

State of Florida



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

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

COMMISSION  
CLERK

RECEIVED-FPSC  
NOV 19 AM 11:49

DATE: NOVEMBER 19, 2001

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &  
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (GREENE, MERCHANT, SICKEL, MCCASKILL)  
DIVISION OF LEGAL SERVICES (BRUBAKER) *PHM jll* *ALM*

RE: DOCKET NO. 010492-WS - APPLICATION FOR RATE INCREASE IN  
ORANGE COUNTY BY ZELLWOOD STATION CO-OP, INC.  
COUNTY: ORANGE

AGENDA: 12/04/01 - REGULAR AGENDA - DECISION ON SUSPENSION OF  
REQUESTED FINAL RATES - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: DECEMBER 9, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010492.RCM

CASE BACKGROUND

Zellwood Station Co-Op, Inc. (Zellwood or utility), is a Class B utility that provides water and wastewater service in Orange County for approximately 1,070 customers in an area known as Zellwood Station. Zellwood is a not-for-profit entity and does not report income tax expense. Residents of Zellwood Station, a 619 acre mobile home park, include Zellwood's member tenant-shareholders, nonmember lessees, and nonmember condominium owners. The utility also serves a small number of commercial and urban landscape irrigation customers. In 2000, Zellwood recorded annual revenues of \$515,550 for its combined water and wastewater systems.

The utility was constructed in 1977, and operated without a certificate until Zellwood acquired the utility assets in 1993 in a bankruptcy proceeding. Order No. PSC-98-1572-FOF-WS, issued on November 23, 1998, in Docket No. 980307-WS, granted Zellwood its

DOCUMENT NUMBER-DA  
14677 NOV 19  
FPSC-COMMISSION CLERK

water and wastewater certificates. Pursuant to a stipulation, that Order also approved a monthly flat rate structure for water and wastewater service, with a surcharge for water consumption over 15,000 gallons. After two years of metered consumption, Zellwood's tariff allowed the utility to implement additional flat rate penalties for excessive water consumption. That Order also required the utility to file a rate case specifically addressing a consumption-based and/or conservation rate structure by September 2, 2001. By Order No. PSC-01-1440-PAA-WS, issued July 3, 2001, in Docket No. 010618-WS, the Commission approved a tariff revision clarifying the implementation of the water-use penalty.

On September 4, 2001, Zellwood filed an application for an increase in rates for its water and wastewater system. After reviewing the minimum filing requirements (MFRs), staff found deficiencies regarding the filing fee, maps, and other schedules. After submitting the corrections, the utility's filing was accepted as completed and the official filing date was established as October 10, 2001, pursuant to Section 367.083, Florida Statutes.

The utility's requested test year is the historical year ended December 31, 2000. The utility has requested that this application be set directly for hearing. A hearing is scheduled in Orange County on February 7 through 8, 2002. In its MFRs, the utility has requested total revenues of \$214,275 and \$445,232 for water and wastewater, respectively. This represents a revenue decrease of \$40,583 (or 15.92%) for water and an increase of \$184,540 (or 70.79%) for wastewater. The final revenues are based on the utility's request for an overall rate of return of 7.13%. The utility has not requested an interim rate increase.

The 60-day statutory deadline for the Commission to suspend the utility's requested final rates is December 9, 2001, pursuant to Section 367.081(6), Florida Statutes. This recommendation addresses the suspension of Zellwood's requested final rates, the amount of water and wastewater revenues that should be held subject to refund and the appropriate security to protect any potential refund.

The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the utility's proposed final rates be suspended?

**RECOMMENDATION:** Yes. Zellwood's proposed final rates should be suspended. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (GREENE)

**STAFF ANALYSIS:** Section 367.081(6), Florida Statutes, provides that the rates proposed by the utility shall become effective within 60 days after filing unless the Commission votes to withhold consent to the implementation of the requested rates. Further, the above-referenced statute permits the proposed final rates to go into effect, under bond, escrow or corporate undertaking, eight months after filing unless final action has been taken by the Commission.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed final rate increase.

The docket should remain open pending the Commission's final action on the utility's requested rate increase.

**ISSUE 2:** Should any amount of annual water and wastewater revenues be held subject to refund, and if so, what is the appropriate amount?

**RECOMMENDATION:** Yes, the utility should hold annual water revenues of \$71,994, or 28.25%, and wastewater revenues of \$47,628, or 18.27%, subject to refund, based on the following:

	<u>Water</u>	<u>Wastewater</u>
1 Revenue Requirement	\$182,865	\$213,064
2 2000 Test Year Revenue	<u>\$254,859</u>	<u>\$260,692</u>
3 Amount Subject to Refund	<u>\$71,994</u>	<u>\$47,628</u>
4 Percent Subject to Refund	<u>28.25%</u>	<u>18.27%</u>

(Line 3/Line 2)

(GREENE, SICKEL)

**STAFF ANALYSIS:** Staff's preliminary analysis shows that the utility may be overearning. Pursuant to Section 367.082, Florida Statutes, the Commission may, upon its own motion, authorize the collection of interim rates until the effective date of the final order. Further, in determining whether an interim decrease is appropriate, the Commission shall determine, on a prima facie basis, if the utility's achieved rate of return exceeds its required rate of return. The achieved rate of return for interim purposes shall be calculated by applying appropriate adjustments consistent with those used in the utility's most recent rate proceeding, and annualizing any rate changes that occurred during the interim test year. The required rate of return is calculated by taking the test year cost of capital and using the maximum of the range of the last authorized return on equity. Staff has reviewed the utility's MFRs to determine if the utility's reported rate base, cost of capital and net operating income amounts are consistent with the interim statute.

#### Rate Base

The Commission's interpretation of the interim statute is that projections or pro forma adjustments are not allowed for interim test years, but corrections of errors are appropriate. In its application, the utility made several pro forma adjustments to transmission and distribution plant and reuse facility items. Consistent with the interim statute, we have removed these

adjustments to calculate the achieved rate of return for interim purpose.

The utility has used the simple beginning and end-of-year average to calculate its requested water and wastewater rate base. Zellwood also used the formula method, or 1/8 of operation and maintenance (O&M) expenses, to calculate its requested allowance for working capital. Since Zellwood is a Class B utility, the MFRs are consistent with the averaging and working capital requirements of Rule 25-30.433, Florida Administrative Code. Based on staff's recommended adjustments to O&M expenses, working capital should be decreased by \$3,121 and \$10,244 for water and wastewater, respectively.

In its MFRs, Zellwood reflected a \$50,000 grant from the St. Johns River Water Management District (SJRWMD) as cost-free capital in the capital structure. The grant was received on December 4, 1998, and provided funding to purchase water meters. According to the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts, this grant should properly be recorded as water contributions in aid of construction (CIAC). Based on the above, staff has increased water CIAC by \$50,000 and removed this amount from the capital structure. Corresponding adjustments should also be made to increase water accumulated amortization of CIAC by \$3,958 and test year amortization by \$2,500.

Upon staff's review of Zellwood's used and useful calculations, we believe that two errors have been made. First, Zellwood made non-used and useful adjustments to transmission and distribution and wastewater collection mains. Since the utility has reflected that all lines are 100% contributed, it is inappropriate to make used and useful adjustments to these accounts. Second, Zellwood applied the water treatment plant non-used and useful percentages to several wastewater accounts. After these adjustments are corrected, staff believes that no further used and useful adjustments should be made for interim purposes. Based on the above corrections, staff recommends that rate base should be increased by \$87,899 for water and \$70,649 for wastewater for non-used and useful components.

Based on our review, no further adjustments to rate base are necessary. For interim purposes, staff's recommended rate base

amounts are \$268,521 and \$207,670 for water and wastewater, respectively. Staff's schedules of adjusted water and wastewater rate base are attached as Schedules 1-A and 1-B. The adjustments to rate base are shown on Schedule 1-C.

### Cost of Capital

In its MFRs, the utility's capital structure reflected debt at a cost of 7.35% and cost-free capital associated with the grant for water meters from the SJRWMD. Since the utility operates as a not-for-profit organization, it did not include its equity balance, thus it has not requested any return on equity. As discussed in the rate base section previously, the grant from SJRWMD should be reflected as CIAC. Staff recommends that the overall weighted cost of capital for interim purposes is 7.35%. Schedule 2 shows staff's recommended capital structure and costs as adjusted.

### Net Operating Income

Staff recommends that several adjustments to net operating income are appropriate for interim purposes. First, we have removed all pro forma adjustments to O&M expenses related to transmission and distribution plant and reuse facility items. Second, we have removed all of the utility's pro forma and actual rate case expense from the test year. Since the utility has not had a prior rate proceeding, rate case expense is not appropriate to reflect in O&M expenses for interim purposes.

Staff recommends that two adjustments should be made to depreciation expense. The first is to remove depreciation expense on pro forma plant and the second corrects the adjustments for non-used and useful plant. The adjustment for the amortization of CIAC related to the SJRWMD grant has already been discussed. Last, staff made reductions to taxes other than income to correct the test year amount of regulatory assessment fees.

After making the above adjustments, staff recommends that the test year net operating income should be \$88,490 for water and \$60,748 for wastewater. This reflects an achieved overall rate of return of 32.95% for water and 29.25% for wastewater. The water and wastewater schedules of net operating income are attached as Schedules 3-A and 3-B, respectively, with the adjustments shown on Schedule 3-C.

**Revenue Requirement**

Using the required rate of return for interim purpose of 7.35%, staff recommends that the water revenue requirement should be \$182,865 and the wastewater revenue requirement should be \$213,064. This reflects a decrease of \$71,994 (or 28.25%) from the adjusted test year water operating revenues of \$254,859 and a decrease of \$47,628 (or 18.27%) from the adjusted test year wastewater operating revenues of \$260,692. Thus, total revenues of \$119,622 should be held subject to refund pending the Commission's final determination of Zellwood's level of earnings in this docket.

**ISSUE 3:** What is the appropriate security to guarantee the amount subject to refund?

**RECOMMENDATION:** The utility should be required to open an escrow account, or file a security bond or a letter of credit to guarantee any potential refunds of revenues collected under interim conditions. If the utility chooses to open an escrow account, it should deposit 28.25% and 18.27% (water and wastewater, respectively) of interim revenues collected each month. The security bond or letter of credit should be in the amount of \$90,543. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20<sup>th</sup> of each month indicating the monthly and total revenues collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. (GREENE, MCCASKILL)

**STAFF ANALYSIS:** Pursuant to Section 367.082(2)(b), Florida Statutes, revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As addressed in Issue 2, the total annual interim decrease is \$119,622. In accordance with Rule 25-30.360, Florida Administrative Code, staff has calculated the potential refund of revenues and interest collected, under interim conditions to be \$90,543. This amount is based on a estimated nine months of revenue being collected from staff's recommended interim rates.

Staff has reviewed the financial data of the utility in order to determine if Zellwood can support a corporate undertaking of \$90,543. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 1998, 1999, and 2000 annual reports of Zellwood were used to determine the financial condition of the utility. Zellwood has sufficient ownership equity. The utility also has good liquidity; however, this amount falls below the amount recommended for a corporate undertaking. Although the earnings trend is positive, the utility has posted negative net income and interest coverage in each of the past three years. Based on this analysis, staff recommends that Zellwood cannot support a corporate undertaking in the amount of \$90,543. Therefore, staff recommends that the utility provide a



letter of credit, bond or escrow agreement to guarantee the funds collected subject to refund.

This brief financial analysis is only appropriate for deciding if the utility can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in the rate case.

If the security provided is an escrow account, said account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of this Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of the Commission Clerk and Administrative Services; that the account shall be interest bearing; that information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; that the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.

The utility should deposit 28.25% and 18.27% (water and wastewater, respectively) of interim revenues collected each month into the escrow account to secure for a possible refund. The escrow agreement should also state the following: if a refund to customers is required, all interest earned on the escrow account shall be distributed to the customers; and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument should be in the amount of \$90,543. If the utility chooses a bond as security, the bond should state that it will be released or should terminate only upon subsequent order of the Commission. If the utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in

DOCKET NO. 010492-WS  
DATE: NOVEMBER 19, 2001

effect until a final Commission order is rendered releasing the funds to the utility or requiring a refund.

Irrespective of the type of security provided, the utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

DOCKET NO. 010492-WS  
 DATE: NOVEMBER 19, 2001

ZELLWOOD STATION CO-OP, INC. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED: 12/31/00			SCHEDULE NO. 1-A DOCKET NO. 010492-WS		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$1,813,479	\$65,000	\$1,878,479	(\$65,000)	\$1,813,479
2 LAND & LAND RIGHTS	\$5,200	\$0	\$5,200	\$0	\$5,200
3 NON-USED & USEFUL COMPONENTS	\$0	(\$89,204)	(\$89,204)	\$87,899	(\$1,305)
4 ACCUMULATED DEPRECIATION	(\$756,336)	(\$2,071)	(\$758,407)	\$2,071	(\$756,336)
5 CIAC	(\$1,197,356)	\$0	(\$1,197,356)	(\$50,000)	(\$1,247,356)
6 AMORTIZATION OF CIAC	\$434,260	\$0	\$434,260	\$3,958	\$438,218
7 WORKING CAPITAL ALLOWANCE	<u>\$19,533</u>	<u>\$209</u>	<u>\$19,742</u>	<u>(\$3,121)</u>	<u>\$16,621</u>
<b>RATE BASE</b>	<u>\$318,780</u>	<u>(\$26,066)</u>	<u>\$292,714</u>	<u>(\$24,193)</u>	<u>\$268,521</u>

ZELLWOOD STATION CO-OP, INC. SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/00			SCHEDULE NO.1-B DOCKET NO. 010492-WS		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$2,056,550	\$1,207,300	\$3,263,850	(\$1,207,300)	\$2,056,550
2 LAND	\$57,400	\$0	\$57,400	\$0	\$57,400
3 NON-USED & USEFUL COMPONENTS	\$0	(\$110,857)	(\$110,857)	\$59,917	(\$50,940)
4 ACCUMULATED DEPRECIATION	(\$1,204,633)	(\$62,346)	(\$1,266,979)	\$62,346	(\$1,204,633)
5 CIAC	(\$1,215,684)	\$0	(\$1,215,684)	\$0	(\$1,215,684)
6 AMORTIZATION OF CIAC	\$547,053	\$0	\$547,053	\$0	\$547,053
7 WORKING CAPITAL ALLOWANCE	<u>\$20,691</u>	<u>\$7,477</u>	<u>\$28,168</u>	<u>(\$10,244)</u>	<u>\$17,924</u>
<b>RATE BASE</b>	<u>\$261,377</u>	<u>\$1,041,574</u>	<u>\$1,302,951</u>	<u>(\$1,095,281)</u>	<u>\$207,670</u>

ZELLWOOD STATION CO-OP, INC ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 12/31/00		SCHEDULE NO. 1-C DOCKET NO. 010492-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
<b><u>PLANT IN SERVICE</u></b>			
To remove portion of proforma plant	<u>(\$65,000)</u>	<u>(\$1,207,300)</u>	
<b><u>NON-USED AND USEFUL</u></b>			
To reflect net non-used and useful adjustment	<u>\$87,899</u>	<u>\$59,917</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>			
To remove accumulated depreciation on pro forma plant	<u>\$2,071</u>	<u>\$62,346</u>	
<b><u>CIAC</u></b>			
To reflect grant from SJRWMD as CIAC	<u>(\$50,000)</u>	<u>\$0</u>	
<b><u>ACCUMULATED AMORTIZATION OF CIAC</u></b>			
To remove annual amortization CIAC for SJRWMD	<u>\$3,958</u>	<u>\$0</u>	
<b><u>WORKING CAPITAL</u></b>			
Adjustment due to O&M expense adjustment	<u>(\$3,121)</u>	<u>(\$10,244)</u>	

ZELLWOOD STATION CO-OP, INC.  
 CAPITAL STRUCTURE  
 TEST YEAR ENDED 12/31/00

SCHEDULE NO. 2  
 DOCKET: 010492-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY AVERAGE 2000</b>							
1 LONG TERM DEBT	\$1,600,358	0	(\$53,036)	\$1,547,322	96.97%	7.35%	7.13%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY (See Note 1)	0	0	0	0	0.00%	0.00%	0.00%
5 CUSTOMER DEPOSITS	0	0	0	0	0.00%	6.00%	0.00%
6 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S	0	0	0	0	0.00%	0.00%	0.00%
8 SJRWMD GRANT (See Note 2)	50,000	0	(1,657)	48,343	3.03%	0.00%	0.00%
9 TOTAL CAPITAL	<u>\$1,650,358</u>	<u>\$0</u>	<u>(\$1,174,167)</u>	<u>\$1,595,665</u>	<u>100.00%</u>		<u>7.13%</u>
<b>PER STAFF AVERAGE 2000</b>							
10 LONG TERM DEBT	\$1,600,358	0	(\$1,124,167)	\$476,191	100.00%	7.35%	7.35%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
13 COMMON EQUITY (See Note 1)	0	0	0	0	0.00%	0.00%	0.00%
14 CUSTOMER DEPOSITS	0	0	0	0	0.00%	6.00%	0.00%
15 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
16 DEFERRED ITC'S-WTD. COST	0	0	0	0	0.00%	0.00%	0.00%
17 SJRWMD GRANT (See note 2)	50,000	(50,000)	0	0	0.00%	0.00%	0.00%
18 TOTAL CAPITAL	<u>\$1,650,358</u>	<u>(\$50,000)</u>	<u>(\$1,124,167)</u>	<u>\$476,191</u>	<u>100.00%</u>		<u>7.35%</u>

Note 1: Company is not-for profit and a return on equity has not been requested  
 Note 1: Reflect grant as CIAC not capital

DOCKET NO. 010492-WS  
 DATE: NOVEMBER 19, 2001

ZELLWOOD STATION CO-OP, INC.  
 STATEMENT OF WATER OPERATIONS  
 TEST YEAR ENDED 12/31/00

SCHEDULE NO. 3-A  
 DOCKET NO. 010492-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$236,013	\$18,846	\$254,859	\$0	\$254,859	(\$71,994) -28.25%	\$182,865
OPERATING EXPENSES:							
2 OPERATION & MAINTENANCE	\$156,268	\$1,675	\$157,943	(\$24,975)	\$132,968	\$0	132,968
3 DEPRECIATION	\$23,863	(\$2,443)	\$21,420	(\$4,571)	\$16,849	\$0	16,849
4 AMORITIZATION	\$0	\$0	\$0	\$0	\$0	\$0	0
5 TAXES OTHER THAN INCOME	\$26,597	(\$10,721)	15,876	\$676	\$16,552	(\$3,240)	\$13,312
6 INCOME TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7 TOTAL OPERATING EXPENSES	\$206,728	(\$11,489)	\$195,239	(\$28,870)	\$166,369	(\$3,240)	\$163,129
8 OPERATING INCOME	\$29,285	\$30,335	\$59,620	\$28,870	\$88,490	(\$68,754)	\$19,736
9 RATE BASE	\$318,780		\$292,714		\$268,521		\$268,521
10 RATE OF RETURN	9.19%		20.37%		32.95%		7.35%

ZELLWOOD STATION CO-OP, INC. STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/00				SCHEDULE NO. 3-B DOCKET NO. 010492-WS			
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$256,638</u>	<u>\$4,054</u>	<u>\$260,692</u>	<u>\$0</u>	<u>\$260,692</u>	<u>(\$47,628)</u> -18.27%	<u>\$213,064</u>
OPERATING EXPENSES							
2 OPERATION & MAINTENANCE	\$165,525	\$59,820	\$225,345	(\$81,955)	\$143,390	\$0	\$143,390
3 DEPRECIATION	\$45,251	\$58,698	\$103,949	(\$62,346)	\$41,603	\$0	\$41,603
4 AMORTIZATION	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5 TAXES OTHER THAN INCOME	\$28,193	(\$13,424)	\$14,769	\$182	\$14,951	(\$2,143)	\$12,808
6 INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7 TOTAL OPERATING EXPENSES	<u>\$238,969</u>	<u>\$105,094</u>	<u>\$344,063</u>	<u>(\$144,119)</u>	<u>\$199,944</u>	<u>(\$2,143)</u>	<u>\$197,801</u>
8 OPERATING INCOME	<u>\$17,669</u>	<u>(\$101,040)</u>	<u>(\$83,371)</u>	<u>\$144,119</u>	<u>\$60,748</u>	<u>(\$45,484)</u>	<u>\$15,264</u>
9 RATE BASE	<u>\$261,377</u>		<u>\$1,302,951</u>		<u>\$207,670</u>		<u>\$207,670</u>
10 RATE OF RETURN	<u>6.76%</u>		<u>-6.40%</u>		<u>29.25%</u>		<u>7.35%</u>



**ZELLWOOD STATION CO-OP, INC  
 ADJUSTMENTS TO OPERATING INCOME  
 TEST YEAR ENDED 12/31/00**

**SCHEDULE NO. 3-C  
 DOCKET NO. 010492-WS  
 PAGE 1 OF 1**

EXPLANATION	WATER	WASTEWATER
<b><u>OPERATION &amp; MAINTENANCE EXPENSE</u></b>		
1 Remove pro forma adjustment to distribution lines	(\$5,000)	\$0
2 Remove pro forma adjustment to 5 yr amort. of tanks	(1,000)	0
3 Remove pro forma adjustment to 7 yr amort. of leak detection	(1,071)	0
4 Remove pro forma adjustment to inspection of wells	(1,000)	0
5 Remove rate case expense for immediate docket	(16,904)	(16,786)
6 Remove pro forma adjustment to operator staff requirements	0	(60,400)
7 Remove pro forma adjustment to cost due to reuse plant	0	4,775
8 Remove pro forma portion of power usage to reuse plant	0	(10,465)
9 Remove pro forma portion of chemical to reuse plant	0	5,527
10 Remove pro forma portion of contracted labor	0	(3,500)
11 Remove pro forma portion of cost due to Class I reuse plant	0	(1,106)
Total	<u>(\$24,975)</u>	<u>(\$81,955)</u>
<b><u>DEPRECIATION EXPENSE-NET</u></b>		
1 Adjust depreciation for amortization of CIAC for SJRWMD	(\$2,500)	\$0
2 Remove depreciation on pro forma plant	(2,071)	(62,346)
Total	<u>(\$4,571)</u>	<u>(\$62,346)</u>
<b><u>TAXES OTHER THAN INCOME</u></b>		
Correct test year RAFs.	<u>\$676</u>	<u>\$182</u>