

State of Florida



Public Service Commission

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

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

DATE: March 6, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Clapp, Walden)
Office of the General Counsel (Fleming) *Walden* *Fleming*

RE: Docket No. 060602-SU – Application for certificate to provide wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company. Counties: Charlotte and Lee

AGENDA: 03/18/08 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060602.RCM.DOC

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 COMMISSION
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Case Background

Town and Country Utilities Company (Town and Country or utility) is a Class C utility providing water service to the Babcock Ranch Development. The utility is in the Southwest and the South Florida Water Management District. The part of the utility that is situated in Lee County is in a water use caution area of the South Florida Water Management District. The utility received its water certificate in 1999.¹ In 2006, the utility's parent company transferred and merged with the buyer and followed with a large portion of the utility's certificated territory

¹ Order No. PSC-99-2198-PAA-WU, issued November 8, 1999, in Docket No. 981288-WU, In re: Application for certificate to operate a water utility in Charlotte and Lee Counties, by Town and Country Utilities Company.

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FPSC-COMMISSION CLERK

being transferred to governmental entities.² Wastewater Certificate No. 543-S was granted in this docket by Order No. PSC-07-0076-PAA-SU, issued January 29, 2007. Initial rates were not addressed at the time because the utility's consultants required additional time to compile costs and projected revenue for a development of this size. The utility's 2006 annual report shows gross revenue of \$61,657 and net operating losses of \$14,771.

The territory transferred to the State of Florida and Lee County in Docket No. 060536-WU included virtually all of the water treatment facilities. Therefore, Town and Country will be constructing an entirely new system of water wells, raw water mains, water treatment, and transmission facilities. The water rates established in Order No. PSC-99-2198-PAA-WU were developed based upon the costs associated with the small system which is no longer in Town and Country's ownership. The utility has requested revised water rates that reflect the costs associated with the new facilities that will be constructed in addition to establishing wastewater and reuse rates.

The utility is currently engaged in the planning process for providing water, wastewater, and reclaimed water services to the proposed new community which will include single- and multi-family residential units, commercial space, civic and educational facilities, golf courses, and several community parks. Covering more than 17,000 acres, Babcock Ranch will be a self-sufficient residential and commercial community constructed in multiple phases over approximately 20 years, starting in 2010. By 2030, the development is expected to include 19,500 residences and 6 million square feet of commercial space.

Town and Country has determined that the raw water it will use is slightly brackish. The water will be treated with reverse osmosis technology. The central water treatment plant will be constructed in three phases for ultimate buildout capacity of nine million gallons per day. Brine from the treatment process will be disposed of through a deep injection well.

The central wastewater treatment facility will also be completed in several stages. The first and second phases will rely on package plants. As wastewater flows increase, the treatment process will convert to a permanent system. Public access reuse for irrigation will be the primary method of effluent disposal. Deep well injection will be used as a backup disposal option when reclaimed water demand is low, as well as for disposal of concentrated brine generated by the water treatment plant.

This recommendation addresses the appropriate rates and charges for Town and Country. The Commission has jurisdiction pursuant to Sections 367.031, 367.045, 367.081, 367.091, and 367.101 Florida Statutes (F.S.).

² Transfer was approved pursuant to Order No. PSC-06-0809-FOF-WU, issued October 2, 2006, in Docket No. 060520-WU, In re: Application for transfer of majority organizational control of Town and Country Utilities Company, holder of Certificate No. 613-W in Charlotte and Lee Counties, from Babcock Florida Company to MSKP III, Inc. Partial transfer to government was approved pursuant to Order No. PSC-06-0808-FOF-WU, issued October 2, 2006, in Docket No. 060536-WU, In re: Application for transfer of portion of water facilities operated under Certificate No. 613-W in Charlotte and Lee Counties from Town and Country Utilities Company to State of Florida and Lee County.

Discussion of Issues

Issue 1: Should the utility's proposed water, wastewater, and reuse rates and return on investment be approved?

Recommendation: Yes. The utility's proposed water, wastewater, and reuse rates, as shown on Schedules 2 and 3, should be approved. Town and Country should charge the approved rates until authorized to change them by this Commission in a subsequent proceeding. The utility should be required to provide a copy of the proposed agency action order to all existing water customers within five days of issuance. The utility shall file revised tariff sheets and a proposed customer notice to all existing water customers. The revised water rates shall not be implemented until staff has approved the revised tariff and the proposed customer notice. The utility should provide proof of the date notice was given no later than 10 days after the date of the notice. The water, wastewater, and reuse rates should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). A return on equity of 12.01% with a range of plus or minus 100 basis points should be approved. A copy of the executed and recorded warranty deed for the water and wastewater treatment facilities site should be filed within 30 days of the consummating order establishing the utility's rates and charges. (Clapp, Walden, Fleming)

Staff Analysis: Town and Country's original water rates were set in Docket No. 981288-WU in 1999 when it was granted an original water certificate. The utility did not provide wastewater service at that time; however, the utility was granted a wastewater certificate in this docket in 2007, and staff is addressing in this recommendation initial wastewater rates. In addition, the utility has requested that, because virtually all of the original water facilities were transferred to the State of Florida and Lee County, new water rates be established to reflect the costs associated with the new water facilities that will be constructed to serve the planned development. The utility currently provides water service to three customers. One is a mining operation affiliated with the developer and there are two unrelated customers: an asphalt plant and a Charlotte County fire station. The asphalt plant will be discontinuing operations this summer. Staff agrees with the utility that new water rates and initial wastewater rates should be established using the Commission's original certificate rate model.

In establishing rates and charges for a new utility, Commission practice has been to set rates so that the utility will have an opportunity to recover its operating expenses and earn a fair return on its investment when approximately 80% of its projected customers are being served. The utility's proposed rates are based on projected rate base, cost of capital, operating and maintenance expenses, and customer growth. The water and wastewater facilities are intended to be constructed in three phases over 15 to 20 years. Proposed rates are based on the projected design costs for Phases I & II, which are intended to be constructed in the first 9 years. Adjustments were made to reflect plant constructed during Phases I and II that will be used for Phase III. The utility estimated average usage per equivalent residential connection (ERC) of 225 gallons per day (GPD) for all of its water and wastewater services based on estimated demand and availability of reuse irrigation services.

The utility's methodologies for its cost projections and the resulting proposed rates are consistent with methodologies normally used by the Commission in setting initial rates. The

following analysis describes the utility's proposed rate bases, cost of capital, returns on investment, revenue requirements, and rates for water and wastewater services.

Rate Base

The utility's projected rate bases for the water and wastewater systems appear on Schedules 2 and 3. The projected contributions-in-aid-of-construction (CIAC) are based on the guidelines in Rule 25-30.580, F.A.C. The projected accumulated depreciation and amortization of CIAC balances are calculated using the guidelines for average service lives as set forth in Rule 25-30.140, F.A.C. The utility's proposed working capital allowances are based on one-eighth of operating and maintenance expenses for the respective systems. The rate base schedules are for informational purposes to establish initial rates and are not intended to formally establish rate base, which is consistent with Commission practice in original certificate applications.³

Water System. The utility's projected Utility Plant In Service (UPIS) cost for the water system at Phase II capacity is \$105,693,126 for facilities intended to serve 12,799 ERCs. The projected land cost for the water treatment facilities is \$720,000. The facilities include the wells and equipment for pumping, treatment, and power generation along with supply mains and transmission and distribution lines. The water will be treated using a reverse osmosis system with the brine concentrate disposed of by deep well injection. The injection well and other major system components are sized to provide water treatment and brine disposal for all three phases of development. Because of engineering considerations, these components will be constructed in the first two phases. Therefore, the utility included an adjustment of \$4,688,308 for water capacity, including \$374,400 for land, allocated to Phase III costs.

The utility proposed an accumulated depreciation balance of (\$17,984,221), a CIAC balance of (\$70,394,500) based on contributed lines and a plant capacity charge of \$2,700 per ERC, an accumulated amortization of CIAC balance of \$5,692,333, and a working capital allowance of \$381,488. Therefore, the utility's proposed rate base for the water system is \$19,419,919, as shown on Schedule 2.

Wastewater System. The utility's proposed UPIS cost for the wastewater system at Phase II capacity is \$146,083,449 for facilities intended to serve 12,799 ERCs. The projected land cost for the wastewater treatment facilities is \$1,080,000. The UPIS costs include the facilities for wastewater treatment, disposal, power generation, pumping, and collection. The deep injection well, described above, will also be used for disposing of excess wastewater effluent; therefore, the cost for the injection well has been allocated between the water and wastewater UPIS where the customers are anticipated to be the same. Because of engineering considerations, the injection well and other major system components will be constructed in the first two phases. Therefore, the utility included an adjustment of \$4,159,736 for wastewater capacity, including \$560,088 for land, allocated to Phase III costs.

³ See Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WS, In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.

The utility proposed an accumulated depreciation balance of (\$23,490,205), a CIAC balance of (\$99,832,200) based on contributed lines and a plant capacity charge of \$3,800 per ERC, an accumulated amortization of CIAC balance of \$7,962,821, and a working capital allowance of \$385,709. Therefore, the utility's proposed rate base for the wastewater system is \$28,029,838, as shown on Schedule 3.

Summary of Rate Base. Based upon an analysis of the utility's cost data, staff recommends that the utility's proposed rate base balances of \$19,419,919 for the water system and \$28,029,838 for the wastewater system are reasonable and should be approved. The rate base schedules, as shown on Schedules 2 and 3, are for informational purposes to establish initial rates and are not intended to formally establish rate base.

Cost of Capital

As required by Rule 25-30.033(1)(w), F.A.C., the application contains a schedule of the utility's projected capital structure, including the methods of financing the construction and operation of the utility. The utility's projected capital structure, as shown on Schedule 1, consists of 40% equity and 60% debt. The utility's proposed cost of equity of 12.01% is consistent with the Commission's current leverage formula.⁴ The utility's proposed debt is anticipated to be financed at 7.00%, based on the prime rate at the time the application was filed plus 100 basis points.

Staff recommends that an overall cost of capital for calculating Town and Country's return on investment of 9.00% is reasonable based on a capital structure consisting of 40% equity and 60% debt, a cost of equity of 12.01%, and a cost of debt of 7.00%. Staff further recommends that the Commission set the utility's authorized return on equity at 12.01% with a range of plus or minus 100 basis points.

Return on Investment

The utility's proposed returns on investment are \$1,747,793 for the water system and \$2,522,685 for the wastewater system, based on rate base of \$19,419,919 and \$28,029,838 for water and wastewater, respectively, and a return on equity of 12.01%. Staff recommends that the utility's proposed returns on investment, as shown on Schedules 2 and 3, are appropriate and should be included in the projected revenue requirements.

Revenue Requirement

The utility's proposed revenue requirements are based on projected rate base, cost of capital, operating and maintenance (O&M) expenses, depreciation, taxes, and customer growth. Included in O&M expenses are operating costs such as salaries and benefits, chemicals, purchased power, insurance, and contractual services. Taxes other than income include

⁴ Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

projected regulatory assessment fees of 4.5% of gross revenues, personal property taxes, and real estate taxes.

Water System. The utility's proposed revenue requirement for the water system of \$7,056,572 includes \$3,051,907 for O&M, \$3,048,281 for depreciation, (\$2,057,183) for amortization of CIAC, \$1,265,774 for taxes other than income, and a net operating income of \$1,747,793. Staff recommends that the proposed revenue requirement for the water system of \$7,056,572 is reasonable and should be used to set initial rates for water service.

Wastewater System. The utility's proposed revenue requirement for the wastewater system of \$8,871,243 includes \$3,085,674 for O&M, \$4,388,106 for depreciation, (\$2,877,727) for amortization of CIAC, \$1,752,505 for taxes other than income, and a net operating income of \$2,522,685. Staff recommends that the proposed revenue requirement for the wastewater system of \$8,871,243 is reasonable and should be used to set initial rates for wastewater service.

Rates

The utility's proposed water and wastewater rates, as shown on Schedules 2 and 3, include a base facility charge (BFC) and gallonage charge. The Commission has historically considered the BFC and gallonage charge to be an effective conservation rate structure. In addition, the utility proposed an inclining block rate for residential water customers. The utility also proposed a reuse rate.

It should be noted that in Docket No. 981288-WU, a bulk raw water rate of \$0.50 per 1,000 gallons and a flat rate based on meter size (\$5.14 for 1" meter) for non-potable agricultural service were established. Although not providing either water service now, staff recommends that the bulk raw water rate and non-potable agricultural rate remain in effect in the event the utility provides these services in the future.

Water System. The utility's proposed rates for the water system are shown on Schedule 2. The base facility charge reflects approximately 40% of the revenue requirement. In order to encourage additional water conservation, the utility proposed a two-tiered gallonage charge for residential customers. The first tier includes 0 to 5,000 gallons of usage per month. The second tier includes all usage over 5,000 gallons per month and is approximately 146% of the first tier charge. Staff recommends that the water rate structure is reasonable and should be approved.

The utility has contacted the existing customers and advised them of the proposed rate change for water. The utility should be required to provide a copy of the proposed agency action order to the three existing customers within five days of issuance. In addition, the revised water rates should not be implemented until staff has approved the revised water tariff sheets and the proposed customer notice. The utility should provide proof of the date notice was given no later than 10 days after the date of the notice.

Wastewater System. The utility's proposed rates for the wastewater system are shown on Schedule 3. The base facility charge reflects approximately 44% of the revenue requirement. The proposed residential rate includes a cap of 10,000 gallons. The utility's proposed

wastewater rate structure for residential and general service customers are reasonable and should be approved.

The utility's proposed reuse rate of \$0.30 per 1,000 gallons of reuse is expected to generate revenues of \$283,605 per year. The projected reuse revenues were used to offset the proposed wastewater rates. Staff recommends that the utility's proposed reuse rate is reasonable and consistent with recent Commission decisions.⁵

Conclusion

Based on staff's analysis, the utility's proposed water, wastewater, and reuse rates, as shown on Schedules 2 and 3, should be approved. Town and Country should charge the approved rates until authorized to change them by this Commission in a subsequent proceeding. The utility should be required to provide a copy of the proposed agency action order to all existing water customers within five days of issuance. The utility shall file revised tariff sheets and a proposed customer notice to all existing water customers. The revised water rates shall not be implemented until staff has approved the revised tariff and the proposed customer notice. The utility should provide proof of the date notice was given no later than 10 days after the date of the notice. The water, wastewater, and reuse rates should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. A return on equity of 12.01% with a range of plus or minus 100 basis points should be approved. A copy of the executed and recorded warranty deed for the water and wastewater treatment facilities site should be filed within 30 days of the consummating order establishing the utility's rates and charges.

⁵ Order No. PSC-07-0130-SC-SU, issued February 15, 2007, in Docket No. 060256-SU, In RE: Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

Issue 2: Should the utility's requested service availability policy and charges be approved?

Recommendation: Yes. The utility's proposed service availability policy and charges are consistent with the guidelines in Rule 25-30.580, F.A.C., and should be approved. Town and Country should charge the approved charges until authorized to change them by this Commission in a subsequent proceeding. The charges should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. (Clapp, Walden)

Staff Analysis: Pursuant to Section 367.101, F.S., the Commission shall set just and reasonable charges and conditions for service availability. Rule 25-30.580(1)(a), F.A.C., provides that the maximum amount of CIAC, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their design capacity. The maximum guideline is intended to ensure that the utility has a significant investment in its systems. Rule 25-30.580(1)(b), F.A.C., provides that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the utility's water transmission and distribution systems and the wastewater collection system.

The utility's proposed water and wastewater service availability policy requires a plant capacity charge for all new connections and donated on-site and off-site water distribution and wastewater collection lines in the planned development. If the developer or contractor wishes the utility to construct the lines, the utility has proposed a main extension charge to be used in lieu of donated lines. The policy also provides for refundable advances should the utility require oversized facilities to be constructed to serve other areas of development.

The utility's proposed service availability charges are shown on Schedule 4. The utility requested approval of plant capacity charges of \$2,700.00 and \$3,800.00 per ERC for water and wastewater, respectively, for new connections in the planned development. The utility also requested main extension charges for water and wastewater of \$2,500.00 and \$4,000.00 per ERC, respectively, that would be collected in the event lines were not donated for a particular lot. The proposed service availability policy and charges are expected to result in contribution levels of 77.26% and 76.87% for water and wastewater, respectively, at the design capacity of Phase II. While these contribution levels exceed the 75% guideline in the rule, staff recommends that the amounts are reasonable. As previously noted in Issue 1, a majority of the major plant items will be constructed in Phases I and II. However, additional plant will be constructed for Phase III, which will affect the overall contribution level at design capacity.

Also consistent with its proposed service availability policy, the utility has requested monthly guaranteed revenue charges equal to the monthly base facility charge for water and wastewater. Pursuant to Rule 25-30.515(9), F.A.C., the guaranteed revenue charge is designed to help the utility recover a portion of its cost from the time capacity is reserved until a customer

begins to pay monthly service charges. The charges are collected after payment of service availability charges and end when monthly service charges begin.⁶

The utility proposed a water meter installation charge of \$300.00 for a 5/8" x 3/4" Electronic Radio Transmitter (ERT) meter. ERT meters emit radio signals which can be read by a repeater-transmitter. As a result, the meters can be read remotely from the street without requiring access to a customer's property and the data can be downloaded directly to a computer for billing. In addition, the automated readings make it possible to read customer meters on the same day each month. The Commission has previously determined that the additional cost for the ERT capability is justified by the added speed, accuracy, and reliability of the meter readings.⁷ All meters sizes other than 5/8" x 3/4" will be at actual cost. Existing customers will be not be charged for meters.

Staff recommends that Town and Country's proposed service availability policy and charges shown on Schedule 4 are consistent with Rule 25-30.580, F.A.C., and should be approved. Town and Country should charge the approved charges until authorized to change them by this Commission in a subsequent proceeding. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

⁶ Order No. PSC-99-0513-FOF-WS, issued March 12, 1999, in Docket No. 980214-WS, In Re: Application for rate increase in Duval, St. Johns and Nassau Counties by United Water Florida Inc.

⁷ Order No. PSC-03-1474-TRF-WU, issued December 31, 2003, in Docket No. 030956-WU, In Re: Application for approval of revised service availability charges to increase meter installation fees in Osceola County by O&S Water Company, Inc.

Issue 3: Should the utility's request for customer deposits, miscellaneous service charges, and a late fee be approved?

Recommendation: Yes. The utility's request for customer deposits, miscellaneous service charges, and a late fee should be approved. The deposits and charges should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. (Clapp, Walden)

Staff Analysis: The utility requested customer deposits, miscellaneous service charges, and a late fee pursuant to Section 367.091, F.S. This statute authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges.

Initial Customer Deposits

The utility requested initial customer deposits for 5/8" x 3/4" meters of \$72.00 for water service and \$93.00 for wastewater service. These proposed deposits are based on two times the projected average monthly use of 5,000 gallons of water. Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits.

As its justification for customer deposits, Town and Country indicated that, if utilities do not collect adequate deposits to recover the cost of providing service, the result would be an increase in its bad debt expense. Ultimately, bad debt expense is included in the utility's revenue requirement and, therefore, included in the cost of service charged to the general body of ratepayers. Town and Country also notes that collecting customer deposits is consistent with one of the fundamental principles of rate making – ensuring that the cost of providing service is recovered from the cost-causer.

Staff recommends that the utility's proposed initial customer deposits shown on Schedule 7 for 5/8" x 3/4" meters of \$72.00 for water service and \$93.00 wastewater service are consistent with Commission rules and should be approved.

Miscellaneous Service Charges

The utility has miscellaneous service charges which were approved in Order No. PSC-99-2198-PAA-WU. The utility requests that the same charges be approved for wastewater service. Staff agrees that this is a reasonable request and recommends that the current water miscellaneous service charges also be approved for wastewater, with the exception of the violation reconnection charge which should be at actual cost.

In addition to the standard miscellaneous service charges, the utility proposed a \$5.00 late fee. The utility indicated that the justification for a late fee is two-fold. First, to encourage current and future customers to pay their bills on time. Second, if the payment is not made on time, to ensure that the cost associated with late payment is not passed onto customers who do pay on time. The cost basis provided by the utility is that it takes approximately 15 minutes of employee labor to research, review, and verify that payment has not been received and the costs of stationary and postage to print and mail the bill. These costs are consistent with prior

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Commission decisions.⁸ Therefore, staff recommends that the utility's proposed late fee of \$5.00 is reasonable and should be approved.

Cost Basis for \$5.00 Late Payment Fee

\$ 3.75	Labor – 1/4 Hour
\$.41	Postage
<u>\$.84</u>	Cost of envelope, paper, and printing
\$5.00	

Conclusion

Staff recommends that Town and Country's proposed initial customer deposits, miscellaneous service charges, and late fee, shown on Schedule 5, are consistent with Commission rules and should be approved. The deposits and charges should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

⁸ Order No. PSC-06-0775-PAA-WU, issued September 18, 2006, in Docket No. 060139-WU, In Re: Application for certificate to operate water utility in Lake County by Colina Bay Water Company, LLC

Issue 4: Should an Allowance for Funds Used During Construction (AFUDC) rate be approved for Town and Country Utilities Company?

Recommendation: Yes. An annual AFUDC rate of 9.00% and a discounted monthly rate of 0.720732% should be approved. (Clapp, Walden)

Staff Analysis: Town and Country has requested that the Commission establish an AFUDC rate for future construction. Rule 25-30.033, F.A.C., authorizes utilities obtaining initial certificates to accrue AFUDC for projects found eligible pursuant to Rule 25-30.116(1), F.A.C. The rule specifies that the AFUDC rate should be based on the utility's projected weighted cost of capital in its application for initial rates and charges. To ensure that the annual AFUDC rate charged by the utility does not exceed the authorized level, the rule requires that a discounted monthly AFUDC rate be calculated in accordance with Rule 25-30.116(3), F.A.C.

As discussed in Issue 1 and shown on Schedule 1, the utility's projected weighted cost of capital is 9.00%, making that the utility's authorized annual AFUDC rate. Based on the annual AFUDC rate and Rule 25-30.116(1), F.A.C., the utility's discounted monthly AFUDC rate is 0.720732%. Staff recommends that an annual AFUDC rate of 9.00% and a discounted monthly rate of 0.720732% be approved.

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Issue 5: Should this docket be closed?

Recommendation: No. If no protest to the proposed agency action issues is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively upon receipt of a copy of the executed and recorded warranty deed for the water and wastewater plant facilities. (Fleming)

Staff Analysis: If no protest to the proposed agency action issues is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively upon receipt of a copy of the executed and recorded warranty deed for the water and wastewater plant facilities.

TOWN AND COUNTRY UTILITIES COMPANY

COST OF CAPITAL SCHEDULE

Description	Utility Capital	Weight	Cost Rate	Weighted Cost
Common Equity	\$ 18,979,903	40.0%	12.01%	4.80%
Debt	\$ 28,469,854	60.0%	7.00%	4.20%
Total	\$47,449,757	100.0%		9.00%

Range of Reasonableness	High	Low
Common Equity	13.01%	11.01%

TOWN AND COUNTRY UTILITIES COMPANY

WATER SYSTEM

DESCRIPTION	UTILITY PROPOSED & STAFF RECOMMENDED
Water Rate Base	
Utility Plant in Service	\$ 105,693,126
Land	720,000
Capacity Allocated to Future Phase Costs	(4,688,308)
Accumulated Depreciation	(17,984,221)
Contributions in Aid of Construction (CIAC)	(70,394,500)
Accumulated Amortization of CIAC	5,692,333
Working Capital Allowance	381,488
Water Rate Base	<u>\$ 19,419,919</u>
Revenue Requirement	
Operating Revenue	<u>\$ 7,056,572</u>
Operating and Maintenance Expense	3,051,907
Depreciation Expense	3,048,281
Amortization of CIAC Expense	(2,057,183)
Taxes Other Than Income	<u>1,265,774</u>
Total Operating Expense	<u>5,308,779</u>
Net Operating Income (Loss)	<u>\$ 1,747,793</u>
Water Rate Base	\$ 19,419,919
Rate of Return	9.00%

Monthly Service Rates – Residential and General Service

	EXISTING	UTILITY PROPOSED & STAFF RECOMMENDED
Base Facility Charge		
5/8" x 3/4"	\$ 7.98	\$ 18.18
1"	\$ 19.95	\$ 45.45
1.5"	\$ 39.90	\$ 90.90
2"	\$ 63.84	\$ 145.44
3"	\$ 127.68	\$ 290.88
4"	\$ 199.50	\$ 454.50
6"	\$ 399.00	\$ 909.00
8"	\$ 638.40	\$ 1,454.40
10"	N/A	\$ 2,090.70
Residential Charge per 1,000 gallons	\$2.57	
0 to 5,000 gallons		\$ 3.61
Over 5,000 gallons		\$ 5.27
General Service Charge per 1,000 gallons	\$2.57	\$ 3.61
Typical Residential Bills		
5,000 gallons	\$ 20.83	\$ 36.23
7,500 gallons	\$ 27.26	\$ 49.41
10,000 gallons	\$ 33.68	\$ 62.58

TOWN AND COUNTRY UTILITIES COMPANY

WASTEWATER SYSTEM

DESCRIPTION	UTILITY PROPOSED & STAFF RECOMMENDED
Wastewater Rate Base	
Utility Plant in Service	\$ 146,083,449
Land	1,080,000
Capacity Allocated to Future Phase Costs	(4,159,736)
Accumulated Depreciation	(23,490,205)
Contributions in Aid of Construction (CIAC)	(99,832,200)
Accumulated Amortization of CIAC	7,962,821
Working Capital Allowance	<u>385,709</u>
Wastewater Rate Base	<u>\$ 28,029,838</u>
Revenue Requirement	
Operating Revenue	<u>\$ 8,871,243</u>
Operating and Maintenance Expense	3,085,674
Depreciation Expense	4,388,106
Amortization of CIAC Expense	(2,877,727)
Taxes Other Than Income	<u>1,752,505</u>
Total Operating Expense	<u>6,348,558</u>
Net Operating Income (Loss)	<u>\$ 2,522,685</u>
Wastewater Rate Base	\$ 28,029,838
Rate of Return	9.00%
Monthly Service Rates -- Residential	
Base Facility Charge – all meter sizes	\$ 24.77
Charge per 1,000 gallons	
10,000 gallon cap	\$ 4.39
Typical Residential Bills	
5,000 gallons	\$ 46.72
7,500 gallons	\$ 57.70
10,000 gallons	\$ 68.67
Monthly Service Rates – General Service	
5/8" x 3/4"	\$ 24.77
1"	\$ 61.93
1.5"	\$ 123.85
2"	\$ 198.16
3"	\$ 396.32
4"	\$ 619.25
6"	\$ 1,238.50
8"	\$ 1,981.60
10"	\$ 2,848.55
Charge per 1,000 gallons	\$ 5.17

TOWN AND COUNTRY UTILITIES COMPANY

SERVICE AVAILABILITY CHARGES

DESCRIPTION	UTILITY PROPOSED & STAFF RECOMMENDED	
	Water System	Wastewater System
Plant Capacity Charge (per ERC)	\$ 2,700.00	\$ 3,800.00
Plant Capacity Charge (per gallon)	\$ 12.00	\$ 16.89
Main Extension Charge (per ERC)	\$ 2,500.00	\$ 4,000.00
Main Extension Charge (per gallon)	\$ 11.11	\$ 17.78
Meter Installation Charge – 5/8" x 3/4"	\$ 300.00	
Meter Installation Charge – over 5/8" x 3/4"	Actual Cost	
Guaranteed Revenue (Monthly Charge)	\$ 18.18	\$ 24.77

(ERC = 225 GPD)

TOWN AND COUNTRY UTILITIES COMPANY

INITIAL CUSTOMER DEPOSITS

DESCRIPTION	UTILITY PROPOSED & STAFF RECOMMENDED	
	WATER	WASTEWATER
Residential and General Service		
5/8" x 3/4" Meter	\$ 72.00	\$ 93.00

MISCELLANEOUS SERVICE CHARGES

DESCRIPTION	WATER	WASTEWATER
Initial Connection	\$ 15.00	\$ 15.00
Normal Reconnection	\$ 15.00	\$ 15.00
Violation Reconnection	\$ 15.00	Actual Cost
Premises Visit Charge	\$ 10.00	\$ 10.00
Late Payment Charge	\$ 5.00	\$ 5.00