

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff-) DOCKET NO. 930847-SU
assisted rate case in Highlands) ORDER NO. PSC-94-0569-FOF-SU
County by CREOLA, INC.) ISSUED: May 13, 1994
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates in the event of a protest, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Creola, Inc. (Creola or utility), is a class C wastewater utility in Sebring serving Francis Mobile Estates I and II, a mobile home community of approximately 684 residential customers, and 8 commercial customers which include a motel, four restaurants, two apartment buildings and a travel trailer park. Prior to its current ownership, Creola was known as Francis Mobile Estates.

Francis Mobile Estates has been in operation since 1968. We learned about its existence in July 1991 when the owner requested information from our Staff. We told the owner that Francis Mobile Estates was subject to Commission jurisdiction and that he had to

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file an application for a certificate to provide wastewater service.

On September 6, 1991, the utility filed an application, which was deficient, for certification. Prior to correcting the deficiencies, the utility was sold and re-named Creola. On April 16, 1992, Creola filed an application with this Commission for a certificate to provide wastewater service in Highlands County. On September 9, 1992, in Order No. PSC-92-0956-FOF-SU, we granted Creola Wastewater Certificate No. 473-S.

On August 27, 1993, Creola applied for this staff assisted rate case and subsequently paid the appropriate filing fee. The official filing date was October 27, 1993. Our Staff has audited Creola's records for compliance with this Commission's rules and orders. Our Staff engineer has also conducted a field investigation of Creola's wastewater treatment facilities and certificated territory serving Creola's customers. The test year is the year ending August 31, 1993. Creola had unaudited expenses of \$88,270 resulting in an unaudited net operating income of \$22,410.

QUALITY OF SERVICE

A customer meeting was held at the Sebring Civic Center in Sebring on January 27, 1994. Approximately eighty people attended and four people testified about Creola's quality of service. Creola's customers also raised questions about the contracts between the original developer and the customers, and the possibility of a seasonal rate for part-time residents.

The customers' testimony centered primarily around issues such as sewage back-up, bad odors from the wastewater treatment plant, and the loud noise from the blowers at the treatment plant. Additionally, the customers complained about the treatment plant being an "eye sore," the lack of an emergency telephone number, especially for after-hours use, and the fact that a fast-food restaurant uses, without compensation, one lift station that is owned by the Francis II homeowners.

Based on our investigation and the customers' comments, we have determined that the quality of service provided by Creola to its wastewater customers is satisfactory. However, Creola shall make certain improvements in the interest of safety for its customers and employees as well as some badly needed operational improvements. The improvements listed below shall be completed within 90 days of the effective date of this Order.

1. Add a second pump at each lift station where only one pump is presently installed.
2. Add audible and visual float alarms at each lift station.
3. Add auto-transfer, with manual test feature, for the pumps in the lift stations.
4. Replace the wooden covers on the lift stations with metal covers, provide a method of locking all covers and ascertain that they are locked when unattended.
5. Remove shed from over lift station in customer's back yard and replace with chain-link fence and gate.
6. Install chain-link fences with gates around the remaining lift stations.
7. Replace existing (and non-existent) electrical control panels at each lift station with new, approved boxes to accommodate the alarm and transfer electrical/electronic equipments. These boxes must provide a method of locking and must be kept locked except for servicing.
8. Ascertain that all manhole covers are of the metal variety and of sufficient weight to prevent children from removing the covers, or provide a method of locking and ascertaining that they are locked when they are not being serviced.
9. Firmly secure the ladder to the surge tank and provide a work platform atop. This platform can be constructed in such a manner as to provide a mounting surface for the flow divider. The surge tank must be anchored in such a manner as to be considered prudently secure from high winds or other phenomena that could cause the tank to roll from its current, precarious position.
10. Install a flow diverter (splitter box) with a minimum capacity of 100 gallon per minute (gpm).
11. Actively pursue the clean-up of the percolation pond. At a minimum, cut all trees and other growth below the surface of the water, and keep the banks surrounding the percolation pond free of annual growth.
12. Relocate the blower unit serving the metal plant and add new galvanized pipe with dropped air defusers.

13. Permanently secure the air pumps at the wastewater treatment plant.
14. At the wastewater treatment plant, construct 2 barrier (buffer) fences of treated lumber, not less than 8 feet in height, with closely placed vertical planking on the outside to approximate a solid fence. One fence should start inside the present chain link fence, near the gate, and extend to the northern corner of the present fence. On the outside of the existing north fence, construct a second fence parallel to and about 12 to 16 feet north of the present fence. This fence should be approximately 140-150 feet in length.
15. Purchase one stand-by motor to serve as a spare and a companion part of the spare blowers recently purchased for the wastewater treatment plant, the size sufficient to assume the load of any existing blower unit.
16. An additional hole shall be made in the top of the digester and a pipe of sufficient capacity extended to a point near the bottom of the digester with a "T" installed at the lower end. The upper end of the pipe can be extended to a point convenient for the truck to make its connection to an adequately attached coupling. Further, a hinged lid should be constructed to cover the present holes when access is not required and during loading.

The Department of Environmental Protection (DEP) has stated that Creola's quality of service has never been a major problem. We recognize that the entire facility had been poorly maintained and highly inefficient, and further, that the utility had operated without certification when the current owner purchased the mobile home estates and the utility. Moreover, we realize that Creola needs time to correct several deficiencies.

As stated earlier, the primary concerns of those customers who attended the customer meeting were the odor from the wastewater plant, the noise and the lack of visual attractiveness of the plant, wastewater back-up, the need for an adequate emergency telephone system, the fact that a fast-food restaurant also uses the privately-owned lift station, and the arrangement for those homeowners with septic system. Unpleasant odor is an inherent part of any wastewater system and the recent requirement of the DEP for Creola to stabilize its sludge prior to hauling it have caused an occasional increase in the unpleasant smell from its wastewater plant.

The installation of a barrier fence around that portion of the wastewater plant should reduce the noise and increase the attractiveness of the area. One customer had his bathroom repaired, and during the repair, broken tile chips and concretes clogged the lines and caused the wastewater to back up into the lines. The second customer's problem resulted from the failure of a lift station pump. The pump became clogged with plastic, grease and other foreign matter. Since there was only one pump installed at the lift station (DEP requires two), and no functioning alarms, the wastewater backed up and overflowed from a manhole near the customer's home. To eliminate future problems, we hereby order that Creola install a second (required) pump, automatic transfer, and alarms.

Creola has posted an emergency telephone number at the wastewater plant and office. This number forwards all unanswered telephone calls to a recording that advises the caller to call the contract operator in the event of an emergency. While we find this to be an adequate system, we also order Creola to post its telephone number on its billing invoices.

By agreement with a previous owner of the parks and utility, the Francis II homeowner's association owns the lift station and collection system in its area. One general service customer dumps its waste into this lift station which is fed to Creola's treatment plant. The homeowners association receives no compensation for the use of its facilities, and further, the homeowners pay the total electrical bill associated with the lift station. The members of the homeowners association do not like this arrangement. We have discussed this problem with Creola and the president of the homeowners association (Francis II). As a condition for allowing the general service customer to use the lift station, Creola has agreed that it will assume full responsibility for the payment of the electrical power for the lift station. We have discussed with the homeowners the possibility that they consider donating this lift station and all of the collection system to Creola as contributions-in-aid-of-construction. Donating the lift station to Creola will relieve the homeowners of this problem. We believe that the parties will resolve this problem soon.

Approximately 25 homes in the area have septic tanks that do not have collection lines near their homes. Therefore, in accordance with another agency's requirements, these 25 residences may be required to connect to Creola's wastewater collection system. Currently, these customers pay a small "Maintenance fee," as required of all occupants, and this fee covers the maintenance on the septic tanks. Creola does not bill these customers for the

wastewater rates, and any increase that Creola may receive from this rate case shall not apply to these non-utility customers.

Creola lies within the Southwest Florida Water Management District which has been designated as a critical use area. The DEP allows Creola to discharge its effluent into a percolation pond. For systems with less than 100,000 gallons daily discharge and permission to use percolation ponds, this has been considered an acceptable method of reuse of the water. Therefore, we find that no additional requirements for reuse are necessary at this time for Creola.

Creola has worked diligently to meet all applicable current standards. Once Creola completes the improvements listed above, it will have complied fully with all applicable rules and regulations. Upon consideration of the foregoing, we find Creola's quality of service to be satisfactory.

RATE BASE

Used and Useful

Creola's wastewater treatment facility has a permitted capacity of 87,000 gallons per day (gpd). Creola's treatment plant complex consists of 2 separate plants: the first, installed in 1968, is a 40,000 (gpd) unit, and the second unit, added in 1972, is an 80,000 gpd plant. These two capacity elements should total 120,000 gpd, but our engineer has confirmed that the combination can only treat adequately the permitted 87,000 and only after additional tankage of 24,000 gallon capacity has been added. For these reasons, we have reduced the original cost of the 40,000 and 80,000 gpd plant combination to 87,000 gpd. No allowance has been given for the excess plant that has been purchased, but is not functional. Thus, for the purpose of calculating rate base and used and useful, the plant will be considered only an 87,000 GPD complex.

Since Creola had recently been certificated and we had no historical data from which to work, we did not use the usual methodology for the computation of used and useful. Instead, we used accepted alternative procedure of computing the used and useful percentage by utilizing the month of the test year in which the highest monthly flow was recorded. According to established practice, a margin reserve is allowed based on historical data. With no historical data available, our Staff engineer chose to allow a conservative 10% margin reserve. Using these data and the usual formula, the used and useful percentage computes to 100%. According to flow records, the highest day's usage, February 4,

1993, was recorded as 89,000 gallons. Since this exceeded the permitted capacity of 87,000 gallons, an obvious over-capacity condition resulted, confirming the 100% computation. Therefore, we find the wastewater plant is 100% used and useful.

The mobile home wastewater collection system currently has a connection capacity of 684 actual connections. Since this is a mobile home park, some movement in and out of the park can be expected and, during our investigation, six lots were empty. Creola also serves eight general service customers. If Creola accepts any additional general service customers, or if the park expands, Creola will have to increase its capacity. Since the system is built-out, we find Creola's wastewater collection system is 100% used and useful.

Test Year Rate Base

Creola has never had its rate base established by the Commission. Creola had been part of a mobile home park sale which closed December 26, 1991, for \$2,350,000. The actual amount paid for Creola was not separated from the total sale and no percentages were applied to Creola. We did not have any documented cost of the original plant to review. Creola received its certificate in 1992, and further, all of its subsequent plant additions have been properly documented. Our Staff did an original cost study to determine the value of original plant.

Creola's rate base components include utility plant-in-service, land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC and working capital allowance. A discussion of each component follows.

Utility Plant-in-Service

Creola's books show \$13,257 in plant in its test year. An original cost study and an audit of plant additions since 1968 indicate that the proper amount for Creola's plant-in-service should be \$369,661. Therefore, we find a total amount of \$369,661 plus \$13,257 for the plant-in-service to be appropriate.

To address the need for maintenance, repair, and the various quality of service issues, we find it appropriate to require the pro forma plant improvements discussed below which total \$31,933. To reiterate, we require Creola to install pumps and check valves at its various lift stations, provide a 3" gravity line from top of tank to aeration chamber # 1 of concrete main plant, provide a splitter box plumbing, replace existing PVC Hybrid system (air supply to steel tank) with new galvanized piping system, provide a

sludge line piping system, and repair force mains for a total of \$4,005. Next, we require Creola to install new electrical control panels with audible and visual alarms at its various lift stations, provide new main service panel at plant, provide and install high level float and alarm on surge tank for a total of \$13,199.

Further, we require that Creola install a chain link fence around the its lift stations which include the removal of a shed at the Sparta Lift Station, construct a treated wooden barrier fences to reduce noise and odor and improve plant appearance, permit and notice of Commencement for a total of \$4,541. We require Creola to provide a flow diverter (CH-100 Splitter Box) to provide proper flows and prevent overflow for a total of \$1,252. We also require Creola to provide two horsepower (hp) Gould #3887 pumps and one 3/4 hp pump to add a second pump to each lift station as required by DEP, provide one 7 1/2 hp standby motor to serve as a spare and companion part of the spare blowers, and freight for pumps and motor for a total of \$2,697. Finally, we require Creola to provide four steel covers with padlock hasps for lift stations, repair and stabilize three blower stands, supply and mount surge tank platform and stairway as well as tie it down to existing concrete and mount splitter box on platform, provide and install debris traps at main lift station and top of storage tank and cut 3 holes in digester for sludge extraction pipe, and provide, secure and paint galvanized air supply pipe from blower for a total of \$3,950.

We have also included in pro forma plant \$377 for blower silencers and gauges, \$28 for silencer parts, \$139 for a weed eater for the pond, \$154 for chemical feeder repair, \$573 for a pump and motor repair for a pump, and \$341 for 2 chemical feeders. Furthermore, we require that Creola clean the percolation pond to meet DEP requirements. This operation should cost approximately \$10,000. Creola wants to purchase a small used boat for \$677 for this purpose. We have seen the boat and believe this operation will meet DEP requirements. While a boat is an unusual utility item, we find the purchase of this boat to be a prudent and viable alternative that will save Creola's customers additional major expense.

Based on our allowance of \$31,933 for pro forma plant improvements discussed above, we have made an adjustment of \$31,933 for pro forma plant. We have also made an averaging adjustment of (\$3,275). Accordingly, we find the appropriate utility-plant-in-service to be \$411,576.

Land

Creola recorded its land value at \$34,215. We have calculated land value using the average 1968 appraisal amount per acre of \$318, obtained from the Highlands County Appraisers Office. Since Highlands County's appraisal goal is 85% of actual value, the appraisal of \$318 per acre has been increased to \$374. Creola's legal description of 4.727 acres of land supports a land value of \$1,768. Since we have determined Creola's land to be 50.77% used and useful, we find the 1968 land valuation to be \$897.

Contributions-in-Aid-of-Construction (CIAC)

Creola recorded no CIAC. Order No. PSC-93-0501-FOF-SU, issued April 5, 1993, established a service availability charge of \$500 per equivalent residential connection (ERC). Prior to April 5, 1993, Creola did not have a service availability charge. In accordance with Rule 25-30.570, Florida Administrative Code, we have imputed CIAC on Creola's collection lines in the amount of \$271,039. An averaging adjustment of (\$399) has also been made. Therefore, the average balance for CIAC is \$270,640.

Accumulated Depreciation

Creola did not record any accumulated depreciation. We calculated depreciation pursuant to Rule 25-30.140, Florida Administrative Code. Based on our review, the appropriate year-end accumulated depreciation as of August 31, 1993, is \$149,843. We imputed pro forma accumulated depreciation with an adjustment of \$1,457. An averaging adjustment of (\$8,329) has also been made to reflect the average accumulated depreciation of \$142,971.

Amortization of CIAC

We made an adjustment of \$108,688 to reflect the appropriate amount of amortization based on the approved CIAC amount. An averaging adjustment of (\$5,014) has been made to reflect the average accumulated amortization of \$103,674.

Working Capital Allowance

Following Commission practice and consistent with Rule 25-30.443, Florida Administrative Code, we have determined that the one-eighth of operation and maintenance expense formula will be used for calculating the working capital allowance. Applying that formula, we find appropriate a working capital allowance of \$11,589.

Based on all the adjustments discussed above, we find that the appropriate rate base is \$114,125. Rate base is shown on Schedule No. 1 and adjustments are shown on Schedule No. 1A.

CAPITAL STRUCTURE

In calculating Creola's cost of capital, we used the capital structure of the parent company, Creola, Inc., since the wastewater utility did not have its own capital structure. Applying the current leverage formula from Order No. PSC-93-1107-FOF-WS, issued July 29, 1993, to the parent company's test year average equity ratio yields a return on equity of 10.97%. The parent company's capital structure consisted of equity and long term debt. The long term debt consists of two notes, one for \$1,923,340 with a weighted test year cost of 4.45%, and another for \$277,379 with a weighted test year cost of .69%. Pro forma improvements will be financed through a loan of \$30,000 at 11.5% with a weighted cost of 3.02%. Applying the weighted average method to the total capital structure yields a rate of return of 8.27%. The parent company's test year average equity and debt balances have been adjusted down on a pro rata basis to match Creola's total rate base.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

Test Year Operating Revenue

Creola recorded test year revenue of \$110,680. During the test year, one of Creola's commercial customer's method of billing changed from a flat rate to base facility gallonage charge with wastewater being billed by gallons of water used. To determine the appropriate test year operating revenue for this commercial customer, we used the base facility charge plus actual gallons of water consumed during the test year. The result is a \$1,168 decrease in test year revenue.

Test year revenue is shown on Schedule No. 3.

Operating Expenses

Creola recorded operating expenses of \$88,270. These expenses include operation and maintenance expense of \$80,252 and taxes other than income of \$8,018.

Operation and Maintenance Expense

1. Employee Salaries and Wages - (Acct. No. 701) - Creola employs a part-time helper and part-time maintenance man. Creola recorded net part-time wages of \$5,854 which covered only a partial year. After reviewing the duties of the part-time employees, we annualized the part-time wages and adjusted employee wages by \$8,348 to cover all necessary duties. We find that the test year employee salaries and wages expense of \$14,202 is appropriate.
2. Officer Salaries and Wages - (Acct. No. 703) - Creola's Board of Directors held a meeting October 9, 1993, setting the utility president's salary at \$35,000 and the treasurer's salary at \$25,500. Creola recorded net officers salaries of \$8,249, which covered only a partial year.

The president manages Creola and controls its daily operations. The president is on 24-hour emergency call and makes daily checks of the plant and its operations, handles most plumbing, electrical and mechanical work for Creola, performs testing on the plant and sludge, draws required samples and supervises Creola's employees. We have determined the president's utility-related workload to be 70% of his salary, while his mobile home park workload makes up the remaining 30% of his salary.

The treasurer manages Creola's office, handles all of the daily accounting and bookkeeping, customer complaints and clerical work. We have estimated the treasurer's utility-related workload to be as follows: we estimate that the treasurer spends three hours per week doing billing at \$9.73 per hour for a total of \$29.19, six hours per week doing bookkeeping at \$10.00 per hour for a total of \$60.00, and two hours per week performing secretarial tasks at \$10.15 per hour for a total of \$20.30.

We annualized the weekly workload allowance and determined that an annual salary of \$5,693 for the treasurer is appropriate. Rates have been determined by

using the Florida Water and Sewer Wage Survey indexed forward to 1993 dollars, and the number of hours have been determined by examining utilities of similar sizes which have had cases before the Commission.

The total approved adjustment for officer salaries and wages is \$21,944. We find that test year officer salaries and wages expense of \$30,193 is appropriate.

3. Sludge Removal Expense - (Acct. No. 711) - Creola recorded \$11,096 in this account during the test year. Adjustments have been made to this account to re-classify to other accounts lift station cleaning of (\$170), operator services of (\$1,035), chemical expenses of (\$976), and testing expenses of (\$635).

The total approved reduction for sludge removal expense is \$2,816. We find test year sludge removal expense of \$8,280 to be just and reasonable.

4. Purchased Power - (Acct. No. 715) - Creola recorded \$4,962 in this account during the test year. This account included \$379 of office electric bills which have been re-classified to miscellaneous expenses. Purchased power bills of \$7,193 from Account No. 775 have been re-classified to this account. An adjustment of \$216 has also been made to include electricity used by the Francis II lift station.

The total approved adjustment for this account is \$7,030. We find the test year purchased power expense of \$11,992 to be appropriate.

5. Chemicals - (Acct. No. 718) - Creola did not record any chemical expense for the test year. We have re-classified chlorine expense of \$976 from Account No. 711, lime expense of \$608 from Account No. 720, and chlorine expense of \$1,191 from Account No. 730 to this account.

A new operator contract sets chlorine cost at \$1.06 per gallon. Since Creola used 1,915 gallons of chlorine in the test year, chlorine expense has been calculated as \$2,030 for the test year, and lime expense has been calculated as \$608, which reflects actual cost.

An adjustment of (\$137) has been made to lower chemical expense to the appropriate amount. We have approved test year chemical expense of \$2,638.

6. Materials and Supplies - (Acct. No. 720) - Creola recorded test year materials and supplies of \$5,294 which included \$608 of chemicals which we have re-classified to Account No. 718.

The total adjustment for this account is \$608. We have approved test year materials and supplies expense of \$4,686, which we find to be reasonable.

7. Contractual Services - (Acct. No. 730) - Creola recorded \$8,395 in this account during the test year. Included in this amount is wastewater plant testing of \$605 for the test year. We have re-classified \$635 of additional testing expense from Account No. 711 to this account. A new operator contract of \$600 per month covers all necessary wastewater plant testing except for the annual sludge test. Therefore, an adjustment of (\$1,040) has been made to remove all separate testing costs, except for a test year sludge testing cost of \$200.

Creola recorded \$1,650 for accounting services in this account. We have re-classified \$500 in accounting fees from Account No. 775 to this account. We have also disallowed \$700 in accounting fees for work which appears to be duplicated by another accounting firm for Creola's annual report.

This account included repairs and maintenance of \$3,549. We have re-classified \$170 of lift station cleaning from Account No. 711 to this account.

Creola recorded \$1,400 in operator services for the test year. We have re-classified \$1,035 in operator services from Account No. 711 to this account. An adjustment of \$4,765 has been made to reflect the new operator contract of \$600 per month which includes all testing except the annual sludge test.

Chemicals in the amount of \$1,191 were included in this account. We have re-classified this amount to Account No. 718.

Total adjustments of \$4,174 have been made to this account. We have approved test year contractual services of \$12,569, which includes \$7,200 for the operator contract, \$1,450 for accounting fees, \$200 for an annual sludge test and \$3,719 allowance for repairs and maintenance which we find reasonable.

8. Transportation Expenses - (Acct. No. 750) - Creola recorded transportation expenses of \$1,268 for the test year. An adjustment of (\$283) has been made to remove the expenses on a truck that Creola sold. We have approved a transportation expense of \$985 for the test year.
9. Insurance Expense - (Acct. No. 755) - An amount of \$1,484 has been recorded during the test year for liability and vehicle insurance which we find to be necessary and reasonable. Adjustments of \$1,460 have been made to cover the requisite workers compensation on the wages of Creola's part-time workers. We have approved test year insurance expense of \$2,944.
10. Regulatory Commission Expense - (Acct. No. 765) - Creola recorded no regulatory commission expense during the test year. An adjustment of \$225 has been made to reflect the rate case filing fee amortized over four years. Thus, we have approved test year regulatory commission expense of \$225.
11. Miscellaneous Expense - (Acct. No. 775) - Creola recorded miscellaneous expenses of \$33,650 for the test year. Creola included \$21,399 of interest expense in this account for interest on a loan for the purchase of the company. Since this interest expense should not be considered an "above the line" item, we have removed the \$21,399 of interest expense.

We have approved removal of a non-recurring expense for an office flag of \$22, removal of a newspaper subscription expense of \$42, removal of a non-recurring expense for a sign of \$29, and removal of bottled water service of \$128. Further, we have approved an adjustment to add office electric expense of \$379 from Account No. 715, reclassification of a \$500 accounting fee from this account to Account No. 730, reclassification of \$7,193 in purchased power from this account to Account No. 715, and an adjustment of (\$605) to bring postage to an acceptable level.

Creola recorded a cellular phone expense of \$331 which only covered 8 months of the test year. Because the president is on 24-hour call and Creola's emergency phone number is the cellular phone number, we have allowed recovery for use of the cellular phone, but only at 50% of the annualized base rate which we believe is

related to Creola. We have adjusted cellular phone expense by (\$113) to allow \$218 per year for cellular phone expense.

Total adjustments of (\$29,652) have been made to this account. We have approved test year miscellaneous expenses of \$3,998, which we find to be fair and reasonable for this utility.

Depreciation Expense

Creola recorded no test year depreciation expense. We performed an original cost study of Creola's plant and applied the prescribed depreciation rates to the appropriate test year plant-in-service account balances. This resulted in a depreciation expense of \$16,663. An adjustment has been made to include depreciation expense on pro forma utility plant of \$1,457. Thus, we find test year depreciation expense of \$18,120 to be appropriate.

Creola did not record amortization expense for CIAC. We have imputed CIAC on Creola's collection lines and determined test year CIAC amortization expense to be \$10,029. Therefore, we find appropriate depreciation expense net of amortization of CIAC to be \$8,091.

Taxes Other Than Income

Creola recorded taxes other than income of \$8,018 during the test year. Of that amount, Creola recorded gross receipts tax of \$6,137. We have reduced this amount by \$1,209 to reflect the test year revenue of \$109,512 at 4.5%. Creola recorded no payroll taxes for the test year. We have approved an adjustment of \$4,142 to reflect payroll taxes on the approved employee wages.

Adjustments of \$2,933 have been made to this account. We find the appropriate test year taxes other than income expense to be \$10,951.

Operating Revenue

We find it appropriate to adjust revenue by \$12,225 to reflect the increase required to cover expenses and allow our approved rate of return on investment.

Taxes Other than Income

We find it appropriate to adjust this expense by an additional \$550 to reflect regulatory assessment fees of 4.5% on the increase in revenue.

Operating Expense Summary

The application of our approved adjustments to Creola's test year operating expenses results in approved operating expenses of \$112,304.

Operating expenses are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3A. Operation and Maintenance expenses are shown on Schedule No. 3B.

REVENUE REQUIREMENT

Based on our review of Creola's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$121,737. Accordingly, we find it appropriate to approve an annual increase in revenue of \$12,225 (11.16%). This revenue requirement will allow Creola the opportunity to recover its operating expenses and allow it the opportunity to earn an 8.27% return on its investment.

Revenue Requirement is shown on Schedule No. 3.

RATES AND RATE STRUCTURE

The approved rates have been designed to produce revenues of \$121,737 on an annual basis. Based on the test year billing analysis, Creola provided wastewater service to approximately 684 residential customers using a flat rate structure and 8 general service customers using a base facility/gallongage charge rate structure. Creola's current rates had been grandfathered in per Docket No. 910933-SU.

Creola currently uses a base facility/gallongage charge rate structure for its general service customers. However, Creola's gallongage charges are "declining block." This rate structure is not an appropriate rate structure for conservation purposes and not

consistent with the base facility charge structure used by this Commission. The Memorandum of Understanding (MOU) between this Commission and the Water Management Districts states that a common objective of the two agencies is:

To foster conservation and the reduction of withdrawal demand of ground and surface water through, among other measures, employment of conservation promoting rate structures (page 2)

In keeping with our preferred base facility charge structure and our pledge to implement this MOU, we have approved removal of the declining block rate structure and replaced it with a straight gallonage charge.

Creola, Inc., has a pre-existing contract with Russell Francis, Inc., and Francis II Mobile Park Inc., Florida Corporations, detailing the charges to be assessed for sewage treatment. It is the view of the customers who are being served pursuant to that contract, that the Commission cannot legally alter that contract by changing their rates and charges for the provision of water and wastewater services. The Commission has been presented with this issue in the past and has taken the position that it does have the statutory authority to alter the provisions of pre-existing contracts establishing rates and charges. Pursuant to Chapter 367, Florida Statutes, the Commission has exclusive jurisdiction to regulate the provision of water and wastewater service by utilities, which of course, includes the establishment of rates and charges. In Public Service Commission v. Lindahl, 613 So.2d 63 (Fla.2d DCA 1993), the Court found that the Commission's authority to raise or lower rates, even those established by a contract, is preemptive. Id. at 64. Also, in Order No. 21680, issued August 4, 1989 (Application of Continental Country Club, Inc. for an increase in water and wastewater rates in Sumter County, Florida), the Commission found that a pre-existing contract, of an identical nature to the contract in this case, was not determinative in setting rates in accordance with Chapter 367, Florida Statutes.

Section 723.012(9)(b), Florida Statutes, states that a prospectus must state any factor, including water and sewer rates, that may affect a mobile home rental amount. Section V of Francis Mobile Estates' Prospectus states that it will provide sewer services for its residents. However, the Francis' Prospectus does not state whether the rental amount is tied to the sewer services. As stated earlier in regard to pre-existing contracts, pursuant to Chapter 367, Florida Statutes, the Commission has exclusive jurisdiction to regulate utilities' provision of water and

wastewater service, including rates and charges. The Commission's rate-setting authority supersedes any conflicting provisions in the prospectus developed pursuant to the provisions of Chapter 723, Florida Statutes.

Several customers raised questions during the customer meeting about seasonal rates for Creola's customers because many customers reside in the mobile home park for part of the year. When calculating flat residential rates, we used actual 12 month average figures in Creola's computations. Since actual usage has been used, we find that seasonal rates shall not apply to Creola.

Creola has one general service customer, HoJo, which has its own rate schedule which does not apply to any other customer. We have approved elimination of this rate schedule so that general service rates may be applied in a more equitable manner.

Current rates provide for the recovery of a disproportionate percentage of revenues from general service customers. The approved general service and residential rate structures eliminate any cross subsidies. We have calculated rates in a fair and equitable manner to prevent discriminatory rates. Our approved rates result in a rate reduction for general service customers.

Creola's existing rates and rate structure and our approved rates and rate structure are as follows:

WASTEWATER

MONTHLY RATES

Residential

Flat Rate Residential Customers

Current

\$10.25 per month

Approved

\$13.38 per month

General Service

Base Facility Charge

<u>Meter Size</u>	<u>Current</u>	<u>Approved</u>
5/8"x 3/4"	\$ 34.50	\$ 7.34
3/4"	34.50	11.01
1"	36.25	18.34
1-1/4"	37.75	N/A
1-1/2"	39.38	36.69
2"	42.88	58.70
3"	54.75	117.40
4"	62.88	183.44
6"	N/A	366.88

Gallonage Charge

	<u>Current</u>	<u>Approved</u>
First 30,000 Gallons	\$ 5.10	\$3.68 per 1,000 gallons
Over 30,000 Gallons	\$ 4.10	for all consumption

General Service
Econ-Inn only

Base Facility Charge

<u>Current</u>	<u>Approved</u>
\$72.50	Same as above (General Service)

Gallonage Charge

\$3.1478 per 1,000 gallons	\$3.68 per 1,000 gallons
----------------------------	--------------------------

The approved rates will be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be pro-rated based on the number of days in the billing cycle before the effective date of the new rates. The

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new charge shall be pro-rated based on the number of days in the billing cycle on and after the effective date of the new rates.

In no event shall the rates be effective for service rendered prior to the stamped approval date.

Statutory Rate Reduction and Recovery Period

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$236 annually. The reduction in revenues will result in the rates approved by the Commission on Schedule No. 4.

Creola shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Creola also shall be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Creola files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

SERVICE AVAILABILITY CHARGES

This Commission approved Creola's service availability policy in Order No. PSC-93-0501-FOF-SU when it received its certification. Prior to that Order, Creola never charged service availability charges. The current approved service availability charge is \$500 per equivalent residential connection (ERC).

Rules 25-30.590(1)(a) and (b), Florida Administrative Code, establish guidelines for maximum and minimum CIAC levels of water and wastewater utilities. Creola's current level of imputed CIAC of 62% falls within these guidelines. Therefore, we have determined that the existing charges are the appropriate service availability charges.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to Creola. Therefore, in the event of a protest filed by a party other than Creola, we find it appropriate to permit Creola to charge the rates approved herein as

temporary rates. The approved rates collected by Creola shall be subject to the refund provisions discussed below.

Creola shall be authorized to collect the temporary rates after staff's approval of the security for potential refund, a copy of the proposed customer notice, and revised tariff sheets. The security should be in the form of a bond or letter of credit in the amount of \$ 8,325. Alternatively, Creola could establish an escrow agreement with an independent financial institution.

If Creola chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If Creola chooses a Letter of Credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If the security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose (s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must by a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, Creola. Irrespective of the form of security chosen by Creola, an account of all monies received as a result of the rate increase shall be maintained by Creola. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

Creola shall maintain a record of the amount of the bond, and the amount of the revenues that are subject to refund. In addition, after the increased rates are in effect, Creola shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Conformity with 1984 NARUC Uniform System of Accounts

During the test year, Creola did not maintain its books in conformity with the 1984 NARUC Uniform System of Accounts (USOA). Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

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We have determined that Creola has the expertise necessary to convert and maintain its records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, we order Creola to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

This docket shall remain open even if we do not receive a timely protest. This docket shall remain open at least 120 days from the date of the Order so that the staff engineer may verify that pro forma plant has been completed. After Creola has complied with this Order in all respects and it has submitted and has had approved its revised tariff sheets reflecting the new rates, this docket may be closed administratively. However, if Creola fails to timely complete the pro forma plant, staff will prepare a follow-up recommendation and show cause proceedings may be initiated.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Creola, Inc., for an increase in its wastewater rates for Highlands County has been approved as set forth in the body of this Order. It is further

ORDERED that Creola, Inc., is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are by reference incorporated herein. It is further

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

ORDERED that these approved rates will be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision, that the proposed customer notice is adequate, and any required security is provided. Creola shall provide proof of the date notice has been given no less than 10 days after the date of the notice. In no event shall the rates be effective for service rendered prior to the stamped approval date. It is further

ORDERED that, prior to the implementation of the approved rates and charges, Creola, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and charges

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and the reasons therefor. The notice will be approved upon our Staff's verification that it is consistent with our decisions herein. It is further

ORDERED that all plant improvements herein ordered shall be completed within 90 days of the effective date of this Order. It is further

ORDERED that all provisions of this Order, except for the granting of temporary rates in the event of protest, subject to refund, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of Records and Reporting at 101 East Gaines Street, Tallahassee, Florida 32399-0807, by the date set forth in the Notice of Further Proceeding below. It is further

ORDERED that the revenues shall be reduced by a total of \$236 annually to reflect the removal of rate case expense grossed up for regulatory assessment fees which has been amortized over a four-year period. The decrease shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. Creola, Inc., shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. It is further

ORDERED that the appropriate service availability charges for Creola, Inc., shall be the current service availability charges. It is further

ORDERED that Creola, Inc., shall keep its books and records in conformity with the 1984 NARUC Uniform System of Accounts. It is further

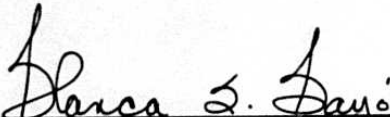
ORDERED that, in the event of a protest by any substantially affected person other than the utility, Creola, Inc., is authorized to collect the approved rates on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Creola, Inc., has furnished satisfactory security for any potential refund and provided that it has submitted and our staff has approved revised tariff sheets and a proposed customer notice. It is further

ORDERED that this docket shall remain open even if we do not receive a timely protest. This docket shall remain open at least 120 days from the effective date of this Order so that Staff may

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verify that pro forma plant has been completed. After Creola, Inc., has complied with this Order in all respects and it has submitted and we have approved its revised tariff sheets reflecting the new rates, this docket may be closed administratively.

By ORDER of the Florida Public Service Commission, this 13th day of May, 1994.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

ELS

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.

As identified in the body of this order, our action proposed herein, except for the granting of temporary rates in the event of a protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 3, 1994. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of

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Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

CREOLA, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDING AUGUST 31, 1993

SCHEDULE NO. 1
 DOCKET NO. 930847-SU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL BAL</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	13,257	398,319 A	411,576
LAND/NON-DEPRECIABLE ASSETS	34,215	(33,318) B	897
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	0	(270,640) C	(270,640)
ACCUMULATED DEPRECIATION	0	(142,971) D	(142,971)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	103,674 E	103,674
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,589 F</u>	<u>11,589</u>
WASTEWATER RATE BASE	47,472	66,653	114,125

CREOLA, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING AUGUST 31, 1993

SCHEDULE NO. 1A
DOCKET NO. 930847-SU

	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect additional plant per original cost study and audit	369,661
2. To reflect pro forma plant	31,933
3. Averaging adjustment	<u>(3,275)</u>
	<u>398,319</u>
B. <u>LAND</u>	
1. To reflect land value at 1968 level	(32,447)
2. To adjust land to 50.77% used and useful	<u>(871)</u>
	<u>(33,318)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. Imputation of collection lines	(271,039)
2. Averaging adjustment	<u>399</u>
	<u>(270,640)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. Accumulated depreciation per Commission	(149,843)
2. To add imputed accumulated depreciation on pro forma	<u>(1,457)</u>
3. Averaging adjustment	<u>8,329</u>
	<u>(142,971)</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. Accumulated amortization of CIAC	108,688
2. Averaging adjustment	<u>(5,014)</u>
	<u>103,674</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. 1/8 of operation and maintenance expenses	<u>11,589</u>

CREOLA, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDING AUGUST 31, 1993

SCHEDULE NO. 2
 DOCKET NO. 930847-SU

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 1,923,340	(1,850,740)	72,600	63.61%	7.00%	4.45%
LONG-TERM DEBT	277,379	(266,906)	10,473	9.18%	7.50%	0.69%
LONG-TERM DEBT (PRO FORMA)	30,000	0	30,000	26.29%	11.50%	3.02%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
RETAINED EARNINGS	27,490	(26,455)	1,035	0.91%	10.97%	0.10%
COMMON STOCK	500	(483)	17	0.01%	10.97%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 2,258,709	(2,144,584)	114,125	100.00%		8.27%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.97%	11.97%
OVERALL RATE OF RETURN	8.26%	8.27%

CREOLA, INC.
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDING AUGUST 31, 1993

SCHEDULE NO. 3
 DOCKET NO. 930847-SU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM</u>
OPERATING REVENUES	<u>110,680</u>	<u>(1,168) A</u>	<u>109,512</u>	<u>12,225 E</u>	<u>121,737</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	80,252	12,460 B	92,712	0	92,712
DEPRECIATION (NET)	0	18,120 C	18,120	0	18,120
AMORTIZATION	0	(10,029) C	(10,029)	0	(10,029)
TAXES OTHER THAN INCOME	8,018	2,933 D	10,951	550 F	11,501
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>88,270</u>	<u>23,484</u>	<u>111,754</u>	<u>550</u>	<u>112,304</u>
OPERATING INCOME/(LOSS)	<u>22,410</u>		<u>(2,242)</u>		<u>9,433</u>
WASTEWATER RATE BASE	<u>47,472</u>		<u>114,125</u>		<u>114,125</u>
RATE OF RETURN	<u>47.21%</u>		<u>-1.96%</u>		<u>8.27%</u>

CREOLA, INC.
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDING AUGUST 31, 1993

<u>A. OPERATING REVENUES</u>	<u>WASTEWATER</u>
1. To annualize a commercial customers billing	<u>(1,168)</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
1. (701) Salaries and Wages – Employees	
a. To add additional allowance for part time workers	<u>8,348</u>
2. (703) Salaries and Wages – Officers	
a. To adjust President and Treasurer's salary	<u>21,944</u>
3. (711) Sludge Removal Expense	
a. To reclassify lift station cleaning to (730)	(170)
b. To reclassify operator services to (730)	(1,035)
c. To reclassify chemical expense to (718)	(976)
d. To reclassify testing expense to (730)	(635)
subtotal	<u>(2,816)</u>
4. (715) Purchased Power	
a. To reclassify office electric to (775)	(379)
b. To add purchased power from (775)	7,193
c. To add electric for Francis II lift station	216
subtotal	<u>7,030</u>
5. (718) Chemicals	
a. To add chlorine from (711)	976
b. To add lime from (720)	608
c. To add chlorine from (730)	1,191
d. To adjust chlorine cost to new contract	(137)
subtotal	<u>2,638</u>
6. (720) Materials and Supplies	
a. To reclassify chemical expense to (718)	<u>(608)</u>
7. (730) Contractual Services	
a. To add operator services from (711)	1035
b. To add testing expense from (711)	635
c. To add accounting expense from (775)	500
d. To disallow duplicate accounting on annual report	(700)
e. To add lift station cleaning from (711)	170
f. To reclassify chemical expense to (718)	(1,191)
g. To reflect proper testing amount	(1,040)
h. To allow for new operators contract	4,765
subtotal	<u>4,174</u>

CREOLA, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDING AUGUST 31, 1993

8.	(750) Transportation Expenses		
a.	To remove expenses on truck sold during test year		<u>(283)</u>
9.	(755) Insurance Expense		
a.	To add workers compensation cost		<u>1,460</u>
10.	(765) Regulatory Commission Expense		
a.	To add SARC filing fee amortized over 4 years		<u>225</u>
11.	(775) Miscellaneous Expenses		
a.	To remove utility purchase interest	(21,399)	
b.	To adjust cellular phone cost to proper amount	(113)	
c.	To reclassify accounting fee to (730)	(500)	
d.	To reclassify purchased power to (715)	(7,193)	
e.	To remove non-recurring flag expense	(22)	
f.	To disallow newspaper subscription	(42)	
g.	To remove non-recurring sign expense	(29)	
h.	To disallow bottled water service	(128)	
i.	To add office electric from (715)	379	
j.	To adjust postage to proper amount	(605)	
		subtotal	<u>(29,652)</u>
D.		O & M TOTAL	<u>12,460</u>
	<u>DEPRECIATION NET OF CIAC</u>		
1.	To add test year depreciation expense	16,663	
2.	To impute pro forma depreciation	1,457	
2.	To add test year amortization expense for CIAC	(10,029)	
E.		subtotal	<u>8,091</u>
	<u>TAXES OTHER THAN INCOME</u>		
F.	1. To reflect appropriate regulatory assessment fee for test year revenue	(1,209)	
	2. To add appropriate payroll taxes	4,142	
		subtotal	<u>2,933</u>
	<u>OPERATING REVENUES</u>		
1.	To reflect Commission approved revenue increase	12,225	
	<u>TAXES OTHER THAN INCOME</u>		
1.	To reflect the additional regulatory assessment fee associated with Commission approved revenue requirement	550	

CREOLA, INC.
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDING AUGUST 31, 1993

SCHEDULE NO. 3B
 DOCKET NO. 930847-SU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM</u>
(701) SALARIES AND WAGES – EMPLOYEES	\$ 5,854	\$ 8,348 [1]	\$ 14,202
(703) SALARIES AND WAGES – OFFICERS	8,249	21,944 [2]	30,193
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	11,096	(2,816)[3]	8,280
(715) PURCHASED POWER	4,962	7,030 [4]	11,992
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	2,638 [5]	2,638
(720) MATERIALS AND SUPPLIES	5,294	(608)[6]	4,686
(730) CONTRACTUAL SERVICES	8,395	4,174 [7]	12,569
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	1,268	(283)[8]	985
(755) INSURANCE EXPENSE	1,484	1,460 [9]	2,944
(765) REGULATORY COMMISSION EXPENSE	0	225 [10]	225
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	33,650	(29,652)[11]	3,998
	\$ 80,252	\$ 12,460	\$ 92,712

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COMMISSION APPROVED RATE REDUCTION SCHEDULE

CREOLA, INC.
 TEST YEAR ENDING AUGUST 31, 1993

SCHEDULE NO. 4
 DOCKET NO. 930847-SU

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>RATE REDUCTION</u>
BASE FACILITY CHARGE:		
by meter size:		
5/8"x3/4"	\$ 7.34	0.01
3/4"	11.01	0.02
1"	18.34	0.04
1-1/2"	36.69	0.07
2"	58.70	0.12
3"	117.40	0.23
4"	183.44	0.37
6"	366.88	0.73
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (10,000 GALLON CAP)	\$ 3.07	0.01
COMMERCIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 3.68	0.01
FLAT RATE RESIDENTIAL CUSTOMERS	\$ 13.38	0.03