

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate
increase in Orange County by
Zellwood Station Co-Op, Inc.

DOCKET NO. 010492-WS
ORDER NO. PSC-01-2471-PCO-WS
ISSUED: December 18, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman
BRAULIO L. BAEZ
MICHAEL A. PALECKI

ORDER SUSPENDING PROPOSED FINAL RATES, ORDERING REVENUES
TO BE HELD SUBJECT TO REFUND, AND REQUIRING SECURITY

BY THE COMMISSION:

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. By Order No. PSC-98-1572-FOF-WS, issued on November 23, 1998, in Docket No. 980307-WS, we granted Zellwood its 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. By that Order, we 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

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Docket No. 010618-WS, we 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), our 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 to suspend the utility's requested final rates is December 9, 2001, pursuant to Section 367.081(6), Florida Statutes. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes.

SUSPENSION OF RATES

Section 367.081(6), Florida Statutes, provides that the rates proposed by the utility shall become effective within 60 days after filing unless we vote 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 we have taken final action.

We have reviewed the filing and have considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We find 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 our staff accountants and engineers. Based on the foregoing, the utility's proposed final rate increase is hereby suspended. The docket shall remain open pending final action on the utility's requested rate increase.

REVENUES HELD SUBJECT TO REFUND

Our staff's preliminary analysis shows that the utility may be overearning. Pursuant to Section 367.082, Florida Statutes, we may, upon our 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, we 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. We have 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

Our 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 purposes.

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 our adjustments to O&M expenses, working capital shall 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 is properly recorded as water contributions in aid of construction (CIAC). Based on the above, we have increased water CIAC by \$50,000 and removed this amount from the capital structure. Corresponding adjustments shall also be made to increase water accumulated amortization of CIAC by \$3,958 and test year amortization by \$2,500.

Upon our review of Zellwood's used and useful calculations, we find 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, no further used and useful adjustments shall be made for interim purposes. Based on the above corrections, rate base shall 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, rate base amounts are \$268,521 and \$207,670 for water and wastewater, respectively. The adjusted water and wastewater rate base is described in Schedules 1-A and 1-B, and the adjustments to rate base are shown on Schedule 1-C, attached to this Order and incorporated herein by reference.

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 shall be reflected as CIAC. We find that the overall weighted cost of capital for interim purposes is 7.35%. Capital structure and costs

as adjusted are shown on Schedule 2, attached to this Order and incorporated herein by reference.

Net Operating Income

We find 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, it is inappropriate to reflect rate case expense in O&M expenses for interim purposes.

We find it inappropriate to make two adjustments 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, we made reductions to taxes other than income to correct the test year amount of regulatory assessment fees.

After making the above adjustments, we find that the test year net operating income is \$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, attached to this Order and incorporated herein by reference.

Revenue Requirement

Using the required rate of return for interim purpose of 7.35%, the water revenue requirement is \$182,865 and the wastewater revenue requirement is \$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 shall be held subject to refund pending our final determination of Zellwood's level of earnings in this docket.

SECURITY FOR REFUND

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 this Commission. As addressed previously, the total annual interim decrease is \$119,622. In accordance with Rule 25-30.360, Florida Administrative Code, we 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 the approved interim rates.

We have 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. Zellwood's 1998, 1999, and 2000 annual reports 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 required 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, we find that Zellwood cannot support a corporate undertaking in the amount of \$90,543. Therefore, the utility shall 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 our position on other issues in the rate case.

If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written escrow agreement. We shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall 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 our prior approval 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 this Commission or our 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 shall 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 shall 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 shall be in the amount of \$90,543. If the utility chooses a bond as security, the bond shall state that it will be released or shall terminate only upon subsequent order of this Commission. If the utility chooses to provide a letter of credit as security, the letter of credit shall state that it is irrevocable for the period it is in effect and that it will be in effect until we render a final order releasing the funds to the utility or requiring a refund.

Irrespective of the type of security provided, the utility shall 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 shall be made with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that the final rates, charges and schedules proposed by Zellwood Station Co-Op, Inc., are hereby suspended in accordance with Section 367.081(6), Florida Statutes. It is further

ORDERED that the utility shall hold annual water revenues of \$71,994, or 28.25%, and wastewater revenues of \$47,628, or 18.27%, subject to refund. It is further

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

ORDERED that the utility shall 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, as set forth herein. It is further

ORDERED that during the time the interim revenues are held subject to refund, Zellwood Station Co-Op, Inc. shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund, pursuant to Rule 25-30.360(6), Florida Administrative Code. It is further

ORDERED that this docket shall remain open pending final action on the utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 18th day of December, 2001.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

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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.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to 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 First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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	COMM. ADJUST- MENTS	COMM. 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>
RATE BASE	<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	COMM. ADJUST- MENTS	COMM. 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>
RATE BASE	<u>\$261,377</u>	<u>\$1,041,574</u>	<u>\$1,302,951</u>	<u>(\$1,095,281)</u>	<u>\$207,670</u>

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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	
<u>PLANT IN SERVICE</u>			
To remove portion of proforma plant	<u>(\$65,000)</u>	<u>(\$1,207,300)</u>	
<u>NON-USED AND USEFUL</u>			
To reflect net non-used and useful adjustment	<u>\$87,899</u>	<u>\$59,917</u>	
<u>ACCUMULATED DEPRECIATION</u>			
To remove accumulated depreciation on pro forma plant	<u>\$2,071</u>	<u>\$62,346</u>	
<u>CIAC</u>			
To reflect grant from SJRWMD as CIAC	<u>(\$50,000)</u>	<u>\$0</u>	
<u>ACCUMULATED AMORTIZATION OF CIAC</u>			
To remove annual amortization CIAC for SJRWMD	<u>\$3,958</u>	<u>\$0</u>	
<u>WORKING CAPITAL</u>			
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
PER UTILITY AVERAGE 2000							
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)	<u>50,000</u>	<u>0</u>	<u>(1,657)</u>	<u>48,343</u>	<u>3.03%</u>	0.00%	<u>0.00%</u>
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>
PER COMM. AVERAGE 2000							
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)	<u>50,000</u>	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
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

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	COMM. ADJUST- MENTS	COMM. ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$236,013</u>	<u>\$18,846</u>	<u>\$254,859</u>	<u>\$0</u>	<u>\$254,859</u>	<u>(\$71,994)</u> -28.25%	<u>\$182,865</u>
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 AMORTIZATION	\$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	<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>\$206,728</u>	<u>(\$11,489)</u>	<u>\$195,239</u>	<u>(\$28,870)</u>	<u>\$166,369</u>	<u>(\$3,240)</u>	<u>\$163,129</u>
8 OPERATING INCOME	<u>\$29,285</u>	<u>\$30,335</u>	<u>\$59,620</u>	<u>\$28,870</u>	<u>\$88,490</u>	<u>(\$68,754)</u>	<u>\$19,736</u>
9 RATE BASE	<u>\$318,780</u>		<u>\$292,714</u>		<u>\$268,521</u>		<u>\$268,521</u>
10 RATE OF RETURN	<u>9.19%</u>		<u>20.37%</u>		<u>32.95%</u>		<u>7.35%</u>

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	COMM. ADJUST- MENTS	COMM. 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
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EXPLANATION	WATER	WASTEWATER
<u>OPERATION & MAINTENANCE EXPENSE</u>		
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	<u>0</u>	<u>(1,106)</u>
Total	<u>(\$24,975)</u>	<u>(\$81,955)</u>
<u>DEPRECIATION EXPENSE-NET</u>		
1 Adjust depreciation for amortization of CIAC for SJRWMD	(\$2,500)	\$0
2 Remove depreciation on pro forma plant	<u>(2,071)</u>	<u>(62,346)</u>
Total	<u>(\$4,571)</u>	<u>(\$62,346)</u>
<u>TAXES OTHER THAN INCOME</u>		
Correct test year RAFs.	<u>\$676</u>	<u>\$182</u>



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