | |
| b) Reasonable Amount | | | |
| (10% of average Daily Flow) | 1,096 | gallons per day | |
| c) Excessive Amount | | | |
| | 1,189 | gallons per day | |

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c) Statutory Growth Period 5 Years

(b)x(c)x [3\ (a)] = 929 gallons per day for growth

6) Excessive Unaccounted for Water 1,189 gallons per day

USED AND USEFUL FORMULA

$$[(2)+(4)+(5)-(6)]/(1) = 100\% \text{ Used and Useful}$$

Attachment A page 2 of 4

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

Docket No. 000327-WS - Buffalo Bluff Utilities, Inc.

- | | |
|--|---------|
| 1) Capacity of System (Number of Potential Customers, ERCs or Lots Without Expansion) (Lots are equal to ERCs) | 73 lots |
| 2) Test year connections | |
| a) Beginning of Test Year | 57 lots |
| b) End of Test Year | 60 lots |
| c) Average Test Year | 59 lots |
| 3) Growth | 5 lots |
| (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 | 1 lots |
| b) Statutory Growth Period | 5 Years |
| (a)x(b) = 5 lots allowed for growth | |

USED AND USEFUL FORMULA

$$[(2)+(3)]/(1) = 88\% \text{ Used and Useful}$$

Attachment A page 3 of 4

WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 000327-WS - Buffalo Bluff Utilities, Inc.

1) Actual Capacity	28,000	gallons per day
2) Maximum Daily Flow	5,000	gallons per day
3) Average Daily Flow (AADF)	3,497	gallons per day
4) Growth	296	gallons per day
a) Test year Customers in ERCs:	Beginning	57
	Ending	60
	Average	59

(Use average number of customers

- b) Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year 1 ERCs
- c) Statutory Growth Period 5 Years

$(b) \times c \times [3 \setminus (a)] = 295$ gallons per day for growth

5) Excessive Infiltration or Inflow (I&I)	n/a	gallons per day
a) Total I&I:		gallons per day
Percent of Average Daily Flow	0.00%	
b) Reasonable Amount		gallons per day
(10% of average Daily Flow)		
c) Excessive Amount		gallons per day

USED AND USEFUL FORMULA

$$[(3)+(4)-(5)]/(1) = 14\% \text{ Used and Useful}$$

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WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA

Docket No. 000327-WS - Buffalo Bluff Utilities, Inc.

- | | |
|--|---------|
| 1) Capacity of System (Number of potential customers, ERCs or Lots without expansion) (Lots are equal to ERCs) | 73 lots |
| 2) Test year connections | |
| a) Beginning of Test Year | 57 lots |
| b) End of Test Year | 60 lots |
| c) Average Test Year | 59 lots |
| 3) Growth | 5 lots |
| (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 | 1 lots |
| b) Statutory Growth Period | 5 Years |
| (a)x(b) = 5 lots allowed for growth | |

USED AND USEFUL FORMULA

$$[(2)+(3)]/(1) = 88\% \text{ Used and Useful}$$

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BUFFALO BLUFF UTILITIES, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDING 5/31/00		DOCKET NO. 000327-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$0	\$82,190	\$82,190
2. LAND & LAND RIGHTS	0	\$1,103	\$1,103
3. NON-USED AND USEFUL COMPONENTS	0	(\$3,237)	(\$3,237)
4. CIAC	0	(\$23,800)	(\$23,800)
5. ACCUMULATED DEPRECIATION	0	(\$45,474)	(\$45,474)
6. AMORTIZATION OF CIAC	0	\$12,064	\$12,064
7. WORKING CAPITAL ALLOWANCE	0	\$1,463	\$1,463
8. WATER RATE BASE	\$0	\$24,309	\$24,309

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BUFFALO BLUFF UTILITIES, INC.
 TEST YEAR ENDING 5/31/00
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-B
 DOCKET NO. 000327-WS

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$0	\$123,201	\$123,201
2. LAND & LAND RIGHTS	0	\$9,838	\$9,838
3. NON-USED AND USEFUL COMPONENTS	0	(\$17,946)	(\$17,946)
4. CIAC	0	(\$23,800)	(\$23,800)
5. ACCUMULATED DEPRECIATION	0	(\$72,753)	(\$72,753)
6. AMORTIZATION OF CIAC	0	\$12,658	\$12,658
7. WORKING CAPITAL ALLOWANCE	0	\$1,476	\$1,476
8. WASTEWATER RATE BASE	\$0	\$32,674	\$32,674

BUFFALO BLUFF UTILITIES, INC.
TEST YEAR ENDING 5/31/00

SCHEDULE NO. 1-C
DOCKET NO. 000327-WS

ADJUSTMENTS TO RATE BASE

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To reflect utility plant per original cost study.	\$81,908	\$122,751
2. Proforma additions (meters/ wastewater collection repair)	1,010	450
3. Proforma retirements meters	(728)	0
Total	<u>\$82,190</u>	<u>\$123,201</u>
<u>LAND</u>		
1. To reflect land value per original cost study.	<u>\$1,103</u>	<u>\$9,838</u>
<u>NON-USED AND USEFUL PLANT</u>		
1. To reflect average non-used and useful plant.	(\$5,786)	(\$43,799)
2. To reflect average non-used and useful accumulated depreciation.	<u>2,549</u>	<u>25,853</u>
Total	<u>(\$3,237)</u>	<u>(\$17,946)</u>
<u>CIAC</u>		
1. To reflect CIAC based on number of connections	(\$24,000)	(\$24,000)
2. To reflect CIAC averaging adjustment.	<u>200</u>	<u>200</u>
Total	<u>(\$23,800)</u>	<u>(\$23,800)</u>
<u>ACCUMULATED DEPRECIATION</u>		
1. To reflect accumulated depreciation per original cost study.	(\$47,602)	(\$74,894)
2. To reflect proforma meter retirement	\$728	\$0
3. To reflect averaging adjustment.	<u>1,400</u>	<u>2,141</u>
Total	<u>(\$45,474)</u>	<u>(\$72,753)</u>
<u>AMORTIZATION OF CIAC</u>		
1. To reflect accumulated amortization of CIAC.	\$12,469	13,071
2. To reflect averaging adjustment.	<u>(405)</u>	<u>(413)</u>
Total	<u>\$12,064</u>	<u>\$12,658</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses.	<u>\$1,463</u>	<u>\$1,476</u>

BUFFALO BLUFF UTILITIES, INC.				SCHEDULE NO. 2				
TEST YEAR ENDING 5/31/00				DOCKET NO. 000327-WS				
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER AUDIT	SPECIFIC ADJUST- MENTS	BALANCE		BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST- MENTS				
1. COMMON STOCK	\$500	\$0	\$500					
2. RETAINED EARNINGS	(152,097)	0	(152,097)					
3. PAID IN CAPITAL	130,734	0	130,734					
4. OTHER COMMON EQUITY	<u>105,124</u>	<u>0</u>	<u>105,124</u>					
5. TOTAL COMMON EQUITY	\$84,261	\$0	84,261	(27,278)	56,983	100.00%	9.00%	9.00%
6. LONG TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
7. LONG TERM DEBT (Pro Forma)	0	0	0	0	0	0.00%	0.00%	0.00%
8. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
9. TOTAL	<u>\$84,261</u>	<u>\$0</u>	<u>\$84,261</u>	<u>(\$27,278)</u>	<u>\$56,983</u>	<u>100.00%</u>		<u>9.00%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.37%</u>	<u>10.37%</u>	
OVERALL RATE OF RETURN						<u>8.37%</u>	<u>10.37%</u>	

BUFFALO BLUFF UTILITIES, INC.		SCHEDULE NO. 3-A			
TEST YEAR ENDING 5/31/00		DOCKET NO. 000327-WS			
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER AUDIT	COMMISSION ADJUSTMENTS TO AUDIT	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$8,300</u>	<u>\$250</u>	<u>\$8,550</u>	<u>\$8,529</u>	<u>\$17,079</u>
				99.76%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	9,882	1,821	11,703	0	11,703
3. DEPRECIATION (NET)	0	1,824	1,824	0	1,824
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,067	(176)	891	384	1,275
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$10,949</u>	<u>\$3,469</u>	<u>\$14,418</u>	<u>\$384</u>	<u>\$14,802</u>
8. OPERATING INCOME/(LOSS)	<u>(\$2,649)</u>		<u>(\$5,868)</u>		<u>\$2,278</u>
9. WATER RATE BASE	<u>\$0</u>		<u>\$24,309</u>		<u>\$24,309</u>
10. RATE OF RETURN	0.00%		-24.14%		9.37%

BUFFALO BLUFF UTILITIES, INC. TEST YEAR ENDING 5/31/00 SCHEDULE OF WASTEWATER OPERATING INCOME		SCHEDULE NO. 3-B DOCKET NO. 000327-WS			
	TEST YEAR PER AUDIT	COMMISSION ADJUSTMENTS TO AUDIT	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$8,725</u>	<u>\$109</u>	<u>\$8,834</u>	<u>\$9,166</u>	<u>\$18,000</u>
				103.75%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	7,749	4,059	11,808	0	11,808
3. DEPRECIATION (NET)	0	2,155	2,155	0	2,155
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	966	(403)	563	412	975
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$8,715</u>	<u>\$5,811</u>	<u>\$14,526</u>	<u>\$412</u>	<u>\$14,938</u>
8. OPERATING INCOME/ (LOSS)	<u>\$10</u>		<u>(\$5,692)</u>		<u>\$3,062</u>
9. WASTEWATER RATE BASE	<u>\$0</u>		<u>\$32,674</u>		<u>\$32,674</u>
10. RATE OF RETURN	<u>0.00%</u>		<u>-17.42%</u>		<u>9.37%</u>

BUFFALO BLUFF UTILITIES, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDING 5/31/00		DOCKET NO. 000327-WS	
ADJUSTMENTS TO OPERATING INCOME			
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATING REVENUES			
To reflect annualized revenues based on existing rates	<u>\$250</u>	<u>\$109</u>	
OPERATION AND MAINTENANCE EXPENSES			
1. Purchased Power			
To reflect chemicals per 13% repression adjustment	<u>(\$82)</u>	<u>(\$151)</u>	
2. Chemicals			
a. Reallocate chemical expenses	\$90	(\$90)	
b. To reflect chemicals per 13% repression adjustment	(\$53)	(\$29)	
Subtotal	<u>\$37</u>	<u>(\$119)</u>	
3. Contractual Services - Billing			
a. To annualize billing cost	\$206	\$206	
b. To include cost postage, envelopes, misc.	186	186	
Subtotal	<u>\$392</u>	<u>\$392</u>	
4. Contractual Services - Professional			
a. Initial setup NARUC	\$100	\$100	
b. increase to reflect current charges	50	50	
Subtotal	<u>\$150</u>	<u>\$150</u>	
5. Contractual Services - Testing			
a. To reflect reclassification of operator allowance to acct. 636/736	(\$2,400)	(\$2,400)	
b. To include engineer recommended testing amount	110	356	
Subtotal	<u>(\$2,290)</u>	<u>(\$2,044)</u>	
6. Contractual Services - Other			
a. To reflect recommended annual management allowance	\$647	\$2,462	
b. To reflect annual overhead	600	600	
c. To reflect reclassification from account numbers 635/735	2,400	2,400	
d. To reflect operator fee per contract	(240)	(240)	
e. To reflect mowing per contract	0	570	
f. To remove repair expense eliminated by proforma improvement	0	(384)	
Subtotal	<u>\$3,407</u>	<u>\$5,792</u>	
7. Insurance Expense			
To remove nonused and useful Insurance	<u>\$0</u>	<u>(\$468)</u>	
8. Regulatory Commission Expense			
To reflect additional rate case expense	<u>\$207</u>	<u>\$207</u>	
9. Miscellaneous Expenses			

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BUFFALO BLUFF UTILITIES, INC.		SCHEDULE NO. 3-E	
TEST YEAR ENDING 5/31/00		DOCKET NO. 000327-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER PER AUDIT	ADJUST PER COMMISSION	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	0	0	0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	632	(82) [1]	550
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	315	37 [2]	352
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	694	392 [3]	1,086
(631) CONTRACTUAL SERVICES - PROFESSIONAL	1,425	150 [4]	1,575
(635) CONTRACTUAL SERVICES - TESTING	3,596	(2,290) [5]	1,306
(636) CONTRACTUAL SERVICES - OTHER	2,826	3,407 [6]	6,233
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	122	0	122
(655) REGULATORY COMMISSION EXPENSE	125	207 [8]	332
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>147</u>	<u>0</u>	<u>147</u>
	9,882	1,821	11,703

BUFFALO BLUFF UTILITIES, INC.
 TEST YEAR ENDING 5/31/00
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-F
 DOCKET NO. 000327-WS

	TOTAL PER AUDIT	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	158	0	158
(715) PURCHASED POWER	1,161	(151) [1]	1,010
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	315	(119) [2]	196
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES - BILLING	694	392 [3]	1,086
(731) CONTRACTUAL SERVICES - PROFESSIONAL	1,300	150 [4]	1,450
(735) CONTRACTUAL SERVICES - TESTING	3,024	(2,044) [5]	980
(736) CONTRACTUAL SERVICES - OTHER	288	5,792 [6]	6,080
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	544	(468) [7]	76
(765) REGULATORY COMMISSION EXPENSES	125	207 [8]	332
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>141</u>	<u>300</u> [9]	<u>441</u>
	<u>7,749</u>	<u>4,059</u>	<u>11,808</u>