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REPLY TO ALTAMONTE SPRINGS

August 3, 2004

HAND DELIVERY

Ms. Blanca Bayo  
Commission Clerk and Administrative Services Director  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RECEIVED-FPSC  
04 AUG - 3 AM 10:30  
COMMISSION  
CLERK

Re: Docket No.: 030443-SU; Application of Labrador Utilities, Inc., for Rate Increase in Pasco County, Florida  
Our File No.: 30057.64

Dear Ms. Bayo:

Labrador Utilities, Inc., provides the following response to Staff's letter dated July 15, 2004, citing deficiencies in the MFRs:

1. Rule 25-30.436 (4) (h), Florida Administrative Code, requires that any system that has costs allocated or charged to it from a parent, in addition to those reported on Schedule B-12 of Commission Form PSC/W A W 20, shall file three copies of additional schedules showing additional information as detailed in the rule. The document that the utility submitted did not reflect all fo the information that is required by this rule. The utility has failed to include the following items of this rule:

CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SEC \_\_\_\_\_  
OTH \_\_\_\_\_

- (3) The allocation or direct charging method used and the basis for using that method; and
- (4) the workpapers used to develop the allocation method, including but not limited to, the numerator and denominator of each allocation factor.

Response: Please refer to WSC Distribution of Rate Base and Expenses Handbook attached as Exhibit "A".

DOCUMENT NUMBER - DATE

08389 AUG-3 04

FPSC-COMMISSION CLERK

2. Pursuant to Order No. PSC-00-2388-AS-WU, issued December 13, 2000, Utilities, Inc., (UI) agreed to provide a cross-reference for its general ledger account numbers to the National Association of Regulatory Utility Commissions Uniform System of Accounts primary account numbers. Please submit a complete copy which cross-references all accounts for this docket, particularly materials and supplies and miscellaneous expense accounts.

Rule 25-30.437, Florida Administrative Code, requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 20 (11/93), entitled "Class B Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Numbers 3-6 of the following list deficiencies pursuant to this rule.

**Response:** It was the Utility's intention to provide the cross-reference workpaper to the Commission auditors upon their arrival in Northbrook, IL. Please refer to the documents attached as Exhibit "B".

3. Schedule A-3, Schedule of Adjustment to Rate Base  
Schedule B-3, Schedule of Adjustments to Operating Income

(a) The instructions require a description of all adjustments to operating income per books, with a total for each line item shown on the net operating statement. The utility's adjustments should tie by column and line item. There are several line items that do not tie to Schedule B-3.

**Response:** The Utility filed revised MFRs with the Commission on August 2, 2004, which address this issue.

(b) On Schedules A-3 and B-3 it states that those pages are 1 of 2. A page labeled "page 2 of 2" on Schedule B-3 was not submitted in the filing. Please provide these missing pages or correctly label if only one page is necessary.

**Response:** Schedules A-3 and B-3 are only one page each. The Utility filed revised MFRs with the Commission on August 2, 2004 which address this comment.

4. Schedule B-7 Operation and Maintenance Expense Comparison - Water  
Schedule B-8 Operation and Maintenance Expense Comparison - Wastewater

- (a) The instructions require the utility to provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. The utility's explanation is not sufficient. Please provide an explanation for the following accounts: Pension and Benefits Expenses, Materials and Supplies, Contractual Services - Accounting, Contractual Services - Legal, Transportation Expenses, Insurance - Other and Miscellaneous Expenses.

**Response:** Utilities, Inc. did not own or operate this utility when the referenced costs were incurred. However, the Utility has provided all of the information it possesses regarding these increases.

5. Schedule B-11 Analysis of Major Maintenance Projects - Water and Sewer

- (a) The schedule requires an analysis of all maintenance projects greater than 2% of test year revenues per system which occurred during the 2 years prior to the test year, the test year, and the budgeted amount for one year subsequent to the test year. Please provide an analysis of projects greater than \$1,110 and \$2,582 for water and wastewater respectively.

**Response:** Attached as Exhibit "C" is a list of maintenance projects completed since the purchase of the system where the expense was greater than \$1,110 for water and greater than \$2,582 for sewer. Please also refer to revised Schedule B-11 of the MFRs.

6. Schedule E-2 Revenue Schedule at Present and Proposed Rates

- (a) This schedule requires that the utility provide a calculation of revenues at present and proposed rates using the billing analysis revenues and booked revenues and explain any differences. An explanation for any differences was not provided for both water and wastewater.

**Response:** The immaterial differences are noted on Schedule E-2 of the revised MFRs.

7. Rule 25-30.440 (1) (a), Florida Administrative Code, requires the utility to provide a detailed map showing the location and size of the applicant's distribution and collection lines as well as its plant sites. The maps that the utility submitted did not reflect all of the information that is required by this rule. The utility has failed to include the size of its distribution and collection lines.

**Response:** System maps were provided to the PSC with the additional engineering information, but the pipe sizes were not noted. Revised maps will be provided under separate cover. However, in the case of Labrador, all of the sanitary sewer main is 8" diameter PVC pipe. All of the water main is 6" diameter PVC pipe. This information was communicated to PSC staff engineers Gerald Edwards and Mahnaz Massoudi earlier this week by telephone.

8. Rule 25-30.431 (3), Florida Administrative Code, requires the utility to submit its most recent wastewater capacity analysis report, if any, filed with DEP. The utility failed to include this item in its application.

**Response:** A copy of the March 18, 1998 Capacity Analysis Report is attached as Exhibit "D". This represents the most recent CAR in the possession of the Utility. A draft 2004 CAR was generated by Sprinkle Engineering in preparation for application to renew the WWTP operating permit. Sprinkle is to provide a copy of the report, which the Utility will forward to you. The information contained in the 1998 CAR is substantially unchanged with one exception.

The only remaining undeveloped parcel in the service area is described in the 1998 report as a future shopping center site with an estimated wastewater flow allocation of 28,500 gpd. However, it is the Utility's understanding that the site was sold or transferred by the previous utility owner to Forest Lake Estates Cooperative, Inc. for use as an RV storage site. Residents and visitors to the MHP do not have adequate room on their lot to store RV units and must therefore use available space in the RV storage site. Consequently, there is no likelihood that this parcel will require future water and sewer service.

9. Rule 25-30.440 (8), Florida Administrative Code, requires the utility to give an explanation of how each employee's salary is allocated to Labrador's capital or expense accounts. The utility had failed to provide this data in its application.

Ms. Blanca Bayo  
Docket No. 030443-WS  
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**Response:** Please refer to WSC Distribution of Rate Base and Expenses Handbook attached as Exhibit "A".

10. Rule 25-30.410 (9), Florida Administrative Code, requires the utility to explain how its vehicles are allocated to the utility. The utility had failed to provide this data in its application.

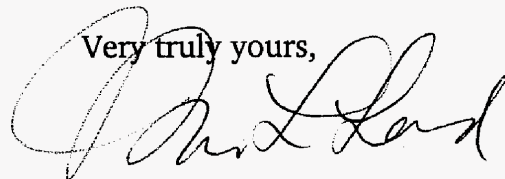
**Response:** Please refer to WSC Distribution of Rate Base and Expenses Handbook attached as Exhibit "A".

11. Rule 25-30.437 (1), Florida Administrative Code, requires the utility to compile the required schedules such that each section of this form shall be indexed and tabbed. The utility has not complied with this rule, and therefore should file the additional tabs required by this rule.

**Response:** Please refer to the revised MFRs which were filed with the Commission on August 2, 2004.

Should you have any questions regarding these responses, please do not hesitate to give me a call.

Very truly yours,



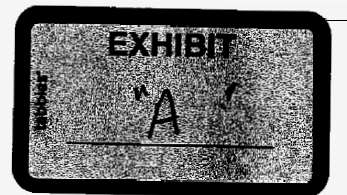
VALERIE L. LORD  
For the Firm

VLL/mp  
Enclosures

cc: Mr. Steven M. Lubertozzi (w/o enclosures)  
Ms. Tricia Merchant (w/enclosures)(via hand delivery)  
Ms. Denise Greene (w/enclosures) (via hand delivery)  
Cochran Keating, IV, Esquire (w/enclosures) (via hand delivery)

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**Water Service Corporation**  
**Distribution of Rate Base and Expenses**  
**Handbook**



## Water Service Corporation Common Expense Allocation Process

### Introduction:

The subsequent "handbook" is intended to assist the reader in following and understanding the allocation of costs to the subsidiaries of Utilities, Inc. The handbook's purpose is **not** to provide legal justification or evidentiary testimony for rate case proceedings. The handbook should not be relied upon for outside parties' workpapers. All questions regarding the allocation, methodology employed, etc. should still be addressed in formal data requests.

The allocation intends to distribute costs to all regulated and non-regulated entities on a justified, equitable basis. An attempt has been made in all instances to assign direct costs prior to any indirect allocation process. Additionally, the indirect allocation code used for every account employs theoretical justification of the methodology utilized. In some instances, the cost to determine a *more* proper allocation did outweigh the benefit that would be achieved by a more precise method.

### Commonly Asked Questions:

- Q. *Does Water Service Corporation (WSC) earn a profit?*
- A. No. All accounts on the books of WSC at year-end close (12/31) have a zero balance. There is no income or loss on the books of WSC.
- Q. *What services does WSC provide to its sister companies?*
- A. WSC manages the operations for approximately 80 companies owned and/or operated by Utilities, Inc. WSC provides the management, administration, engineering, accounting, billing, data processing, and regulatory services for Utilities, Inc. companies.
- Q. *Are any costs allocated to the non-regulated entities from WSC?*
- A. Yes. WSC allocates costs to Utilities, Inc.'s non-regulated entities in the same manner as costs are allocated to Utilities, Inc.'s regulated entities.
- Q. *Are any costs allocated to Utilities, Inc. from WSC?*
- A. No. All costs associated with Utilities, Inc are on the books of Utilities, Inc.
- Q. *Are any costs allocated to the utilities that are operated but not owned?*
- A. Yes. WSC allocates costs to Utilities, Inc.'s operated but not owned systems in the same manner as costs are allocated to Utilities, Inc.'s owned entities.

## **Water Service Corporation General Ledger**

The WSC general ledger uses the same chart of accounts as all other Utilities, Inc. companies.

Water Service Corporation is company number "002". Water Service Corporation is subdivision number "0005".

For instance, the account number on the books of WSC for Microfilming would be 002\*0005\*6759016. When referring to specific accounts throughout the allocation handbook, only the generic account number is used, 6759016 in this instance.

The balance in each income statement account at December 31 should be zero. Each account lists the activity for the year, including the journal entry to remove the expense from WSC's books.



## **Water Service Corporation Rate Base Allocation**

Water Service Corporation, in addition to allocating expenses, also allocates common rate base. Common rate base primarily is comprised of the Northbrook office building, furniture, and mainframe computer. This allocation is reported in each utility subsidiary's rate case filing. This allocation is not recorded on the books of each subsidiary.

The rate base allocation uses the same distribution codes as the common expense allocation. Other than the fact that the rate base allocation distributes the asset accounts of WSC as opposed to the income statement, all material aspects of the common expense allocation, also hold true in this distribution of balance sheet accounts. The following sets forth the basis of determining a code for each balance sheet account.

### Individual Account - Methodology of Codes:

Land & Land Rights is the property for the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

Office Structure & Improv. is basically the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

Office Furniture & Equip. includes items located in the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

Telephones includes items located in the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

Tools Shop & Misc. Eqpt. includes items that are used exclusively in Illinois operations. As such, Code 3 allocates a specific account only to Illinois companies based on customer equivalents.

Communications Eqpt. includes items located in the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

A/D - Office Structures provides for the recognition of depreciation on assets located in the Northbrook Office. This account is distributed on the same basis as the assets being depreciated, or Code 5.

A/D - Office Furniture & Eqpt. provides for the recognition of depreciation office furniture items located in the Northbrook Office. These are general rate base items for the Company taken as a whole. Consequently, this account is distributed based on the same basis as the asset, or Code 5.

A/D - Telephones provides for the recognition of depreciation on assets located in the Northbrook Office. This account is distributed on the same basis as the assets being depreciated, or Code 5.

A/D - Tools, Shop, & Misc. Eqpt. provides for the recognition of depreciation on items that are used exclusively in Illinois operations. As such, Code 3 allocates this account only to Illinois companies based on customer equivalents.

A/D - Communication Eqpt. provides for the recognition of depreciation on items that are used in the Northbrook Office. This account is distributed on the same basis as the assets being depreciated, or Code 5.

Water Plant in Progress includes items located in the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

Other Plant in Progress includes items located in the Northbrook Office. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

Def Chgs - Empl Fees includes the cost of employment recruiters for employees in the Northbrook Office. This cost is shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents.

Def Chgs - Other are general rate base items for the Company taken as a whole. This cost is shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents.

Mainframe Computer is the computer hardware. This account is allocated based on use. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

Mini Computer is the cost of the computers in Northbrook. This account is allocated based on use. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

A/D - Mainframe Computer provides for the recognition of depreciation on computer hardware. This account is allocated based on use. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

A/D - Mini Computer provides for the recognition of depreciation on computers. This account is allocated based on use. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

Comp System Cost is the cost to write and implement mainframe computer programs. This account is allocated based on use. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

Micro System Cost is the cost to employ computer consultants who advise WSC as to the most cost effective use and configuration of mini-computers. This account is allocated based on use. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

Comp System Amortization provides for the recognition of amortization on computer system costs. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

Micro System Amortization provides for the recognition of amortization on computer system costs. Code 4 accomplishes allocating computer costs based on the number of bills and invoices processed.

Accumulated Deferred Income Taxes recognize the differences in certain accounting treatments of items for book and tax purposes. In order to account for the fact that the Illinois, Indiana, and Ohio customer service function is located in Northbrook, Code 5 is used to provide a weighted average of the duties of the employees in Northbrook.

## **Water Service Corporation Common Expense Allocation**

The WSC allocation is truly a *group* of allocations made in the form of journal entries. These journal entries include the following:

(a)	SE.50	Direct Operator and Regional Office Salaries and Benefits
(b)	SE.51	Direct Computer Expenses
(c)	SE.52	Direct Insurance Expenses
(d)	SE.60	Indirect Common Expenses
(e)	SE.90	Expenses Between Companies

### SE.50 (Direct Operators Salary and Regional Office Salaries and Benefits Expense)

Salary accounts 6019040, 6019045, and 6019050, are allocated to Utilities, Inc.'s operating subsidiaries through SE. 50. To determine how much of an operator's salary should be allocated to each company, an analysis is performed each year to determine in which systems each operator works. In many instances, operators work on a number of systems, requiring an allocation of their salary and benefits expense to these systems. These allocations are made based on the number of customer equivalents for each particular operator. SE.50 also makes allocations of salaries and benefits for regional office personnel. These allocations are based on the customer equivalents for each regional office.

Regarding health costs (accounts 6049010, 609011, 6049012, 6049015, 6049050, and 6049055) and other benefits costs (6049060, 6049065, 6049066, 6049067, 6049080, and 6049090), the utility calculates the total costs incurred for all Water Service Corporation employees throughout the year. This total number is then divided by the number of full time employees for the year. The result is the base amount given to each employee for these costs. This calculation can be found on the last page of the SE.50 section of the WSC Distribution of Expenses book. The base amount given to each employee is then allocated to each individual operating subsidiary based on the same method as salaries, which is customer equivalents.

Pension and 401K contributions are tracked to each employee and allocated out based on customer equivalents.

### SE.51 (Direct Computer Expenses)

Accounts 6019045, 6369005, 6369007, 6369009, 6759016, 6759115, 4032098, and 4141040 are allocated through SE.51, computer expenses.

Each of the accounts relate to the costs related to programming, maintaining, and servicing the computer system. The costs to own and operate the computer system is then assigned to each of the operating companies based on each company's utilization.

An analysis is performed to determine the number of A/P invoices received and processed, as well as the number of customer bills sent for each of the respective companies. Invoices received and bills sent out are weighed equally. The total number of bills and invoices are added together for each company and the corresponding proportion of the total is calculated. Accordingly, each company is directly assigned a proportion of costs that correlates to the company's use of the

computer system. All accounts included in SE.51, with the exception of 4032098 are allocated using this code. Account number 4032098 is allocated based on Code 5, since most depreciation allocated through WSC rate base is allocated based on Code 5.

### SE.52 (Insurance)

Account 6599090 is directly assigned to each company through SE.52.

Account 6599090 contains the cost for the premiums for the company's insurance policies. The total premium is directly distributed to individual companies based on the determination of the premium.

The premium is based on several different types of insurance including the following:

- Excess Liability
- Workman's Compensation
- Auto Insurance
- General Property Insurance
- Other Insurance (Key Man Life, etc.)

Below explains what each individual premium is based. The specifics are verified annually by our insurance company. However, the amounts may not directly correspond to salaries listed in SE. 50 or other WSC accounting schedules due to timing differences.

**Excess Liability Insurance** - The premium for excess liability insurance is an umbrella policy for general liability insurance, auto insurance, and workman's compensation insurance. The allocation of the premium is based on three factors – sewer customers, water customers, and operations payroll. The book states that this premium is based on miles of sewer mains, gallons of water sold, and operations payroll. However, miles of sewer mains is determined by multiplying the number of sewer customers by an average of 40 feet of main per customer and dividing by 5,280 feet. Since this same multiplier is used for each sewer system, the real allocation factor is number of sewer customers. Similarly, gallons of water sold is determined by multiplying the number of water customers by an average of 200 gallons per day and then by 365 days a year. Since this multiplier is used for each water system, the real allocation factor is number of water customers.

It is rational to base excess liability insurance on these factors. The number of customers drive many things, including the company's investment in plant and in vehicles. In turn, the company's investment in plant and vehicles directly relates to the amount of insurance premium the company is charged. The company uses operations payroll as its third basis factor for excess liability because the standard worker's compensation policy is allocated based on operations payroll.

**Workman's Compensation Insurance**- The premium for workman's compensation insurance is based on each systems percentage of operations payroll to total operations payroll. Operations payroll is the most appropriate way to allocate workman's compensation insurance, since operators are covered under the workman's compensation policy.

**Auto Insurance** - The premium for auto insurance is based on the specific number of vehicles insured according to the policy. The amount paid for auto insurance is directly related to the number of vehicles.

General Property Insurance - The premium for general property insurance is based on the estimated property value of elevated storage tanks and standpipes (if any) and an allocation of other plant items, including the regional offices' property values and the Northbrook office property value. This is the proper basis for allocation, since these are the three factors that drive the cost of the company's general property insurance premium.

Other Insurance - The premium for a variety of smaller policies, including key man life insurance, is based on operations payroll.

Each section of insurance is weighted depending on the premium corresponding to that type of insurance.

#### SE.60 (Indirect Common Expenses)

Salaries and other expenses that are not directly assigned via SE.50, SE. 51 and SE. 52, are allocated in SE.60. The worksheet "Distribution of General Expenses" details the allocation to each company. Additionally, a code number is listed that identifies the method used to distribute each account. The spreadsheet entitled "Distribution of Expense Summary" serves as the basis for the entire WSC SE. 60 allocation. Below is a description of each column on the "Distribution of Expense Summary".

#### *Account Number*

- All account numbers correspond to Utilities, Inc. universal chart of accounts.

#### *Account Name*

- Each account name provides a description of the contents of the account.

#### *Co. - 02 Balance*

- Each account balance is taken directly from the WSC general ledger at 12/31.

#### *Adjust*

- Adjustments are made for the following:
  - Capitalized administrative salaries are recorded as a credit throughout the year in their own account, 6019030. The corresponding debit is recorded in an asset account, as the "capitalized" portion of the account suggests. At the end of the year, this account is adjusted to zero, and the capitalized salaries are then credited to salaries – Illinois administrative/accounting, account 6019054.
  - Computer salaries and customer service salaries are removed from account 6019054 and reclassified into their respective accounts, 6019045 and 6019070.
  - The three term life insurance accounts are grouped together as one (accounts 6049060, 6049065, and 6049066).
  - Franchise tax (account 4081303) is moved to real estate tax (account 4081121).
  - Interest income (account 4191010) and rental income (account 4131020) are moved to miscellaneous income (account 4261000).
  - IDC (account 4201000) is zeroed out and moved to intercompany interest (account 4192000).

*Adjusted Co. – 02 Balance*

- This column sums the Co. - 02 balance column and the adjust columns.

*Pension & Benefits SE. 50*

- This column removes all pension and benefit balances that were already allocated to operators and regional office personnel per SE. 50.
- 

*Computer Costs SE.51*

- This column removes all computer costs balances that were already allocated for computer related expenses through SE. 51.

*Insurance SE.52*

- Insurance is allocated through SE. 52, therefore these costs must be removed from SE. 60.

*Balance to be Distributed*

- This column is the result of the adjustments made in the preceding four columns. Furthermore, this column is allocated to each of the operating companies.

SE.90 (Expenses Between Companies)

The companies must also receive an allocation of costs that have been incurred at their regional cost centers and regional offices. The company has regional cost centers and regional offices in the following states:

North Carolina  
South Carolina  
Florida  
Maryland  
Nevada  
Louisiana

SE.90 uses the same account numbers and names that are employed in SE. 60. SE. 90 distributions are made based on the number of customer equivalents for each operating company that receives service from each cost center or office.

**Water Service Corporation  
Distribution Codes**

- Each code corresponds to a particular method of allocation. Each code is explained below.

*Code 1*

The customer equivalent basis for allocating common expenses has been used for a number of years. Water Service Corp. provides service to about 250 small systems. The make-up of the customer base is fairly uniform throughout these systems, namely residential and small commercial customers, with the work force and work schedules geared to serving these small operations. The administrative staff, in turn, is also tailored to serving these small systems plus emerging new developments, thereby establishing a relationship between administrative and general expenses and customers used as the basis of allocations. Using customers as the basis of allocation also has the advantage of being readily available and being consistent from year to year.

Code 1 is based on customer equivalents. Customer equivalents are **not** number of customers, **nor** are they the number of billed customers. Customer equivalents are determined by the following table:

	<u># of Customers</u>	<u>Factor</u>	<u>Customer</u> <u>Equivalents</u>
Water Customer Only	1	1.00	1.00
Sewer Customer Only	1	1.00	1.00
Water & Sewer Customer	1	1.50	1.50
Water Distribution Only	1	0.50	0.50
Sewer Collection Only	1	0.50	0.50
Availability	1	0.25	0.25

Number of customers is the number of meters installed at 6/30 to provide the average number of customers during the year. An availability customer is one who has a main in front of his lot, but does not partake in any of the services.

Code 1 determines the percentage of customer equivalents in a given system compared to the total number of customer equivalents in Utilities, Inc.

*Code 2*

The Company's general office and division office of the Illinois, Indiana, and Ohio operations is located at 2335 Sanders Road in Northbrook, Illinois. To gain operating efficiency, the clerical employees do work involving all subsidiaries, as well as the Illinois-Indiana-Ohio division. The employees that are allocated based on Code 2 work exclusively on the Illinois-Indiana-Ohio companies.

Similar to Code 1, Code 2 is also based on customer equivalents. Code 2 determines the percentage of customer equivalents compared to the total number of customer equivalents in Illinois, Indiana, and Ohio.

This Code allocates costs to **only** Illinois, Indiana, and Ohio companies.



### *Code 3*

Some particular expenses apply only to Illinois companies. Code 3 is also based on customer equivalents. Code 3 determines the percentage of customer equivalents compared to the total number of customer equivalents in Illinois.

This Code allocates costs to **only** Illinois companies.

### *Code 4*

Code 4 is the percentage of the number of bills sent to customers and invoices processed for each company compared to the total for all UI companies. Code 4 is primarily used to distribute computer costs. This method of allocation is appropriate for computer costs because these costs are substantially driven by the amount of bills and computerized billing records that have to be calculated, recorded, and printed, as well as the number of invoices processed through the computer by A/P personnel.

### *Code 5*

Code 5 is a weighted average of Code 1, Code 2, and Code 4. The weight of each code is based on the number of WSC employees whose salaries are allocated on each basis. This code is primarily used to distribute SE. 60. Code 5 is the most appropriate method of allocation because it considers how much time and effort employees in the Northbrook office dedicate to each system. Administrative and accounting personnel work on all systems, so the customer equivalent allocation (Code 1) is used for these employees. Customer service personnel in the Northbrook office are specific to Illinois, Indiana, and Ohio operations, so the companies that are provided these services out of the Northbrook office would receive an additional percentage allocation. Finally, computer services are included since all bill and invoice processing for all operating companies is done out of the Northbrook office.

### *Code 6*

Code 6 is used to allocate pension and ESOP costs on SE. 60, and is based on the percentage of SE. 52 and SE. 60 salary that has been allocated to each company. This is the most appropriate method of allocation, since pension costs are directly related to employee salaries.

### *Code 7*

Code 7 is based on the estimated property value of elevated storage tanks and standpipes (if any) and an allocation of other plant items, including the regional offices' property values and the Northbrook office property value. Code 7 is used to allocate the company's general property insurance premium. This is the proper basis for allocation, since these are the three factors that drive the cost of the company's general property insurance premium.

### *Code 8*

Code 8 is the allocation of the premium for excess liability insurance and is based on three factors – sewer customers, water customers, and operations payroll. The book states that this premium is based on miles of sewer mains, gallons of water sold, and operations payroll. However, miles of sewer mains is determined by multiplying the number of sewer customers by

an average of 40 feet of main per customer and dividing by 5,280 feet. Since this same multiplier is used for each sewer system, the real allocation factor is number of sewer customers. Similarly, gallons of water sold is determined by multiplying the number of water customers by an average of 200 gallons per day and then by 365 days a year. Since this multiplier is used for each water system, the real allocation factor is number of water customers.

It is rational to base excess liability insurance on the number of customers. The number of customers drive many things, including the company's investment in plant and in vehicles. In turn, the company's investment in plant and vehicles directly relates to the amount of insurance premium the company is charged. The company uses operations payroll as its third basis factor for excess liability because the standard worker's compensation policy is allocated based on operations payroll.

#### *Code 9*

Code 9 is the percentage of operator's salaries for one company compared to the total operator's salaries for all UI regulated companies. Worker's compensation premiums are driven by operator's salaries, thereby making this allocation method appropriate.

#### *Code 10*

Code 10 distributes the premium for auto insurance, which is based on the specific number of vehicles insured according to the policy. The amount paid for auto insurance is directly related to the number of vehicles, thereby making this method of allocation appropriate. The Company does allocate vehicles in some areas due to the fact that they are shared between systems. The allocated vehicles are based on the customer equivalents for the systems that share vehicles only. For example, under the Florida column, if Lake Placid, UIF, and Bayside shared vehicles, then the allocation of those vehicles would be based on the customer equivalents for those systems only.

#### *Code 11*

Code 11 is the weighted average of Codes 7 - 10. Each Code is weighted based on the level of insurance that each code applies.

Code 7 applies to general property.

Code 8 applies to excess liability.

Code 9 applies to workman's compensation and other insurance.

Code 10 applies to auto insurance.

**Water Service Corporation  
Individual Accounts - Methodology of Codes - J/E for Distribution**

Operator's Salaries are distributed directly to each state or region through SE. 50.

Regional Office Salaries are distributed directly to each state or region through SE. 50.

Salary – Computer includes all computer employees. Their salaries are distributed through Code 4 in SE. 52.

Salary - IL Admin/Accounting includes all Northbrook employees with the exception of computer and customer service employees. Administrative/Accounting salaries are allocated utilizing Code 1 in SE.60.

Salary – IL Customer Service includes all Northbrook customer service employees. Their salaries are distributed through Code 2 in SE. 60.

Agency Expense includes fees paid to NCO Financial, a collection agency. A listing of delinquent accounts is given to NCO Financial, but the recovery of the bad debt does not distinguish what company the customer is in. In other words, the revenue is booked the same as any other paid bill. The benefit of determining the direct cost does justify the means. Consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Legal Fees include those legal costs which are incurred for all the companies as a whole, but none specifically. Consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Audit Fees are incurred to audit all the companies taken as a whole; consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Temp Empl. includes all temporary help used in the Northbrook office. This work is not distinguishable to specific areas, consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Outside Computer Consulting is used for the general programming and maintenance of our mainframe computer system. The cost of the service is directly assigned to individual companies in SE.51.

Employment Finders Fees are the fees paid to employment recruiters when the Northbrook office hires personnel. The personnel needs vary so this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Computer Maintenance is for the maintenance of our computer system. The cost of this service is directly assigned to individual companies in SE.51.

Director Fees are amounts paid to directors to oversee the direction of all the companies taken as a whole. Consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Computer Programming is for the cost of consultation on programming our computer mainframe system. The cost of this service directly assigned to individual companies in SE.51.

Engineering Fees include external engineering functions that benefit all companies. Consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Accounting Studies include external accounting functions performed by Price Waterhouse Coopers that benefit all companies. Consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Tax Return Review include the external tax return review functions performed by Price Waterhouse Coopers that benefit all companies. Consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Computer Salaries are the salaries for those WSC employees that operate the computer system in the Northbrook office. The costs of these salaries are directly assigned to individual companies in SE.51.

Other Outside Services include all professional services contracted other than accounting, legal, and computer services. These services benefit all companies, and consequently this cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Health Insurance Reimbursements are amounts paid by the company to employees to satisfy their health insurance claims. This expense is directly allocated to all operators in SE.50. The amount distributed in SE.50 is the net amount of health/dental insurance reimbursements, health/dental insurance premiums, other health costs and employee insurance deductions. The remaining balance is allocated to all employees from the Northbrook office. This expense is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Employee Insurance Deductions are amounts paid by the employee to the company to cover their individual deductions. This expense is allocated to all employees from the Northbrook office. This expense is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Health Costs & Other are other miscellaneous health related expenditures. This expense is allocated to all employees from the Northbrook office. This expense is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Dental Insurance Reimbursements are amounts paid by the company to employees to satisfy their dental insurance claims. This expense is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Pension Contributions are calculated by taking an employee's end of year salary multiplied by 3%. Pension Contributions for operators are directly distributed in SE.50. The balance is allocated based on Code 6, which is a ratio, based on salaries, of all the Northbrook office personnel. This expense is allocated in SE.60.

Tuition relates to the portion of tuition that Utilities, Inc. reimburses its employees for qualified education expenses. This expense is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Deferred Compensation relates to employees who have deferred their salaries for one reason or another. Most of these employees are executive WSC employees, and therefore this cost is allocated based on Code 1. This expense is allocated in SE.60.

Health Insurance Premiums are the premiums paid by the Company for all employees. The operator's portion of this expense is allocated in health insurance reimbursements. Therefore the remainder is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Dental Insurance Premiums are the premiums paid by the Company for all employees. The operator's portion of this expense is allocated in health insurance reimbursements. Therefore the remainder is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Term Life Insurance provides life insurance for all employees. This policy provides for 1.5 times the employee's salary. The operator's portion of this expense is allocated in other benefits through SE. 50. Therefore the remainder is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

401K Contributions are calculated by taking an employee's end of year salary multiplied by the contribution percentage. Contributions for operators are directly distributed in SE.50. The balance is allocated based on Code 6, which is a ratio, based on salaries, of all the Northbrook office personnel. This expense is allocated in SE.60.

Disability Insurance is the cost of providing disability insurance to all WSC employees. The operators' share is directly distributed in SE.50. The balance is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Other Employee Pension & Benefits includes all benefits that are not specifically noted above. These include counseling, etc. The operators' share is directly distributed in SE.50. The balance is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This expense is allocated in SE.60.

Other Insurance includes the premiums paid for a variety of insurance policies including Workman's Compensation, Excess Liability, Auto, and General Property among others. This expense is directly distributed to individual companies in SE.52.

Publications, Subscriptions & Tapes are general expenses for the Company as a whole and therefore the cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Answering Service is for Illinois, Indiana, and Ohio companies exclusively. Consequently this expense is allocated appropriately using Code 2. This expense is allocated in SE.60.

Computer Supplies are general expenses used in the Northbrook office, but is based on a separate allocation that is not included in the Distribution of Expenses book.

Printing & Blueprints are general expenses used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Postage & Postage Meter - Office are general expenses used in the Northbrook office, but is based on a separate allocation that is not included in the Distribution of Expenses book.

UPS & Air Freight are general expenses used in the Northbrook office, but is based on a separate allocation that is not included in the Distribution of Expenses book.

XEROX is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Office Supply Stores are general expenses used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Reimbursement of Office Employee Expense is a general expense of Northbrook office personnel and as such is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. The expense is allocated in SE.60.

Cleaning Supplies are general expenses used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Memberships are general expenses used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Microfilming are expenses related to storing computer generated reports. As such, this expense is directly distributed to individual companies in SE.51.

Other Office Expense are general expenses used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Office Telephone are general expenses used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Office Telephone - Long Distance is the expense for telephone usage for the Northbrook office. Therefore this expense should be allocated based on the Northbrook employees, or Code 5. This expense is allocated in SE.60.

Office Computer Phone Line is the cost for the computer's phone line. Consequently, this cost is directly distributed in SE.51.

Office Computer Phone Line - Long Distance is the cost for the computer's phone line. Consequently, this cost is directly distributed in SE.51.

Office Electric is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Office Gas is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Other Office Utilities is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Office Cleaning Service is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Landscaping, Mowing, Snow is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Office Garbage Removal is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Decorating & Repainting Structures is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Repair Office Machines & Heating is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Other Office Maintenance is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

Employees Educational Expenses is a general expense relating to the Northbrook office employees. Therefore this expense should be allocated based on the weighted average of Northbrook employees, or Code 5. This expense is allocated in SE.60.

Office Education / Training Expense is a general expense relating to the Northbrook office employees. Therefore this expense should be allocated based on the weighted average of Northbrook employees, or Code 5. This expense is allocated in SE.60.

Meals and Related Expenses is a general expense for all companies taken as a whole and should be shared proportionally between all companies. This expense is allocated based in Code 1 in SE. 60.

Bank Service Charges is a general expense for the Company as a whole and therefore the cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Other Miscellaneous General is a general expense for the Company as a whole and therefore the cost should be shared proportionally amongst all companies. Code 1 allocates the cost based on customer equivalents. This expense is allocated in SE.60.

Depreciation – Structure is the depreciation associated with structural items in the Northbrook office. Therefore this expense should be allocated based on the weighted average of Northbrook employees, or Code 5. This expense is allocated in SE.60.

Depreciation – Office Furniture is the depreciation associated with the furniture in the Northbrook office. Therefore this expense should be allocated based on the weighted average of Northbrook employees, or Code 5. This expense is allocated in SE.60.

Depreciation – Telephones is the depreciation associated with the telephones in the Northbrook office. Therefore this expense should be allocated based on the weighted average of Northbrook employees, or Code 5. This expense is allocated in SE.60.

Depreciation - Computer is the depreciation associated with the retention of the computer system. Accordingly, this expense is directly distributed to individual companies in SE.51.

Real Estate Tax is a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

FICA Expense relates to all employees of the company. The operators' and regional office personnel share is recorded to the regional offices and then directly distributed in SE. 50. The Northbrook office portion is recorded in Co. 002, and allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This portion is allocated in SE.60.

SUTA relates to operators and regional office personnel. It is recorded to the regional offices and then directly distributed in SE. 50.

SUTA-IL is a general expense associated with employees of the Northbrook office. The Northbrook office portion is allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This portion is allocated in SE.60.

FUTA relates to all employees of the company. The operators' and regional office personnel share is recorded to the regional offices and then directly distributed in SE. 50. The Northbrook office portion is recorded in Co. 002, and allocated based on Code 5, which is a weighted average of all the Northbrook office personnel. This portion is allocated in SE.60.

Interest Intercompany represents the interest for holding a portion of WSC rate base. Consequently, this account is allocated to each company by multiplying the total intercompany interest by the percentage of WSC rate base that was allocated to each operating company.



Interest During Construction represents the interest during construction associated with WSC rate base construction projects and work orders. This is considered a general expense used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

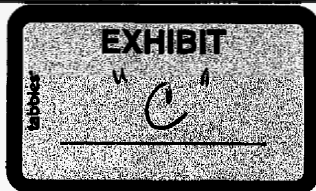
Miscellaneous Income is a general account used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.

S/T Interest Expense is a general account used in the Northbrook office. Therefore, the expense is allocated based on the duties of the office personnel in the Northbrook office, or Code 5. This expense is allocated in SE.60.



4032000	DEPRECIATION - WATER										10,074.37						-	10,074.37
4032001	DEPRECIATION-10101	11.08	11.08	11.08	11.08	11.08	11.08	21.88	21.88	20.85		21.71	21.71					198.19
4032002	DEPRECIATION-10102	-	-	-	-	-	-	-	-	185.28	33.06	33.06						231.40
4032014	DEPRECIATION-10114	3.65	3.65	3.65	3.65	3.65	3.65	3.65	3.65	643.17	131.55	131.55						939.12
4032021	DEPRECIATION-10121	-	-	-	-	-	-	2.84	2.84	2.84	2.84					821.70		836.74
4032025	DEPRECIATION-10125	9.10	9.10	9.10	9.10	9.10	9.10	9.10	9.10	291.74	85.63	85.63						504.90
4032031	DEPRECIATION-10131	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	2.45	1.06	1.06						10.96
4032032	DEPRECIATION-10132	12.68	12.68	12.68	12.68	12.68	12.68	12.68	12.68	235.46	42.05	42.05						433.68
4032042	DEPRECIATION-10142	-	-	-	-	-	-	-	-	369.28	73.66	73.66						517.00
4032043	DEPRECIATION-10143	-	-	-	-	-	-	-	-	2,304.06	462.96	462.96						3,246.44
4032045	DEPRECIATION-10145	6.20	6.20	6.20	6.20	6.20	6.20	11.49	11.49	11.49	11.49	11.49						106.14
4032046	DEPRECIATION-10146	9.26	9.26	9.26	9.26	9.26	9.26	11.53	11.53	11.53	212.31	51.69	51.69					405.84
4032090	DEPRECIATION-10190	-	-	-	-	-	-	-	-	10.84							1,016.46	1,016.46
4032091	DEPRECIATION-10191	-	-	-	-	-	-	-	-		2.13	2.13					685.84	710.54
4032092	DEPRECIATION-10200	-	-	-	-	-	-	-	-	4,572.75	(4,572.75)		8,097.00					6,097.00
4032093	DEPRECIATION-10193	-	-	-	-	-	-	-	-								18.20	18.20
4032094	DEPRECIATION-10194	53.24	53.24	53.24	53.24	53.24	53.24	59.89	59.89	59.89	170.93	81.94	81.94					240.00
4032098	DEPRECIATION-COMPUTER	-	-	-	-	-	-	-	-	-	-	-	-					848.00
4032095	DEPRECIATION-10195	1.51	1.51	1.51	1.51	1.51	1.51	1.99	1.99	1.99	0.90	1.86					5.00	24.85
4032097	DEPRECIATION-10197	-	-	-	-	-	-	-	-	44.96	8.99	8.99					176.00	236.94
710	DEPRECIATION EXP-WATER	108.86	108.86	108.86	108.86	108.86	3,157.36	(2,910.32)	138.18	4,710.93	9,987.80	992.82	7,069.82	821.70			2,999.20	27,531.69
4033000	DEPRECIATION SEWER									52,326.46								52,326.46
4033003	DEPRECIATION-10203	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44						5.28
4033004	DEPRECIATION-10204	-	-	-	-	-	-	-	-	0.42								18.20
4033005	DEPRECIATION-10205	36.56	36.56	36.56	36.56	36.56	36.56	26.95	26.95	18,296.90	3,636.63	3,636.63		777.78				25,844.37
4033008	DEPRECIATION-10208	-	-	-	-	-	-	-	-	3,402.93	690.59	690.59						4,764.11
4033011	DEPRECIATION-10211	6.06	6.06	6.06	6.06	6.06	6.06	15.44	15.44	15.44	(8.87)	12.08						100.97
4033020	DEPRECIATION-10220	-	-	-	-	-	-	-	-	183.28	33.06	33.06						231.40
4033091	DEPRECIATION-10291	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76	11.37	2.88	2.88						23.97
4033094	DEPRECIATION-10294	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	293.01	58.85	58.85						413.50
711	DEPRECIATION EXP-SEWER	44.13	44.13	44.13	44.13	44.13	44.13	43.90	43.90	74,460.50	4,428.53	4,428.53	777.78					84,467.82
4061000	AMORT OF UTIL PAA-WATER									(7,224.65)								(7,224.65)
713	AMOR.OF UTILITY PAA-WTR										(7,224.65)							(7,224.65)
4081004	UTIL OR COMMISSION TAX									(2,936.04)								(2,936.04)
4081100	PROPERTY & OTHER GEN TAXES						4,506.00	(4,506.00)		(125.13)							394.41	269.28
4081121	REAL ESTATE TAX									(6,962.16)								18,184.83
4081122	PERS PROP & ICT TAX										23,036.81							7,531.77
4081301	GROSS RECEIPTS TAX			7,531.77														150.67
4081303	FRANCHISE TAX				150.00													505.08
721	OTHER TAXES			7,531.77	150.00		4,506.00	(4,506.00)	(10,023.35)		23,036.81							21,200.31
4081201	FICA EXPENSE																5,089.24	5,089.24
4091050	FED UNEMPLOYMENT TAX																127.22	127.22
4091060	ST UNEMPLOYMENT TAX																73.33	73.33
722	PAYROLL TAXES																5,289.81	5,289.81
4091000	INCOME TAXES-FEDERAL															(88,940.00)		(88,940.00)
725	INCOME TAXES-FEDERAL															(88,940.00)		(88,940.00)
4101000	DEF INCOME TAX-FEDERAL																23,796.00	23,796.00
731	DEFERRED INCOME TAXES-FED																23,796.00	23,796.00
4101100	DEF INCOME TAXES-STATE																842.00	842.00
732	DEFERRED INCOME TAXES-ST																842.00	842.00
4191010	INTEREST INCOME-OTHER									(11.39)								(11.39)
742	RENTAL & OTHER INCOME									(11.39)								(11.39)
4192000	INTEREST EXPENSE-INTER-CO															8,345.00	2,172.66	10,517.66
744	INTEREST EXPENSE-INTERCO															8,345.00	2,172.66	10,517.66
4201000	INTEREST DURING CONSTRUCTION															(6,535.00)		(6,535.00)
745	INTEREST DURING CONSTRUCT															(6,535.00)		(6,535.00)
4261000	MISCELLANEOUS INCOME																(53.34)	(53.34)
748	MISCELLANEOUS INCOME																(53.34)	(53.34)
4272090	S/T INT EXP OTHER																(133.76)	(133.76)
771	SHORT TERM INTEREST EXP.																(133.76)	(133.76)
<b>TOTAL INCOME STATEMENT</b>		<b>(316.70)</b>	<b>1,860.80</b>	<b>4,230.43</b>	<b>5,969.54</b>	<b>(230.48)</b>	<b>12,498.85</b>	<b>(10,059.12)</b>	<b>(1,900.41)</b>	<b>(11,586.97)</b>	<b>111,914.74</b>	<b>25,821.60</b>	<b>313.91</b>	<b>(76,407.52)</b>	<b>110,507.96</b>		<b>172,836.44</b>	

SUBDIVISION	SUB NUMBE	LOCATIO N	PROJECT DESCRIPTION	PROJECT JUSTIFICATION	ESTIMATED COST	COMLETIO N DATE
Labrador	693	SPRAY FIELD	Replace and relocate spray field pumps and motors to above flood elevation. Construct wooden shed over pumping equipment.	Prevent motors from being flooded. Protect spray field pumps from rain to lengthen service life.	\$5,000	2002
Labrador	693	WWTP	Modify headworks, splitter box and influent FM piping. Fabricate stainless steel chute at headworks. Build concrete dumpster pad and retention area. Install rock base on plant road from gate to dumpster pad.	Direct screening material into dumpster. Eliminate manual removal of screening material.	\$11,950	2003
Labrador	693	WWTP	Replace cover over filter clearwell, replace filter feed pump #2.	Existing material was rotten and unsafe. Existing pump was undersized.	\$4,000	2003
Labrador	693	WWTP	Install 41 each fine bubble diffusers in air bays. Replace rotten drop pipes and bad air valves as needed.	Reduce energy use, improve treatment process, provide adequate mixing and aeration.	\$6,424	2003
Labrador	693	WWTP	Make improvements to sand filter control panel, replace media, replace filter feed pump #1.	Restore filter to operation, address workplace safety issues.	\$3,656	2003
Labrador	693	WWTP	Overhaul 3 each clarifier sludge collector units. Install shaft and belt guards on process, surge and digester blowers.	Units would not track back and forth causing plant to become upset.	\$6,000	2003
Labrador	693	WWTP	Replace effluent meter with ultrasonic type.	Provide 4-20 mA output for flow proportional sampling.	\$5,000	2003
Labrador	693	WWTP	Replace rubber connectors between steel tanks with rigid pipe.	Prevent sewer spills caused by failure of rubber material.	\$5,000	2003
Labrador	693	DIST SYSTEM	Replaced fire hydrant on Vieu Way	F. H.would not open properly and was not repairable.	\$3,000	2004
Labrador	693	WTP	Replace H.S. #2 pump and motor assy., rebuilt H.S. #1 pump.	Repaired #2 motor and stored as spare, #1 impeller worn out.	\$3,000	2004
<b>SUBTOTAL</b>					<b>\$53,030</b>	
Labrador	693	WTP	Rebuild H.S. pumps 1, 2, and 3.	20 Hp and 10 Hp motors burned up, 20 Hp unit repaired and kept as spare.	\$3,000	2002
Labrador	693	WTP	Remove and dispose of debris and construction materials, recreational equipment, old appliances left on WTP site.	Cleanup activity around water supply wells to protect water quality. Plant buildings used to be a maintenance shop for MHP staff.	\$3,000	2002
Labrador	693	LIFT STATION	Overhauled 2 grinder pumps and 1 sewage pump at Lift Station #1.	Pumps were O/S at acquisition, 2 loaner pumps were in use.	\$5,000	2003
Labrador	693	WWTP	Improve drainage in and around pump room.	Install drainage pipe and regrade access road adjacent to building.	\$3,000	2003
Labrador	693	WTP	Replaced level sensors in ground storage tank.	Sensors failed, well pumps were not set up to alternate.	\$1,500	2004
<b>SUBTOTAL</b>					<b>\$15,500</b>	



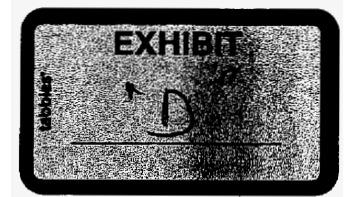
UPDATED CAPACITY ANALYSIS REPORT

FOR

FOREST LAKE ESTATES

PASCO COUNTY

GMS NUMBER	4051P 10014
PERMIT NUMBER	DO51-231343
EXPIRATION DATE	SEPTEMBER 23, 1998
FIELD INSPECTION	FEBRUARY 25, 1998
REPORT DATE	MARCH 18, 1998



CERTIFICATIONS

I hereby certify that I am fully aware of the contents of this report, and that I intend to comply with the recommendations and schedules herein included.

---

Henry Viau, President  
Forest Lake Estates, Inc.  
6429 Forest Lake Drive  
Zephyrhills, Florida 33540  
(813) 783-7979

I hereby certify that the information contained in this report is true and correct to the best of my knowledge, that the report was prepared in accordance with sound engineering principles, and that the recommendations and schedules were discussed with the Permittee

---

Ray G. Bussmann, P.E.  
Bussmann Construction Services  
5757 Colonial drive  
New Port Richey, Florida 34653  
(813) 847-4882

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Chapter 1 INTRODUCTION

The present Operation Permit for the Forest Lake Estates Wastewater Treatment System is for a capacity of .216 MGD and will expire September 23, 1998.

This wastewater treatment plant is operating as an extended aeration process. Influent is pumped from the last lift station to a flow equalization chamber and splitter box prior to the first aeration chamber. Flow through aeration and final settling is by gravity. The effluent is subject to high level filtration and chlorination, using constant automatic monitoring devices.

Effluent is pumped to a 34.7 acre sprayfield or, occasionally, to a 4 acre subsurface absorption field. If the effluent is rejected by the monitoring devices, it is directed to the 4 acre percolation/evaporation pond for storage and retreatment.

Residuals are transported to the Pasco County Processing Facility in Shady Hills.

This is an updated capacity analysis report. The prior report was prepared by Sprinkle Consulting Engineers in 1993.



## Chapter 2 EXISTING CONDITIONS

### Permitted Capacity

The present permitted capacity of the wastewater treatment plant is .216 MGD, based on the average monthly flow. The 34.7 acre sprayfield also has a capacity of .216 MGD. For inclement weather, the 4 acre percolation/evaporation pond is available for emergency storage.

### Monthly Average Daily Flows, Three Monthly Average Daily and Annual Average Daily Flows

The reported and computed average daily flows are shown in tabular form on sheets 7 and 8. The period covered is from 1990 to 1995 with some data for 1996 and 1997. The flows are based on a continuously recorded height of the effluent flow passing over a calibrated V notch weir. The system is recalibrated regularly.

### Seasonal variations in Flow

The seasonal variations in the tabulated flows are shown below as the Maximum Month, the Three-Month Average, the Annual Average and the Ratio of the Three Month Average to the Annual Average.

<u>Year</u>	<u>Maximum Month</u>	<u>Three Month Average</u>	<u>Annual Average</u>	<u>Ratio</u>
1990	May	.025	.021	1.20
1991	May	.028	.031	1.11
1992	March	.065	.040	1.62
1993	December	.059	.042	1.40
1994	February	.077	.057	1.35

The flows have consistently been greater during the winter months, particularly as the park occupancy increased.

Updated Flow and Loading Information

This facility was designed to accommodate the following generated flows:

892 Mobile Home units @ 150 GPD	133,800
Recreation Hall at MHP	1,500
274 RV park units @ 100 GPD	27,400
Recreation Hall at RVP	4,000
Laundry Room at RVP	4,800
Shopping Center	28,500
	<hr/>
Total:	200,000 GPD

Current influent parameters are consistent with the design assumptions for this facility and are generally in line with domestic waste loadings.

FOREST LAKE ESTATES

FACILITY

CAPACITY ANALYSIS REPORT

PERIOD	AVERAGE DAILY FLOWS			PERIOD	AVERAGE DAILY FLOWS		
	MONTHLY	THREE MONTH	ANNUAL		MONTHLY	THREE MONTH	ANNUAL
1990				1993			
JAN				JAN	.054	.046	
FEB	.023			FEB	.053	.050	
MARCH	.025			MARCH	.054	.054	
APRIL	.026	.024		APRIL	.044	.050	
MAY	.025	.025		MAY	.020	.039	
JUNE	.025	.025		JUNE	.011	.025	
JULY	.017	.022		JULY	.021	.017	
AUG	.018	.020		AUG	.039	.024	
SEPT	.018	.018		SEPT	.030	.030	
OCT	.018	.018		OCT	.038	.036	
NOV	.018	.018		NOV	.056	.041	
DEC	.018	.018	.021	DEC	.082	.059	.042
1991				1994			
JAN	.018	.018		JAN			
FEB	.026	.021		FEB			
MARCH	.028	.024		MARCH		.074	
APRIL	.028	.027		APRIL	.056	.070	
MAY	.028	.028		MAY	.032	.054	
JUNE	.023	.020		JUNE	.040	.043	
JULY	.023	.025		JULY	.037	.036	
AUG	.023	.023		AUG	.047	.041	
SEPT	.024	.028		SEPT	.052	.045	
OCT	.026	.024		OCT	.059	.053	
NOV	.063	.037		NOV	.065	.059	
DEC	.057	.049	.031	DEC	.070	.065	.057
1992				1995			
JAN	.065	.062		JAN	.032	.056	
FEB	.064	.062		FEB	.088	.063	
MARCH	.066	.065		MARCH			
APRIL	.027	.052		APRIL			
MAY	.022	.038		MAY			
JUNE	.034	.028		JUNE			
JULY	.036	.031		JULY			
AUG	.028	.033		AUG			
SEPT	.026	.030		SEPT			
OCT	.033	.029		OCT			
NOV	.040	.033		NOV			
DEC	.044	.039	.040	DEC			

NO INTERPANNING AVAILABLE

# FOREST LAKE ESTATES

## FACILITY

### CAPACITY ANALYSIS REPORT

PERIOD	AVERAGE DAILY FLOWS			PERIOD	AVERAGE DAILY FLOWS		
	MONTHLY	THREE MONTH	ANNUAL		MONTHLY	THREE MONTH	ANNUAL
<i>996</i>							
JAN				JAN			
FEB				FEB			
MARCH				MARCH			
APRIL				APRIL			
MAY				MAY			
JUNE				JUNE			
JULY				JULY			
AUG				AUG			
SEPT				SEPT			
OCT				OCT			
NOV				NOV			
DEC				DEC			
<i>1997</i>							
JAN	.078			JAN			
FEB	.093			FEB			
MARCH				MARCH			
APRIL				APRIL			
MAY				MAY			
JUNE				JUNE			
JULY				JULY			
AUG				AUG			
SEPT				SEPT			
OCT				OCT			
NOV				NOV			
DEC				DEC			
<i>1998</i>							
JAN	.092			JAN			
FEB	.130			FEB			
MARCH				MARCH			
APRIL				APRIL			
MAY				MAY			
JUNE				JUNE			
JULY				JULY			
AUG				AUG			
SEPT				SEPT			
OCT				OCT			
NOV				NOV			
DEC				DEC			

*NO INFORMATION AVAILABLE*

*NO INFORMATION AVAILABLE*

Chapter 3 FUTURE CONDITIONS

At this time Forest Lake Estates has the following development completed:

870 Mobile Home Units @ 150 GPD	130,500
Recreation Hall at MHP	1,500
268 RV Park Units @ 100 GPD	26,800
Recreation Hall at RVP	4,000
Laundry Room at RVP	4,800
	<hr/>
Total:	167,600 GPD

The seasonal variations in the occupancy of this park have been consistent over the years. The total flows have gradually increased as more living units have been added.

It is not clear at this time as to when the proposed commercial center will be constructed. However, it is anticipated that the ultimate flows will be in line with the original projections.

Population Projections

The flows through this wastewater treatment plant should gradually increase as the mobile home and recreational vehicle sites are completely occupied.

It is not planned to construct the shopping center in the near future. If construction does occur during the next five year permit period, the flows are anticipated to be within the projected amounts and certainly below the .216 permitted flows.

Effluent Disposal

The principal reuse system consists of a 34.7 acre sprayfield, constructed in 1997, with a capacity of .216 MGD. For periods of rain when the sprayfield is not usable, the 4 acre percolation/evaporation pond is available for emergency storage. The intent is to maintain the pond at a low level to provide storage of the equivalent of one week effluent discharge, when necessary

#### Chapter 4 SUMMARY AND CONCLUSIONS

With the recently installed sprayfield reuse system and the implementation of several pending modifications, the plant will have sufficient capacity for the flows anticipated during the next five years.