

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

| | |
|------------------------------------|----------------------|
| In re: Application for a limited) | DOCKET NO. 910069-WS |
| proceeding increase in rates in) | ORDER NO. 25076 |
| Duval County by COMMERCIAL) | ISSUED: 9/17/91 |
| UTILITIES, Division of Grace &) | |
| Company, Inc.) | |

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY

ORDER GRANTING IN PART APPLICATION FOR LIMITED PROCEEDING
RATE INCREASE AND TREATING APPROVED RATES AS INTERIM RATES,
SUBJECT TO REFUND

BY THE COMMISSION:

CASE BACKGROUND

Commercial Utilities, Division of Grace & Company, Inc., (CU or utility), is a class "C" utility located in Jacksonville, Florida. CU provides service to approximately thirteen water and thirty-seven wastewater general service customers in an industrial park, as well as to a master-metered mobile home subdivision called Colonial Park. On January 18, 1991, CU filed the instant application for a limited proceeding water and wastewater rate increase in order to offset the costs of planned water and wastewater interconnections with the City of Jacksonville.

Pursuant to the Environmental Protection Board's Rule 3, Section 3.402 F.2.2, the Jacksonville Department of Health, Welfare & Bio-Environmental Service has required CU to connect to regional wastewater facilities on or before March 10, 1992. The utility estimates that the effective date for its activating the required wastewater interconnect is October 1, 1991.

Without being required to do so, CU has, in January of this year, interconnected its water system to the City's. CU said that it made this decision because water quality standards have become increasingly stringent; the cost of required water testing was increasing; the City's installation of water mains in CU's service area was preventing CU from adding new water customers; and there

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was a certain amount of savings to negotiating, designing, and constructing the water and wastewater interconnections at the same time. All of CU's water is now purchased from the City.

In its filing, CU requests \$1,674 in additional water system revenues, an increase of 4.54%, and \$231,846 in additional wastewater system revenues, an increase of 201.45%. By Order No. 24308, issued April 1, 1991, this Commission suspended CU's proposed rates pending further investigation.

On July, 10, 1991, CU filed an application for a staff-assisted rate case (SARC), and Docket No. 910766-WS was established to process same. By letter dated August 21, 1991, CU's application for staff-assistance was granted, and CU timely paid the appropriate filing fee. In the instant limited proceeding, we allow CU to collect its existing water rates and new wastewater rates as interim rates, subject to refund with interest. We will roll the issues raised in this limited proceeding into the SARC for final determination.

In the past we have treated revenues which CU derived from the Colonial Park mobile home development as non-jurisdictional revenues. Although we are concerned with our prior treatment of this portion of CU's service and with CU's assertion that its service to Colonial Park is exempt pursuant to Section 367.022(5), Florida Statutes, we will address our concerns in the SARC.

CU requested modification of its service availability policy in this docket and remitted a separate filing fee for our consideration of such request. However, CU's limited proceeding application did not comply with the minimum filing requirements (MFRs) of Rules 25-30.565 and 25-30.580, Florida Administrative Code, for changes in service availability. CU never sought a formal waiver of these rules. In addition, strangely enough, according to our records, CU does not have an established service availability policy for us to modify were we to choose to do so. Since CU has not complied with the aforementioned MFRs rules, we do not have the information necessary to establish service availability in this case. We shall therefore address service availability, including the possible imposition of a penalty against CU for its assessing service availability without an approved tariff, in the SARC.

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RATE BASE

According to CU, as a result of the interconnections, rate base for the water system will increase by \$10,507, and rate base for the wastewater system will increase by \$645,349. In summary, we find that as a result of the interconnections, rate base for the water system will decrease by \$1,748 and that rate base for the wastewater system will increase by \$518,356.

Schedules Nos. 1 and 2, attached hereto and by reference incorporated herein, are summary schedules which contain all of our adjustments to the utility's rate bases. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Plant-in-Service

Before making any adjustments for the interconnection, we updated plant-in-service account balances as established in CU's last rate case (see Order No. 11265, issued October 25, 1982) with audited plant additions made since the rate case test year. Likewise with accumulated depreciation, we updated account balances established in the last rate case for depreciation on plant additions using the 2.5% composite depreciation rate authorized in the last rate case.

CU reduced plant-in-service by \$18,581 for the water system and by \$190,167 for the wastewater system to reflect the retirement of its water and wastewater treatment plants and associated land. CU then increased plant-in-service by \$7,950 for the water system and \$558,900 for the wastewater system to reflect the cost of the interconnections. The net effect of these adjustments was a \$10,631 decrease in water plant-in-service and a \$368,733 increase in wastewater plant-in-service.

We agree that the treatment plants and associated land must be retired. CU, however, increased wastewater plant Account No. 380 by \$9,000 to capitalize the unamortized cost of cleaning the percolation pond. This amount should not be included in plant-in-service; the unamortized balance should appear as a deferred debit on the balance sheet. The utility amortized the total percolation pond cleaning cost of \$12,000 over five years, a \$2,400 annual expense which we can no longer allow because of the retirement of

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the percolation pond. It would be inappropriate to capitalize the expense now. Even though the utility, in turn, retired the \$9,000 capitalized amount and even though ignoring an adjustment does not effect our \$183,533 net retirement to Account No. 380, we shall reduce Account No. 380 by \$9,000 because including the capitalized expense in the account effects our calculation of the depreciable plant retirement ratio below.

We increased plant-in-service for the cost of the interconnections: \$9,292 for the water system and \$558,900 for the wastewater system. There is a \$1,342 difference between our plant adjustment for the water system and the utility's. The utility estimated the cost of interconnection. Since the interconnection took place in January, 1991, we were able to verify the actual cost. The proper net adjustment to water plant-in-service is, therefore, a \$9,289 decrease. Wastewater plant-in-service increases by \$368,733.

Accumulated Depreciation

In reviewing the utility's calculation of accumulated depreciation, we discovered that the utility erroneously adjusted the balances. The accumulated depreciation trial balances should have shown debits, not credits, of \$27 and \$1,166 for the water and wastewater systems, respectively. We made the appropriate debit adjustments; therefore, accumulated depreciation is \$14,108 for the water system and \$95,432 for the wastewater system.

The utility allocated accumulated depreciation to retired plant based on the ratio of depreciable plant retirements to total depreciable plant before retirements. According to the utility, for the wastewater system, the balance of depreciable plant retirements is \$204,808, and the balance of depreciable plant before retirements is \$244,388. The utility's allocation percentage for retired plant was 84%. Accumulated depreciation on retired plant, according to the utility, is \$81,142.

In order to calculate accumulated depreciation on retired plant, we first calculated a depreciable plant retirement ratio. The numerator of the ratio is the balance of depreciable plant retirements; the denominator is the balance of depreciable plant before retirements. According to the utility, 84% is the proper ratio for the wastewater system. We do not agree.

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Earlier, we reduced the utility's balance of plant retirements by \$9,000 to exclude the capitalized cost of percolation pond cleaning. In addition, as is shown in Schedule No. 2, since the utility included the \$7,866 cost of a return sludge mechanism in the retirements balance without including it in the pre-retirement balance, we increased the pre-retirement plant balance by \$7,866. With these adjustments, we calculate that the balance of depreciable plant retirements is \$195,808 and that the balance of depreciable plant before retirements is \$252,274. The depreciable plant retirement ratio is 78%. Accumulated depreciation on retired wastewater plant is, therefore, \$74,437, not \$81,142, as reported by the utility.

Contributions-In-Aid-Of-Construction And Accumulated Amortization

The utility recorded \$143,857 in contributions-in-aid-of-construction (CIAC) at the end of the test year for this proceeding, the year ending September 30, 1990. Since the CIAC collected was for capacity for the wastewater plant which is now being retired, we shall remove the related CIAC and the \$54,698 in related accumulated amortization of CIAC from the rate base calculation.

Other Rate Base Adjustments

The utility adjusted working capital, deferred rate case expense, and an unamortized loss on abandonment by a total of \$13,566 for the water system and \$120,288 for the wastewater system. Since we do not think it is appropriate to address in this proceeding any adjustments other than those resulting from the interconnection, none of the utility's adjustments just described are incorporated in our calculations.

COST OF CAPITAL

Our calculation of the appropriate cost of capital is contained in Schedule No. 3, attached hereto and incorporated herein. In calculating the utility's cost of capital, we used the capital structure of the parent company, Grace and Company, Inc., since the utility's investment in rate base was provided by the parent through advances. The utility's last authorized rate of return on equity is 17.00%, which was approved in Order No. 11265,

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issued October 25, 1982. However, in this case, we believe it is appropriate to use the current leverage formula from Order No. 24246, effective April 9, 1991, to calculate the appropriate rate of return on equity. Based on this leverage formula the return on equity shall be 12.27%, with a range of 11.27% to 13.27%.

The utility requested an overall rate of return of 11.44%. This rate was calculated using a proforma debt balance with a cost rate of 10.03%. Although the proforma debt balance CU has used is acceptable, we think that a 9.00% debt cost rate, which is the average cost rate charged to the utility from January, 1991, through May, 1991, is more appropriate.

In consideration of the above, we find that the appropriate overall cost of capital is 10.89% with a range of 10.35% to 11.44%.

NET OPERATING INCOME

Our calculations pertaining to net operating income are contained in the schedules attached hereto, Schedules Nos. 1 and 4 for the water system and Schedules Nos. 2 and 5 for the wastewater system.

Depreciation Expense

We calculated depreciation expense using the composite depreciation rate approved in the last rate case, increasing the expense for depreciation on new plant items and decreasing it for retired plant. The net changes in depreciation expense resulting from the interconnections are a reduction of \$218 for the water system and an increase of \$12,674, net of CIAC amortization, for the wastewater system.

Operation and Maintenance Expense

With the exception of rate case expense, discussed below, we agree with the utility's adjustments to operation and maintenance expenses. We requested additional information from the utility regarding salary levels, allocation of time, and reduction of duties resulting from the interconnections. In response, the utility submitted revised salary adjustments, decreasing water system salaries by \$5,974 and decreasing wastewater system salaries by an additional \$1,165. After reviewing these revised salary

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adjustments, we find that salaries, as submitted by the utility, are reasonable, and we have made the appropriate reductions.

Rate Case Expense

The utility originally requested \$14,270 in rate case expense for the processing of this case. It later provided an update of actual rate case expense incurred with supporting documentation, as well as estimates for completion of the case. The utility's revised request for rate case expense is \$18,845, which it proposes to allocate based on the number of customers in each system, 30% for water and 70% for wastewater.

We shall reduce rate case expense by a total of \$2,529 for expenses not associated with this proceeding, such as, preparation of the annual report and revision of interdepartmental billing for utility-related services. We think that \$16,316 in rate case expense is reasonable. Amortized over a period of four years and allocated in accordance with the utility's suggestion, annual rate case expense is \$1,167 for the water system and \$2,912 for wastewater system.

Although we have adjusted rate case expense for reasonableness, we must also apply Section 367.0815, Florida Statutes, to the amount approved to determine if an apportionment of rate case expense must be made. First, we calculated a composite revenue requirement including the amount of rate case expense we deemed prudently incurred. Then we compared the revenue increase we approved to the amount requested by the utility to arrive at a percentage difference, 84.03%. We applied this percentage to prudently incurred rate case expense to arrive at a reduction figure, which we then grossed-up for regulatory assessment fees. The total possible rate case expense apportionment adjustment is \$673.

After calculating the total possible adjustment, we had to determine whether making the adjustment would reduce the utility's return on equity below the range of reasonableness. If the reduction would cause the utility's return on equity to drop below the utility's authorized range, between 10.35% and 11.44%, the apportionment required under Section 367.0815, Florida Statutes, cannot be made. According to our calculations, if we make the adjustment to rate case expense, the utility's achieved rate of return will remain within the approved range of reasonableness.

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Therefore, we shall reduce rate case expense by \$673. Schedule No. 8, attached hereto, reflects our calculation of this adjustment.

Gain on Land

CU did not recognize a gain on its retirement of land. We think that a gain should be recognized on the retirement of the land. The land was previously included in rate base, so the utility customers have been paying a return on the land. Now that the land is being retired, the customers should receive the benefit of any gain on its retirement. Based on the appraised value of the land by the City of Jacksonville Property Appraiser's Office, we calculate the gain on retirement of land to be \$1,850 for the water system and \$7,355 for the wastewater system. The gain shall be amortized over nine years for both systems, an annual amortization expense of \$200 for the water system and \$801 for the wastewater system. Our chosen amortization period parallels the 10.89% annual return that the land would have earned if it were in rate base.

Revenue Requirement

We find that appropriate changes in revenue requirements resulting from the interconnections are an increase of \$202,445, or 175.98%, for the wastewater system and a decrease of \$6,984, or 18.95%, for the water system. Our calculation of the changes in revenue requirements are contained in Schedules Nos. 6 and 7, which are attached hereto and incorporated herein by reference.

MONTHLY RATES

Although we would ordinarily require the utility to reduce its water rates, in this instance, we will not. In light of CU's recently-filed SARC, we will allow CU to continue to collect its current water rates and the newly-approved wastewater rates set forth below as interim rates, subject to refund with interest. Since we are rolling the issues from this limited proceeding into the SARC, our final determination of water and wastewater rates will be made in that proceeding.

The new wastewater rates are designed to allow the utility to earn the increase in the revenue requirement set forth above. We find that these rates are fair, just, and reasonable, and are not unfairly discriminatory. The existing rates and interim rates are set forth below for comparison.

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WATER
 GENERAL SERVICE RATES
Monthly Rates

| | <u>Current Rates</u> | <u>Commission Approved Interim Rates</u> |
|----------------------------|--------------------------|--|
| <u>General Service</u> | | |
| Base Facility Charge: | | |
| Meter Size: | | |
| 5/8" x 3/4" | \$ 10.62 | \$ 10.62 |
| 1" | 26.56 | 26.56 |
| 1 1/4" | 39.84 | 39.84 |
| 1 1/2" | 53.11 | 53.11 |
| 2" | 84.98 | 84.98 |
| 3" | 169.95 | 169.95 |
| 4" | 265.55 | 265.55 |
| <u>Gallonge Charge</u> | | |
| Per 100 cu. ft. | \$.57 | \$.57 |

WASTEWATER
 GENERAL SERVICE
Monthly Rates

| | <u>Current Rates</u> | <u>Commission Approved Interim Rates</u> |
|----------------------------|--------------------------|--|
| <u>General Service</u> | | |
| Base Facility Charge: | | |
| <u>Meter Size:</u> | | |
| 5/8" x 3/4" | \$ 16.12 | \$ 44.49 |
| 1" | 40.30 | 111.22 |
| 1 1/4" | 60.45 | 166.83 |
| 1 1/2" | 80.60 | 222.44 |
| 2" | 128.96 | 355.90 |
| 3" | 257.90 | 711.75 |
| 4" | 402.97 | 1,112.12 |
| <u>Gallonge Charge</u> | | |
| Per 100 cu. ft. | \$.70 | \$ 1.93 |

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We authorize the utility to collect the rates approved herein, on an interim basis, subject to refund with interest, provided that the utility first files and has approved adequate security for a potential refund, revised tariff pages, and a proposed customer notice, as discussed below.

The security provided shall be a bond or a letter of credit in the amount of \$110,000. Said security instrument shall be irrevocable for the period it is in effect and shall be in effect pending final resolution of the utility's recently-filed SARC, or until otherwise disposed of by this Commission.

The utility must keep an accurate and detailed account of all monies received as a result of its implementing the interim rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month that the interim rates are in effect, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the interim rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

The utility shall submit revised tariff sheets reflecting the interim rates along with a proposed customer notice listing the interim rates and explaining the reasons and conditions for their implementation. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein. The proposed customer notice will be approved upon our staff's determination that the notice is adequate. The interim rates shall be effective for meter readings taken or after thirty (30) days after the stamped approval date on the revised tariff sheets.

It is, therefore

ORDERED by the Florida Public Service Commission that the request for a limited proceeding rate increase in water and wastewater rates by Commercial Utilities, a Division of Grace & Company, Inc., is hereby granted in part, as set forth in the body of this Order. It is further

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ORDERED that the rates which we have authorized Commercial Utilities, a Division of Grace & Company, Inc., to charge herein are interim rates, and we shall make a determination of the appropriate final rates in Docket No. 910766-WS, Application of Commercial Utilities, a Division of Grace & Company, Inc., for a Staff-assisted Rate Case in Duval County. It is further

ORDERED that the difference between the interim rates authorized herein and the previously authorized rates of Commercial Utilities, a Division of Grace & Company, Inc., shall be collected subject to refund with interest. It is further

ORDERED that prior to its implementation of the interim rates approved herein, Commercial Utilities, a Division of Grace & Company, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor, shall submit and have approved revised tariff pages, and shall provide the security required above. The notice and tariff pages will be approved upon Staff's verification that they are consistent with our decision herein and that the required security has been filed. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

ORDERED that Commercial Utilities, a Division of Grace & Company, Inc., shall file a bond or letter of credit in the amount of \$110,000 as security for any potential refund of interim wastewater revenues. It is further

ORDERED that during the time that interim rates are in effect, Commercial Utilities, a Division of Grace & Company, Inc., shall file by the twentieth (20th) day of each month a report indicating the monthly and total revenues collected subject to refund. It is further

ORDERED that this docket is hereby closed and that all issues raised in this docket shall be referred to and addressed in Docket No. 910766-WS, Application of Commercial Utilities, a Division of Grace & Company, Inc., for a Staff-assisted Rate Case in Duval County.

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By ORDER of the Florida Public Service Commission, this 17th
of SEPTEMBER, 1991.



STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida

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Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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 COMMERCIAL UTILITIES, DIV. OF
 GRACE AND COMPANY

SCHEDULE NO. 1

WATER SYSTEM

| DESCRIPTION | ITEM AMOUNT | INCREASE OR DECREASE TO RATE BASE | INCREASE OR DECREASE TO OPERATIONS | INCREASE OR DECREASE TO REVENUE REQUIREMENT |
|--|----------------|---|--|--|
| A. COSTS TO INTERCONNECT - WATER: | | | | |
| 1. PLANT | | | | |
| FOUR INCH METER | \$4,750 | \$4,750 | | \$517 |
| BACKFLOW PREVENTOR | \$2,952 | \$2,952 | | \$321 |
| BY-PASS WATER TREATMT PLANT | \$101 | \$101 | | \$11 |
| CUT-OFF VALVE | \$1,489 | \$1,489 | | \$162 |
| 2. ACCUM AMORT OF NEW PLANT(A/D) | | | | |
| FOUR INCH METER | (\$119) | (\$119) | | (\$13) |
| BACKFLOW PREVENTOR | (\$74) | (\$74) | | (\$8) |
| BY-PASS WATER TREATMT PLANT | (\$3) | (\$3) | | \$0 |
| CUT-OFF VALVE | (\$37) | (\$37) | | (\$4) |
| 3. ANNUAL DEPR/AMORT. EXP. ON NEW PLANT | | | | |
| | \$233 | | \$233 | \$233 |
| B. PLANT RETIREMENT: | | | | |
| 1. PLANT | | | | |
| LAND | (\$560) | (\$560) | | (\$61) |
| STRUC & IMPROV | (\$1,940) | (\$1,940) | | (\$211) |
| COLLECTIONS & IMPOUNDING | (\$4,843) | (\$4,843) | | (\$527) |
| WELLS & SPRINGS | (\$769) | (\$769) | | (\$84) |
| SUPPLY MAINS | (\$865) | (\$865) | | (\$94) |
| PUMPING EQUIPMENT | (\$8,200) | (\$8,200) | | (\$893) |
| WATER TREATMENT EQUIP | (\$909) | (\$909) | | (\$99) |
| DISTRIB. RES & STANDPIPES | (\$495) | (\$495) | | (\$54) |
| 2. ACCUM DEPR. (ACTUAL) | | | | |
| | \$7,759 | \$7,759 | | \$845 |
| 3. ELIMINATE DEPR. EXP. | | | | |
| | (\$451) | | (\$451) | (\$451) |
| C. O & M EXPENSE ADDED: | | | | |
| 1. PURCHASED WATER COSTS | | | | |
| | \$15,279 | | \$15,279 | \$15,279 |
| 2. RATE CASE EXP. | | | | |
| | \$1,167 | | \$1,167 | \$1,167 |
| D. O & M EXP. ELIMINATED: | | | | |
| 1. REDUCE SALARY REQ. A/C 601 | | | | |
| | (\$5,878) | | (\$5,878) | (\$5,878) |
| 2. REDUCE SALARY REQ. A/C 603 | | | | |
| | (\$96) | | (\$96) | (\$96) |
| 3. REDUCE PURCHASED POWER | | | | |
| | (\$9,198) | | (\$9,198) | (\$9,198) |
| 4. REDUCE CHEMICAL EXP. | | | | |
| | (\$1,110) | | (\$1,110) | (\$1,110) |
| 5. REDUCE MAT. & SUPPLIES | | | | |
| | (\$396) | | (\$396) | (\$396) |
| 6. REDUCE CONTRACTUAL SERV | | | | |
| | (\$5,175) | | (\$5,175) | (\$5,175) |
| E. LOSS ON ABANDONMENT | | | | |
| 1. ANNUAL AMORTIZATION | | | | |
| | \$470 | | \$470 | \$470 |
| F. OTHER ADJUSTMENTS: | | | | |
| 1. REMOVE PRIOR RATE CASE EXP. | | | | |
| | (\$229) | | (\$229) | (\$229) |
| 2. REDUCE AD VALOREM | | | | |
| | (\$368) | | (\$368) | (\$368) |
| 3. REDUCE FICA | | | | |
| | (\$457) | | (\$457) | (\$457) |
| 4. GAIN ON LAND | | | | |
| | (\$200) | | (\$200) | (\$200) |
| 5. INCOME TAX EXP. | | | | |
| | (\$29) | | (\$29) | (\$29) |
| G. TAXES OTHER THAN INCOME | | | | |
| 1. REG ASSESS. FEES | | | | |
| | (\$153) | | (\$153) | (\$153) |
| TOTAL EFFECT ON REVENUE REQ | | | | |
| REMOVE RATE CASE EXP. | | | | |
| | (\$201) | (\$1,763) | (\$6,591) | (\$6,783) |
| ADJUSTED EFFECT ON REV. REQ. | | | | |
| DIVIDE BY ANNUALIZED REVENUE | | | | |
| | | | (\$6,792) | (\$6,984) |
| PERCENTAGE INCREASE TO RATE | | | | |
| | | | | -18.95% |

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 COMMERCIAL UTILITIES, DIV. OF
 GRACE AND COMPANY

SCHEDULE NO. 2

WASTEWATER SYSTEM

| DESCRIPTION | ITEM AMOUNT | INCREASE OR DECREASE TO RATE BASE | INCREASE OR DECREASE TO OPERATIONS | INCREASE OR DECREASE TO REVENUE REQUIREMENT |
|--|-------------|-----------------------------------|------------------------------------|---|
| A. COSTS TO INTERCONNECT - SEWER: | | | | |
| 1. PLANT | | | | |
| FORCE MAIN | \$193,167 | \$193,167 | | \$21,036 |
| PUMP STATION | \$63,333 | \$63,333 | | \$6,897 |
| IMPACT FEE | \$302,400 | \$302,400 | | \$32,931 |
| 2. ACCUM AMORT OF NEW PLANT(A/D) | | | | |
| FORCE MAIN | (\$4,829) | (\$4,829) | | (\$526) |
| PUMP STATION | (\$1,583) | (\$1,583) | | (\$172) |
| IMPACT FEE | (\$7,560) | (\$7,560) | | (\$823) |
| 3. ANNUAL DEPR/AMORT EXP ON NEW PLANT | \$13,973 | | \$13,973 | \$13,973 |
| B. PLANT RETIREMENT | | | | |
| 1. PLANT | | | | |
| LAND | (\$2,245) | (\$2,245) | | (\$244) |
| STRUC & IMPROV | (\$4,389) | (\$4,389) | | (\$478) |
| TREAT & DISP. EQUIP | (\$191,419) | (\$191,419) | | (\$20,846) |
| TREAT & DISP. EQUIP | \$7,886 | \$7,886 | | \$859 |
| 2. ACCUM. DEPR (ACTUAL) | \$74,436 | \$74,436 | | \$8,106 |
| 3. ELIMINATE DEPR. EXP. | (\$4,895) | | (\$4,895) | (\$4,895) |
| C. RETIREMENT OF CIAC | | | | |
| D. ACCUM. AMORT. OF CIAC | | | | |
| E. CIAC AMORT. EXP. | | | | |
| | \$3,596 | | \$3,596 | \$3,596 |
| F. O & M EXPENSE ADDED: | | | | |
| 1. PURCHASED SEWAGE | \$169,951 | | \$169,951 | \$169,951 |
| 2. RATE CASE EXP. | \$2,912 | | \$2,912 | \$2,912 |
| G. O & M EXP. ELIMINATED: | | | | |
| 1. REDUCE SALARY REQ. A/C 701 | (\$8,233) | | (\$8,233) | (\$8,233) |
| 2. REDUCE SALARY REQ. A/C 703 | (\$191) | | (\$191) | (\$191) |
| 3. REDUCE SLUDGE REMOVAL EXP | (\$6,678) | | (\$6,678) | (\$6,678) |
| 4. REDUCE PURCHASED POWER | (\$24,647) | | (\$24,647) | (\$24,647) |
| 5. REDUCE CHEMICAL EXP. | (\$1,339) | | (\$1,339) | (\$1,339) |
| 6. REDUCE MAT. & SUPPLIES | (\$4,314) | | (\$4,314) | (\$4,314) |
| 7. REDUCE CONTRACTUAL SERV. | (\$8,658) | | (\$8,658) | (\$8,658) |
| H. LOSS ON ABANDONMENT | | | | |
| 1. ANNUAL AMORTIZATION | \$4,256 | | \$4,256 | \$4,256 |
| I. OTHER ADJUSTMENTS | | | | |
| 1. REMOVE PRIOR RATE CASE EXP. | (\$620) | | (\$620) | (\$620) |
| 2. GAIN ON LAND | (\$801) | | (\$801) | (\$801) |
| 3. INCREASE AD VALOREM | \$7,233 | | \$7,233 | \$7,233 |
| 4. REDUCE FICA | (\$645) | | (\$645) | (\$645) |
| 5. REDUCE TAX TO CITY OF JAX | (\$2,800) | | (\$2,800) | (\$2,800) |
| 6. INCOME TAX EXP. | \$8,486 | | \$8,486 | \$8,486 |
| 7. REMOVE PERC. POND CLEANING | (\$2,400) | | (\$2,400) | (\$2,400) |
| J. TAXES OTHER THAN INCOME | | | | |
| 1. REG. ASSESS. FEES | \$7,283 | | \$7,283 | \$7,283 |
| TOTAL EFFECT ON REVENUE REQ. | | | | |
| REDUCE RATE CASE EXP. | (\$473) | \$518,356 | \$146,469 | \$202,918 |
| ADJUSTED EFFECT ON REV. REQ. | | | | |
| DIVIDE BY ANNUALIZED REVENUE | | | | |
| PERCENTAGE INCREASE TO RATE | | | | |
| | | | | 175.98% |

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 COMMERCIAL UTILITIES,
 DIV. OF GRACE & CO.

SCHEDULE NO. 3

| CLASS OF CAPITAL | AMOUNT | % OF TOTAL CAPITAL | ACTUAL COST RATES | WEIGHTED COST |
|------------------|-------------|--------------------------|-------------------------|------------------|
| COMMON EQUITY | \$867,815 | 54.45% | 12.27% | 6.68% |
| NOTES PAYABLE | \$170,000 | 10.67% | 10.00% | 1.07% |
| PROFORMA DEBT | \$556,060 | 34.89% | 9.00% | 3.14% |
| TOTAL | \$1,593,865 | 100.00% | | 10.89% |

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COMMERCIAL UTILITIES
DIV. OF GRACE & COMPANY, INC.
SUMMARY OF INC./DECR. IN NOI-WATER
FOR YEAR ENDED SEPT. 30, 1990

SCHEDULE NO. 4

| | INCREASE OR DECREASE PER UTILITY | COMMISSION ADJUSTMENT | INC./DECR. |
|--|--|--------------------------|------------|
| Inc./decr. in Util. Plant in Serv. | (\$10,631) | \$1,342 | (\$9,289) |
| Inc./Decr. in Accumulated Depre. | \$7,575 | (\$49) | \$7,526 |
| Inc./Decr. in CIAC | \$0 | \$0 | \$0 |
| Inc./decr. in Accum Amort of CIAC | \$0 | \$0 | \$0 |
| Inc./Decr. in Net Plant Investment | (\$3,056) | \$1,293 | (\$1,763) |
| Inc./Decr. in Working Cap. Allow. | \$57 | (\$57) | \$0 |
| Inc./Decr. in Deferred Rate Case Exp. | \$3,169 | (\$3,169) | \$0 |
| Inc./Decr. in Unamort. Loss on Abandmt | \$10,337 | (\$10,337) | \$0 |
| Inc./Decr. in Rate Base | \$10,507 | (\$12,270) | (\$1,763) |
| Projected Rate of Return | 11.44% | 10.89% | 10.89% |
| Inc./Decr. in Net Operating Inc. | \$1,202 | (\$1,336) | (\$192) |

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COMMERCIAL UTILITIES
 DIV. OF GRACE & COMPANY, INC.
 SUMMARY OF INC./DECR. IN NOI-SEWER
 FOR YEAR ENDED SEPT. 30, 1990

SCHEDULE NO. 5

| | INCREASE OR DECREASE PER UTILITY | COMMISSION ADJUSTMENT | INC./DECR. |
|--|--|--------------------------|------------|
| Inc./decr. in Util. Plant in Serv. | \$368,733 | \$0 | \$368,733 |
| Inc./Decr. in Accumulated Depre. | \$67,169 | (\$6,705) | \$60,464 |
| Inc./Decr. in CIAC | \$143,857 | \$0 | \$143,857 |
| Inc./decr. in Accum Amort of CIAC | (\$54,698) | \$0 | (\$54,698) |
| Inc./Decr. in Net Plant Investment | \$525,061 | (\$6,705) | \$518,356 |
| Inc./Decr. in Working Cap. Allow. | \$14,871 | (\$14,871) | \$0 |
| Inc./Decr. in Deferred Rate Case Exp. | \$7,534 | (\$7,534) | \$0 |
| Inc./Decr. in Unamort. Loss on Abandmt | \$97,883 | (\$97,883) | \$0 |
| Inc./Decr. in Rate Base | \$645,349 | (\$126,993) | \$518,356 |
| Projected Rate of Return | 11.44% | 10.89% | 10.89% |
| Inc/Decr. in Net Operating Inc. | \$73,828 | (\$13,830) | \$56,449 |

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COMMERCIAL UTILITIES
 DIV. OF GRACE & COMPANY, INC.
 SUMMARY OF INCREASE IN REV. REQ. -WATER
 FOR YEAR ENDED SEPT. 30, 1990

SCHEDULE NO. 6

| | INCREASE OR DECREASE PER UTILITY | COMMISSION ADJUSTMENT | INC./DECR. |
|---|--|--------------------------|------------|
| Increase/Decrease in NOI | \$1,202 | (\$1,394) | (\$192) |
| Increase/Decrease in O & M Exp. | (\$4,145) | (\$1,687) | (\$5,832) |
| Increase/Decrease in Depr. Exp. | (\$203) | (\$15) | (\$218) |
| Inc./Decr. in Amort. of Loss on Aband. | \$470 | (\$200) | \$270 |
| Increase/Decrease in Taxes Other than Inc. excluding increase in RAF | (\$368) | (\$457) | (\$825) |
| Increase/Decrease in Income Taxes | \$79 | (\$108) | (\$29) |
| Revenue Inc./Decr. before RAF | (\$2,965) | (\$3,861) | (\$6,826) |
| Percentage of Rev. Subject to RAF | 0.49 | 0.49 | 0.49 |
| Rev. Inc./Decr. Subject to RAF | (\$1,453) | (\$1,892) | (\$3,345) |
| Expansion Factor | 0.955 | 0.955 | 0.955 |
| Juris. Revenue Inc./Decr. Req. | (\$1,521) | (\$1,982) | (\$3,503) |
| Non-juris. Revenue Inc. Required | (\$1,512) | (\$1,969) | (\$3,481) |
| Total Revenue Inc./Decr. Req. | (\$3,033) | (\$3,951) | (\$6,984) |
| Annualized Operating Revenues | \$36,850 | \$36,850 | \$36,850 |
| Rate Increase Percentage | -8.2300% | -10.7200% | -18.9500% |

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COMMERCIAL UTILITIES
 DIV. OF GRACE & COMPANY, INC.
 SUMMARY OF INCREASE IN REV. REQ.-SEWER
 FOR YEAR ENDED SEPT. 30, 1990

SCHEDULE NO. 7

| | INCREASE OR DECREASE PER UTILITY | COMMISSION ADJUSTMENT | INC./DECR. |
|---|--|--------------------------|------------|
| Increase/Decrease in NOI | \$73,828 | (\$17,379) | \$56,449 |
| Increase/Decrease in O & M Exp. | \$121,604 | (\$6,277) | \$115,327 |
| Increase/Decrease in Depr. Exp. | \$12,676 | (\$2) | \$12,674 |
| Inc./Decr. in Amort. of Loss on Aband. | \$4,256 | (\$801) | \$3,455 |
| Increase/Decrease in Taxes Other than Inc. excluding increase in RAF | (\$1,168) | (\$44) | (\$1,212) |
| Increase/Decrease in Income Taxes | \$14,870 | (\$6,384) | \$8,486 |
| Revenue Inc./Decr. before RAF | \$226,066 | (\$30,887) | \$195,179 |
| Percentage of Rev. Subject to RAF | 0.79 | 0.79 | 0.79 |
| Rev. Inc./Decr. Subject to RAF | \$178,592 | (\$24,401) | \$154,191 |
| Expansion Factor | 0.955 | 0.955 | 0.955 |
| Juris. Revenue Inc./Decr. Req. | \$187,007 | (\$25,550) | \$161,457 |
| Non-juris. Revenue Inc. Required | \$47,474 | (\$6,486) | \$40,988 |
| Total Revenue Inc./Decr. REQ. | \$234,481 | (\$32,036) | \$202,445 |
| Annualized Operating Revenues | \$115,038 | \$115,038 | \$115,038 |
| Rate Increase Percentage | 203.83% | -27.85% | 175.98% |

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COMMERCIAL UTILITIES
 RATE CASE EXPENSE REDUCTION PER
 SECTION 367.0815, FLORIDA STATUTES
 TEST YEAR ENDING SEPTEMBER, 1990

SCHEDULE NO. 8
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| <u>DESCRIPTION</u> | <u>Combined</u> |
|---|-------------------|
| Revenue Increase/Decrease per Commission | \$ 196,135 |
| Revenue Increase Requested | <u>233,420</u> |
| % of Increase/Decrease to Amt Requested | 84.03% |
| Prudent Rate Case Expense Amortization | 4,079 |
| | 84.03% |
| Statutory Level of Rate Case Expense | <u>3,428</u> |
| Total Reduction to Rate Case Expense | (651) |
| Gross-up for RAF | <u>.955</u> |
| Total Revenue Adjustment* | <u>(673)</u> |
| | |
| <u>Test For Floor of Return on Equity</u> | <u>Combined</u> |
| Authorized NOI | \$ 55,257 |
| Less: Rate Case Expense Adjustment | <u>(673)</u> |
| Adjusted NOI | <u>\$ 54,584</u> |
| Adjusted Rate Base | <u>\$ 516,593</u> |
| Generated ROR | 10.57% |
| Range of Overall Rate of Return | 10.35% to 11.44% |

*The total reflects only the gross-up for the jurisdictional portion of the rate case expense reduction.