State of Flori

Public Service Commission

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

DATE: March 6, 1996

TO: Marshall Deterding, Esquire

FROM: Rosanne G. Capeless, Attorney, Division of Legal Services

RE: Docket No. 951234-WS - Application of Arredondo Utility Corporation, Inc., for a staff-assisted rate case in Alachua County.

Enclosed are copies of my letter to Ms. Stephanie Wallen dated March 1, 1996, the notice of customer meeting, the accounting and engineering reports, and the CASR for this docket.

RGC/mw

Attachments

cc: Division of Water & Wastewater (Okome)
Division of Records & Reporting

Case Assignment and Scheduling Record

Section 1 - Division of Records and Reporting (RAR) Completes

Docket No. 951234-WS Date Docketed: 10/17/95 Title: Application for staff-assisted rate case in Alachua County by Arredondo Utility Company, Inc.

Company: Arredondo Utility Company, Inc.

Official Filing Date: 12/17/95
Last Day to Suspend: _____ 5 Mo. Expiration: 05/17/96

Referred to: ("()" indicates OPR)	ADM	AFA	APP	CAF	CMU	EAG	GCL	LEG	RAR	RRR	(MAW)
	___	X	___	___	___	___	___	X	___	___	X

Section 2 - OPR Completes and returns to RAR in 10 workdays.

Program/Module A1(b)

Staff Assignments

OPR Staff: R Okome, M Bethea, B Casey, T Davis

Staff Counsel: R Cavaleiro

OCRs (AFA): J Forbes, C Romig

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Recommended assignments for hearing and/or deciding this case:

Full Commission X Commission Panel ___
Hearing Examiner ___ Staff ___

Date filed with RAR: 10/31/95

Initials: OPR _____
Staff Counsel _____

Time Schedule

WARNING: THIS SCHEDULE IS TENTATIVE AND SUBJECT TO REVISION
FOR UPDATES CONTACT THE RECORDS SECTION: 413-6770

Current CASR revision level: 0

	Due Dates Previous	Current
1. *Forms Requesting Assistance Filed	NONE	10/17/95
2. AFA's Initial Review Report	NONE	11/01/95
3. Committee Meets to Discuss	NONE	11/08/95
4. *SARC Approval/Denial Letter	NONE	11/13/95
5. *AFA Audit Request	NONE	11/22/95
6. *Company Pays Filing Fee	NONE	12/15/95
7. *Audit Report Due	NONE	01/22/96
8. *Engineering Report Due	NONE	01/22/96
9. *Company Response to Audit Report	NONE	02/22/96
10. *OPR Provides Legal with Customer Notice Data	NONE	02/26/96
11. *Legal Sends Notice and Reports to Company	NONE	02/29/96
12. Customer Meeting	NONE	03/21/96
13. Staff Recommendation	NONE	04/25/96
14. Agenda - Regular	NONE	05/07/96
15. PAA Order	NONE	05/27/96
16. Close Docket or Revise CASR	NONE	06/21/96
17. Prehearing, If PAA Protested	NONE	09/16/96
18. Hearing 10/3-4/96, If PAA Protested	NONE	10/03/96
19.		
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Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg. Exam.	Staff
ALL	CL	DS	JN	KS	GR		
X							

- Prehearing Officer

Commissioners					ADM
CL	DS	JN	KS	GR	
		X			

Where panels are assigned the senior Commissioner is Panel Chairman; the identical panel decides the case.
Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: _____

Date: 10/31/95

PSC/RAR-15 (Rev. 1/96) * COMPLETED EVENTS

State of Florida

DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

Public Service Commission

March 1, 1996

Ms. Stephanie Wallen
5517 S.W. 69th Terr.
Gainesville, FL 32608

Re: Docket No. 951234-WS - Application of Arredondo Utility Corporation, Inc. for a staff-assisted rate case in Alachua County.

Dear Ms. Wallen:

This will confirm that Commission Staff will hold a customer meeting at 7:00 p.m. on Wednesday, March 27, 1996. The location of the meeting will be the Wiles Kimbally Elementary School, 4601 Southwest 75th Street, Gainesville, Florida. We ask that, if at all possible, you or another knowledgeable representative of the utility attend the meeting in order to answer customer questions.

The original customer meeting notice is enclosed. Please note that the date has been left blank so that you can fill in the date that the notice is sent to the customers. The customers must have at least fourteen days' notice of the meeting, calculated from the date that they receive the notice. Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

Two copies of the engineering report dated January 22, 1996, and the accounting report dated March 1, 1996, are enclosed. Please ensure that a copy of the complete

Application for Staff Assistance and the reports are available for review by all interested persons at the utility's office, 5517 S.W. 69th Terr., Gainesville, Florida, during its regular hours (9:00 a.m. to 5:00 p.m.).

If you have any questions, please do not hesitate to call me at (904) 413-6224.

Sincerely,

Rosanne G. Capeless

Rosanne G. Capeless
Staff Counsel

RGC/mw

Enclosures

cc: Office of Public Counsel
Division of Consumer Affairs
Division of Records & Reporting
Division of Water & Wastewater (Okome, Bethea)
Hearing Reporter
Public Information

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETING

TO THE CUSTOMERS OF

ARREDONDO UTILITY CORPORATION, INC.

AND

ALL OTHER INTERESTED PERSONS

RE: DOCKET NO. 951234-WS

APPLICATION FOR STAFF-ASSISTED RATE CASE IN ALACHUA COUNTY BY ARREDONDO UTILITY CORPORATION, INC.

DATED: _____

NOTICE is hereby given that the Staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Arredondo Utility Corporation, Inc., for a staff-assisted rate case in Alachua County. The meeting will be held at the following time and place:

7:00 p.m., Wednesday, March 27, 1996
Wiles Kimbally Elementary School
4607 Southwest 75th Street
Gainesville, Florida

All persons who wish to testify are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present.

Any person requiring some accommodation at this customer meeting because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the customer meeting. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at 1 (800) 955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer sworn testimony regarding the quality of service the utility provides and to ask

questions and comment on Staff's preliminary rates included in this notice as well as other issues. Staff members will answer questions to the extent possible. A representative from the utility has also been invited to respond to questions.

Any person who wishes to comment or provide information to Staff may do so at the meeting, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice.

BACKGROUND

Arredondo Utility Corporation, Inc., is a Class C water and wastewater utility located in Alachua County. It provides service to 455 water customers and 224 wastewater customers.

The test period for setting rates is the historical test year ended October 31, 1995. According to the Staff audit and preliminary analysis, the utility's test year revenues were $78,644 for water and $32,790 for wastewater. Test year operating expenses were $110,287 for water and $56,132 for wastewater. The resulting net losses are $31,643 for water and $23,342 for wastewater.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further Staff review, and the final decision by the Commissioners. The utility's current and Staff's preliminary rates and charges are as follows:

WATER RATES
MONTHLY

Residential and General Service

Base Facility Charge

Meter Size	Current Rates	Staff's Preliminary Rates
5/8" x 3/4"	$ 7.34	$ 10.06
3/4"	11.01	15.08
1"	18.34	25.14
1 1/2"	36.70	50.28
2"	58.72	80.45
3"	117.45	160.90
4"	183.52	251.41
6"	367.04	502.83

Gallonage Charge

Per 1,000 gallons	$ 1.05	$ 2.38
Note: the base facility charge includes no gallonage		N/A

WASTEWATER RATES
MONTHLY

Residential and General Service

Base Facility Charge

Meter Size	Current Rates	Staff's Preliminary Rates
5/8" x 3/4"	$ 7.74	$ 12.00
3/4"	11.60	18.00
1"	19.35	30.00
1 1/2"	38.71	60.00
2"	61.94	96.00
3"	123.88	192.00
4"	193.57	300.00
6"	387.14	599.99

Residential Gallonage Charge Per 1,000 gallons (7,000 gallons max.)	$ 0.95	$ 2.58
General Service Gallonage Charges	$ 0.95	$ 3.09
Flat Rate for Unmetered Customers	$ 14.41	N/A

Miscellaneous Service Charges - Water

The Company may charge the following miscellaneous service charges in accordance with the terms stated herein. If both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the Company require multiple actions.

Initial Connection - This charge would be levied for service at a location where service did not exist previously.

Normal Reconnection - This charge would be levied for transfer of service to a new customer account at a previously served location or reconnection of service subsequent to a customer-requested disconnection.

Violation Reconnection - This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (In Lieu of Disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

Schedule of Miscellaneous Service Charges

Initial Connection Fee	$15.00
Normal Reconnection Fee	$15.00
Violation of Reconnection Fee	$15.00
Premises Visit Fee (in lieu of disconnection)	$10.00

Miscellaneous Service Charges - Wastewater

The Company may charge the following miscellaneous service charges in accordance with the terms stated herein. If both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the Company require multiple actions.

Initial Connection - This charge would be levied for service at a location where service did not exist previously.

Normal Reconnection - This charge would be levied for transfer of service to a new customer account at a previously served location or reconnection of service subsequant to a customer-requested disconnection.

Violation Reconnection - This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (In Lieu of Disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

Schedule of Miscellaneous Service Charges

Initial Connection Fee	$15.00
Normal Reconnection Fee	$15.00
Violation of Reconnection Fee	$Actual Cost
Premises Visit Fee (in lieu of disconnection)	$10.00

SERVICE AVAILABILITY FEE

The utility's tariff calls for meter installation charges of $110. These charges were approved by Commission Order No. PSC-93-0509-FOF-WS, issued April 5, 1993. Staff's preliminary recommendation is the same as the current tariff at this time. Staff will leave all final analysis for the final recommendation.

STAFF REPORTS AND UTILITY APPLICATION

The results of Staff's preliminary investigation are contained in an accounting report dated March 1, 1996, and an engineering report dated January 22, 1996. Copies of the reports may be examined by interested members of the public from 9:00 a.m. through 5:00 p.m., Monday through Friday at 5517 S.W. 69th Terr., Gainesville, Florida.

PROCEDURES AFTER CUSTOMER MEETING

After the meeting, Staff will prepare and submit a recommendation to the Commission. The Commission will thereafter issue a proposed agency action order containing rates which may be different from those contained in Staff's final recommendation. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order may so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers and interested persons. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so by writing to the Commission at the address at the end of this notice.

HOW TO CONTACT THE COMMISSION

Written comments regarding the utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Division of Records and Reporting
Florida Public Service Commission
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

All correspondence should refer to "Docket No. 951234-WS - Application for staff-assisted rate case in Alachua County by Arredondo Utility Corporation, Inc."

If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

This notice was prepared by Commission Staff for distribution by the utility to its customers.

M E M O R A N D U M

January 22, 1996

TO: R. OKONE; ANALYST, BUREAU OF SPECIAL ASSISTANCE

THROUGH: N. BETHEA; SUPERVISOR, BUREAU OF SPECIAL ASSISTANCE

FROM: T. DAVIS; ENGINEER, BUREAU OF SPECIAL ASSISTANCE

RE: DOCKET NO. 951234-WS; APPLICATION OF ARRENDONDO UTILITY COMPANY, INC. FOR STAFF ASSISTANCE ON A RATE ADJUSTMENT IN ALACHUA COUNTY.

1.0 INTRODUCTION

Pursuant to the rules and regulations of the Florida Public Service Commission, Arrendondo Utility Company, Inc. has qualified for staff assistance in this docketed proceeding. A field investigation for the above docket was completed on December 6, 1995. The investigation included a visual inspection of the water treatment facilities, wastewater treatment facilities, and the general service area serving the customers of the utility. Also, the utility's operation expenses, maps, files and rate application was reviewed to establish reasonableness of the original cost, utility plant in service, and quality of service.

2.0 HISTORY

On June 30, 1992, the Alachua County Board of County Commissioners passed a resolution relinquishing their jurisdiction of all private utilities in Alachua County to the State of Florida Public Service Commission.

On August 27, 1992, Arrendondo Utilities applied for a staff-assisted rate case (SARC) to adjust its rates and charges to its customers in Alachua County. By Order Number PSC-93-0509-FOF-WS, dated April 5, 1993, the utility was granted its request with the Docket being held in monitor status subject to certain pro-forma upgrades. The Docket was closed on February 16, 1994.

On September 28, 1992, the utility filed an application with this Commission for a certificate to provide water and wastewater service in Alachua County under grandfather rights pursuant to Section 367.171, Florida Statutes. By order Number PSC-92-1454-FOF-WS, dated December 15, 1992, the utility was granted water certificate 549-W and wastewater certificate 479-S

3.0 GENERAL INFORMATION

Arrendondo Utility Company, Inc. is located approximately five miles southwest of Gainesville along State Road 24 between Gainesville and Archer (See Attachment "A"). The utility began in 1962 as a water only system serving the mobile home subdivision known as Arrendondo Estates. Arrendondo Estates was developed by Mr. C.L. Brice. Each lot in Arrendondo Estates contains a private septic system. In 1970, Mr. Brice began another development known as Arrendondo Village (now called Arrendondo Farms). The Farms is located across the highway and separated in a southwesterly direction from the Estates. The Farms was sold by the original developer, has changed hands several times, and been developed in phases under different ownerships. The Farms is a rental only park which includes both a potable water and a sanitary wastewater system.

A study was recently conducted by Hydrotech, Inc., a local engineering and consulting firm, to study the wastewater treatment plant's capacity to serve the Arrendondo Farms MHP. This study, titled Arrendondo Farms WWTP Capacity Analysis Report, dated March 14, 1995, and written by Douglas F. Smith, P.E., notes that the park manager "estimates the full park capacity to be approximately 400 spaces due to poor siting of some spaces as well as the constant turnover of customers." Arrendondo Farms MHP is approved for 431 spaces designated for mobile homesite(s). These homesite(s) have water and wastewater service available to them and can be occupied at any time. The utility attempts to make a case for reducing the potential customer base with presentations of customer consumption and historical shortfalls of occupancy. Should staff decide to accept a lower customer capacity count, the present customers would be forced to pay the future customer's share of utility investments in addition to their full share. For the purposes of this report, the actual capacity of 431 available lots will be used in all calculations.

Equivalent Residential Connections (ERC) for the table below were calculated based on the 0.86 conversion ratio for mobile homes as set forth by the FPSC Standard Operating Procedures (SOP) manual.

Subdivision Name	Potential Customers		ERC's		Average Customers		ERC's	
Arrendondo Estates								
Water	290	-	249	-	232	-	200	-
General Service	2		2	-	2	-	2	-
Arrendondo Farms								
Water	431	-	371	-	243	-	209	-
General Service	2		16	-	2	-	16	-
Wastewater		431		371		243		209
General Service	-	2	-	16	-	2	-	16
Total	725	433	638	387	479	245	427	225

4.0 PLANTS-IN-SERVICE

Water Treatment Plants

Both water treatment plants are closed system plants. The Estates' plant resources groundwater with two 6 inch wells, each rated at 120 gallons per minute (gpm). Water is transported from the wells via submersible pumps, disinfected by gas chlorine, and pressurized in a 20,000 gallon hydropneumatic tank. Gas chlorine, purchased in 150 pound gas cylinders, is dispersed by a 10 pound per day Regal regulator, and is injected just prior to the hydropneumatic tank (See Attachment "B"). Potable water is transported to the distribution system from the hydro-tank via a 6 inch transmission main, at a normal operating pressure of 50 pounds per square inch (psi). An auxiliary power generator has been installed with automatic switch-over in case of a power failure.

The water treatment plant at the Farms functions exactly in the same manor except that its water is resourced by two 8 inch wells and treated water is pressurized for distribution in twin 5,000 gallon hydropneumatic tanks. The two 8 inch wells are rated at 250 gpm for well No. 1 and 300 gpm for well No. 2. The water is carried from the wells by submersible pumps, disinfected, pressurized and distributed via the dual hydropneumatic tanks (See Attachment "C"). The raw water is made potable by the injection of gas chlorine via a 10 pounds per day Regal regulator utilizing 150 pound cylinders.. Potable water is dispersed to the distribution system from the hydro-tank at a normal operating pressure of 50 psi. An auxiliary power generator has been installed with automatic switch-over in case of a power failure.

Distribution Systems

The distribution system in the Estates is composed of approximately 1,525 linear feet of 6 inch asbestos/concrete pipe (ACP), approximately 6,950 linear feet of 4 inch ACP, approximately 3,850 linear feet of 3 inch ACP, and about 7,900 linear feet of 2 inch galvanized steel pipe (GSP). Asbestos/concrete pipe is not an optimum conduit for potable water. It is easily broken and, under pressure, is susceptible to unaccounted for water loss. Testing for Asbestos content will always be necessary for this system unless the lines are replaced by more inert pipe. The primary grid was not constructed as a looped system and contains several dead end lines. With all that said, the system does appear to be properly sized and engineered to meet pressure and supply demands. There are no fire hydrants within the Estates service area.

The distribution system in the Farms employs approximately 5,800 linear feet of 6 inch Polyvinyl Chloride (PVC) pipe, approximately 1,125 linear feet of 4 inch PVC pipe, and about 15,300 linear feet of 2 inch PVC pipe. The Farms' distribution grid was also not constructed as a looped system and contains several dead end lines. The system does appear to be properly sized and engineered to meet pressure and supply demands. There are about 15 fire hydrants within the Farms distribution system which are used, in addition to fire protection, for regular flushing of the lines.

Wastewater Plant

The wastewater treatment plant serves only Arrendondo Farms and is a modular concrete plant rated at 60,000 gallons per day (gpd) operating in the contact stabilization mode of treatment (See Attachment "D"). The previous master lift station, which was an "air-lift" system, has now been replaced with an all new wet well equipped with submersible pumps. Effluent is disinfected by gas chlorination purchased in 150 pound cylinders. The chlorinated effluent is discharged into dual percolation/evaporation ponds adjacent to the plant. In November, 1993, a new flow meter was installed on the outfall line between the chlorine contact chamber and the percolation ponds. The vegetation around the ponds appear to be maintained on a regular bases. Public access to this plant and dual pond facility is limited by a chain link fence. A 35 KW portable generator, which is mounted on a trailer and stays ready for transport to the Farms' WWTP, is held in storage at the Estates WTP. This generator is reserved solely for the purpose of a power failure at the wastewater plant.

Collection System

The collection system is a network of approximately 20,300 linear feet of 8 inch PVC gravity lines. The average distance between each manhole is 564 feet which exceeds the standard average of 400 linear feet. The collection system functions entirely by gravity flow to the master lift station which is in the treatment plant compound. As mentioned above the old "air-lift" master lift station was replaced with a more efficient submersible pump system. The new master lift station is more economical to operate and will assist to normalize the activated sludge process by providing consistent pumping of influent flows.

5.0 ORIGINAL COST STUDY

During the last rate case, records were available for the auditor to establish an original cost on Arrendondo Farms which was constructed in the 1970's. Arrendondo Estates was constructed in the 1960's. There were insufficient records to reconstruct the original cost of the Estates' utility system. The Division of Auditing and Financial Analysis requested an original cost study by the staff engineer. Details of that study can be seen on Attachment "E", sheets 1 and 2 of the engineering memorandum dated November 24, 1992.

Included in Order No. PSC-93-0509-WS, dated December 15,1993, was several pro forma allowances. The utility was granted a pro forma allowance of $24,875 to install 250 meters in Arrendondo Farms. Also, the utility was allowed $10,270 to repair or replace valves in Arrendondo Farms. In addition, a pro forma allowance of $33,850 was granted to the utility to provide auxiliary power and dual chlorination facilities in accordance with regulatory mandates by the Department of Environmental Protection. The Docket remained open during a designated monitoring period which was sufficient for the utility to complete the projects. At the end of the monitoring period, all issues were found to be satisfactorily completed.

The meters were installed according to the contracted amount of $24,875. The valve replacement program was primarily done in-house which is being researched by the auditor. The audit report will detail expenditures related to the valve replacement project. The utility spent $39,848 for three auxiliary power units; a 20 KWH unit at each of the two water treatment plants (that are wired for automatic switch-over during a power outage) and one 35 KWH portable unit reserved for the wastewater treatment plant. This total cost for these three units exceeded the pro forma allowance granted for auxiliary power and dual chlorination facilities. However, during the final analysis, the Department of Environmental Protection (DEP) did not require the utility to install dual chlorination facilities. Rather, they required the utility to install scales for the chlorine cylinders and a leak detector at each water plant. The cost of the scales and the leak detectors will be detailed in the auditor's report.

Since closure of the last rate case, the utility has installed a 1,500 gallon digester. This was a replacement of the original digester which was necessary because the old digester developed a leak. The old digester shared the same tank housing as the chlorine contact chamber and was separated by a poured in place concrete baffle. The explanation submitted with the utility's application to the DEP for a permit to make a minor plant revision noted that "hydrostatic forces exerted by the chlorine contact chamber would eventually lead to a total failure of this partition. Attempts to shore up and grout this wall would be expensive and dangerous." Engineering, permit fees, construction costs (along with all other associated costs) should be included in the audit report, totaled and amortized over twenty seven (27) years.

A new master lift station was also constructed at the wastewater treatment plant. The new lift station was necessary because the old lift station was constructed according to a very old design concept which operated on compressed air to lift the influent into the plant. The old lift station was progressively requiring more maintenance to keep it operational and was noted in the last rate case as a priority item for replacement. The contracted cost of the lift station installation alone was $16,850. Engineering, permit fees, and other associated costs should be included in the audit report, totaled with the construction costs and amortized over twenty five (25) years.

Both the original digester and the original lift station were installed in 1971 when the wastewater plant was constructed. While the function of the digester/chlorine contact chamber has shifted, its still being utilized as treatment plant equipment. This asset should continue being depreciated for its normal estimated life. The depreciation of the new lift station should be following a schedule based on a twenty five (25) year estimated life which is in accordance with Rule 25-30.140 F.A.C. The old lift station has no salvage value and should be considered completely depreciated.

In addition, the utility purchased a 1992 Yahama electric cart (cost about $1,800) for the sole purpose of reading meters. Water reading is now a contracted service, but it is contended by the utility that the cart is used by the service company during the reading rounds. Details should be included in the audit report.

6.0 OPERATION AND MAINTENANCE EXPENSES

Data used for the engineering evaluation was based on the twelve month period between November 1, 1994 and October 31, 1995. Operation and maintenance expenses incurred during that time were reviewed for prudence and reasonableness. It is the staff engineer's opinion that the necessary expenses to operate and maintain the plants in accordance with regulatory standards are:

Salaries & Wages - Inhouse Maintenance Personnel

Inhouse maintenance personnel associated with the operation and maintenance of the plants are officers of the corporation. The engineer defers to the auditor and the aralyst concerning recommendations of officers' salaries.

Electrical Power Purchased

Water System

Purchased power for the two water treatment plants includes both wells at each plant. A thirteen month average was calculated based on the billings received during the test period. The cost of power for the Estates water plant averaged $355.15 per month, and the cost of power for the Farms water plant averaged $299.05 per month. It is recommended that $7,850 per year be considered reasonable for water treatment system electric power purchased.

Wastewater System

The power consumption of the wastewater treatment plant which includes the master lift station is measured by one meter. Based on a thirteen month average, the cost of power for the Farms wastewater plant averaged $566.24 per month. It is recommendad that $6,795 per year be considered reasonable for wastewater treatment system electric power purchased.

Fuel for Power Production

Periodic start-ups and idling are necessary for proper maintenance of the auxiliary power generators. This will exhaust most, if not all, of a tank of fuel during any given year. A reasonable estimate for a tank of fuel is $225 per tank. It is recommended that $450 per year ($225 X 2 water genarators) for water utilities and $225 per year for the wastewater utilities be considered reasonable for emergency power production.

Chemicals purchased

The utility disinfects and treats the raw water with gas chlorine at all three plants. The utility purchases 150 pound cylinders at a cost of $79.57. Purchases occur when the operator alerts the office that supplies are low. According to dosage levels noted during the field audit, the utility feeds approximately 1.5 pounds per day or ±4 cylinders per year for each of the two water treatment plants, a total of 8 cylinders per year. The wastewater treatment plant, based on a comparison between wastewater flow and chlorine dosing, appears to require approximately 1.25 pounds per day, a total of ±3 cylinders per year. The local company that supplies the utility with chlorine levies a demurrage fee of $9.00 for all cylinders kept longer than two (2) months. Because the utility only consumes one cylinder every three to four (3-4) months, they are charged a demurrage charge of $18 before the cylinder is ready for return. This raises the cost of each cylinder to $98. It is recommended that $784 per year for water ($98 X 4 cyl/yr X 2 plants), and $294 per year for wastewater be considered reasonable for chemical purchases.

Materials and Supplies

Materials and supplies for operations and maintenance are included in contractual agreements which are entered into between the utility and outside service companies.

Contracted Services

Operator Services

Operator services are contracted through North Florida Environmental Services with day-to-day water and wastewater operations being performed by Mr. Bruce Gandy. Mr. Gandy's contract service company specializes in operating and maintaining utility plants in accordance with Federal, State, and Local regulatory standards. For this service, beginning July 1, 1995, charges to the utility were $700 per month for all three plants. It is recommended that the monthly total be appropriated equally between the three plants with $5,600 per year ($233.33/mo. X 2 plants X 12 mos./yr.) being considered reasonable for water operator services and $2,800 per year ($233.34/mo. X 12 mos.) be considered reasonable for wastewater operator services.

Yearly Repairs and Maintenance

The utility uses contract services for normal repairs and maintenance. During August, 1995, the utility contracted with Reno & Wilson Plumbing Co, Inc. ($1,000 per month) to make daily service visits to both the Farms and the Estates service areas, turn on/off meters when requested, make disconnections due to nonpayment, investigate complaints, locate and repair water/sewer lines, install water meters, read water meters, and provide a 24 hour emergency call service. This contract specified that any alteration or deviation

from the contract would be an extra charge. Since the contract has been active, the utility averaged $103 per month additional work beyond the standard contracted features. This would bring the total for Reno & Wilson to $13,596 per year ($1,000 X 12 mos + $133 X 12 mos) which is considered reasonable. An appropriate split between water and wastewater is 70% water and 30% wastewater. It is recommended that $9,517 per year be considered reasonable for water distribution repairs and $4,079 per year be considered reasonable for wastewater collection repairs.

The operator, Mr Bruce Gandy, also makes repairs to the plants that is not included in the contract. All additional work outside the contracted operator services are charged to the utility on a parts plus labor basis. For the time Mr. Gandy has been the operator, additional repairs have averaged $189 per month which is considered reasonable. An appropriate split between water and wastewater repairs is 60% water to 40% wastewater. It is recommended that $1,361 per year be considered reasonable for water plant repairs and $907 per year be considered reasonable for wastewater plant repairs not included in contracted operator services.

Another outside service company that the utility uses is Ring Power. Ring Power does a full service maintenance inspection, technical analysis, and load bank test on each of the auxiliary power generators. The cost of this service totaled $1,512.54 for all three generators which is recommended to be performed once a year. It is recommended that $1,038 per year for water and $475 per year for wastewater be considered reasonable for auxiliary power maintenance inspections.

Capital/Pro forma Plant Repairs

Water System

During the last rate case the DER had cited the utility for failure to provide dual chlorination facilities at each water plant. Staff recommended that a pro forma allowance for dual chlorination facilities be included along with proforma allowances for 250 meter installations and two auxiliary power generators, one at each water plant. At some point, the pro forma amount for the dual chlorination facilities was omitted from the total of pro forma allowances Ordered for the installation of the meters and generators at the plants. The DEP later backed off its requirement for dual chlorination facilities and allowed the utility to install automatic sensors and alarm systems for all three plants. The utility installed these facilities with pro forma allowances which was verified during the final monitor inspection to close the Docket.

The utility fully understands the logic of a dual chlorination system and has requested pro forma monies be included in this rate case to install a system at each water plant. The cost is estimated to be $7,204 for both plants and should be amortized over 10 years. It is recommended that $7,204 be considered reasonable for dual chlorination facilities, added as a pro forma allowance in the final recommendation.

7204 ÷ 2 for
8
= $360 Annual pro forma

During September of the test year, a mobile home totter struck a fire hydrant in the Farms MHP. The total cost to fix the hydrant was $4,356.07 which was covered, at least in part, by insurance. The audit report should have details of the payout and reimbursement to repair the broken fire hydrant.

Wastewater System

In the past, the Gainesville office of the DER was closely monitoring Arrendondo's wastewater plant due to the plant's ability to contain and settle solids. During April, 1995, the utility contracted with Uddo-Mims International, Inc. to bring in the Sand Dragon and remove all sand/grit from the six (6) aeration tanks. This cost the utility $3,650 which should be amortized over a five year period. It is recommended that $730 per year be considered reasonable for periodic wastewater plant cleaning, dirt and grit removal.

Testing and Laboratory Expenses

Water System

State and local authorities require that several test and analyses of the water be performed as scheduled with Florida Administrative Rules. The cost to the utility for tests required by Department of Environmental Protection and local county health agencies are:

Rule		Description	Frequency	Cost
62-550.518	F.A.C.	Microbiological	monthly	$480/yr
62-550.310(1)	F.A.C.	Primary Inorganics	36 mos.	$93/yr
62-550.320(1)	F.A.C.	Secondary Inorganics	36 mos.	$65/yr
62-550.511	F.A.C.	Asbestos	1/9yrs.	25/yr
62-550.512(1)	F.A.C.	Nitrate & Nitrite	12 mos.	40/yr
62-550.515	F.A.C.	Volatile Organics	qtr'ly/1st yr/36 mos. Subsequent/Annual	350/yr
62-550.516	F.A.C.	Pesticides & PCB	36 mos.	570/yr
62-550.519(1)	F.A.C.	Radionuclides		
		Group I	36 mos.	100/yr
		Group II	"	250/yr

62-550.521	F.A.C.	Unregulated Organics		
		Group I	qtr'ly/1st yr/9 yr.	$275/yr
		Group II	36 mos.	$50/yr
		Group III	36 mos.	$83/yr
62-551	F.A.C.	Lead & Copper	biannual	475/yr
		Total		$2,856/yr

It is recommended that $5,712 per year (2 water plants X $2,856) be allowed as analysis expenses for potable water testing.

Wastewater System

Each utility must adhere to specific testing conditions prescribed within its operating permit. These testing requirements are tailored to each utility, required by Florida's Administrative Rules, and enforced by the DEP The tests for the Arrendondo Farms wastewater plant and the frequency at which those test must be repeated are:

Rule		Description	Frequency	Cost
62-19	F.A.C.	Biochemical Oxygen Demand (for influent)	monthly	$300/yr
62-19	F.A.C.	Total Suspended Solids (for influent)	monthly	$120/yr
62-19	F.A.C.	Biochemical Oxygen Demand (for effluent)	monthly	$300/yr
62-19	F.A.C.	Total Suspended Solids (for effluent)	monthly	$120/yr
62-19	F.A.C.	Fecal Coliform	quarterly	$138/yr
62-19	F.A.C.	Sludge Analysis	yearly	$ 250/yr
		Total		$1,228/yr

It is recommended that $1,228 per year be allowed as analysis expenses for wastewater testing.

Meter Reading Service

Meter reading service is included in the contract with Reno & Wilson Plumbing Co. According to the utility, the agreement includes the use of the utility's golf cart.

Mowing and Groundskeeping

A mowing and groundskeeping contract has been signed with Eversole's Lawn Service. In the contract, specific amounts are determined for specific plant areas along with a combined total number of cuttings to be made each year. The contracted amount is $1,200 per year which should be divided 60% water and 40% wastewater. However, the lawn service is not equipped to bushhog the berm around the pond. This job is performed by Brice Construction. It is estimated that three hours, at $75 per hour, is sufficient to accomplish the mowing of the berms at the wastewater plant. This should be done four times during the year for a total cost of $900. It is recommended that $720 per year for water ($1,200 X 60%) and $1,380 per year for wastewater ($1,200 X 40% + $900) be considered reasonable for mowing and groundskeeping.

Sludge Hauling Expenses

The need for sludge removal is necessary to the activated sludge process. During the test year, the utility had an active program of regular sludge removal. The cost of removing sludge during the test year totaled $1,740. It is recommended that $1,740 per year be considered reasonable for normal sludge removal.

Transportation Expenses

Arrendondo utilities has purchased a 1991 Ford Ranger pickup truck that is recorded on the utility's books as 100% utility related. The truck is shared with several other business entities operating under the same roof and sharing the same corporate officers. Each of these business entities have access to, and at different times, use the pickup truck. During the last rate case, the utility was granted an allowance of 450 miles per week. This was when the utility had a full time employee that operated all three plants and performed the duties that are now being done by outside services. The burden of transportation for utility related duties is limited to making deposits at the bank, running limited errands, making limited parts pickups, meeting with regulatory agents, and general use for all related corporate activities. Given the utility's remote location, it is estimated that 750 miles per month at $.29 per mile ($2,610) is a reasonable allowance for transportation which should be divided evenly between the three plants. Therefore, it is recommended that $1,740 per year for water ($2,610/3 plants X 2 WTPs), and $870 per year for wastewater be considered reasonable transportation expenses.

Meter Changeout Program

During the last rate case, it was determined the utility needed a meter replacement program. The utility's replacement program was based on a 12 year normal life. Each year the utility should exchange no less than 20 meters at an estimated cost of $45 per meter replacement. The total expense for this program is $900 per year, and should be continued.

Other Expenses

Other expenses such as capital investments, fees, salaries, bookkeeping, real estate taxes, postage, telephone, office rent, office utilities, and office supplies will be included in the analyst's report. The engineer on staff is available should any issue require an engineering opinion.

7.0 USED AND USEFUL

Water Treatment Plant(s)

This utility's useful plant was calculated as a composite of the two water plants based on a gallon per day methodology. The approved formula approach was applied to both plants with the highest capacity well from each being considered out of service in accordance with AWWA M5. In addition, the maximum daily flow occurring at the Farms on October 16, 1995, was totaled with the daily recorded flow from the Estates for the same day and used in comparison with a sixteen (16) hour day. The result of this calculation is 99.42 percent (See Attachment "E," Sheet 1 of 3). Each plant component, when evaluated separately, are considered 100% used and useful, either by regulatory mandate or readiness to serve. No less of a plant could serve the existing customer base. For this evaluation, it is recommended that both water treatment plants be considered 100% used and useful.

Water Distribucion System(s)

For consistency in evaluation, both water distribution systems were also calculated as a composite. By formula (See Attachment "E," Sheet 2 of 3), the engineer on staff recommends that both distribution systems serving the customers of Arrandondo Utilities be considered 70.69% used and useful used and useful with the exception of Meter & Meter Installations (Account No. 334) which should be considered 100% used and useful.

Wastewater Treatment Plant

The capacity of the wastewater treatment plant was constructed to be 60,000 gallons per day. The highest five-day average of daily flows, during the test year, occurred in August '95 and was 35,600 gpd. The used and useful formula, used as an indicator, yields a percentage of useful plant at 63.33% It is recommended that the wastewater treatment plant be considered 64% used and useful (See Attachment "G," Sheet 1 of 3).

Wastewater Collection System

The formula approach, used as an indicator, yields 62.27% use and useful for the wastewater collection system. The exception would be account number 363 (Services), which should be considered 100% used and useful. It is recommended that the collection system be considered 62% used and useful, except for account number 363 (Services), which should be considered 100% used and useful (See Attachment "H," Sheet 2 of 3).

8.0 UNACCOUNTED-FOR-WATER AND/OR EXCESSIVE INFILTRATION

Unaccounted-for-Water

Both water plants are equipped with a master meter that records water volume leaving the plant. This data is recorded on the operator's monthly reports and was available for review. The Estates MHP appears normal with a 10.9% difference between treated water leaving the plant and metered water sold to customers. The Farms MHP, on the other hand, has a 26% difference between treated water leaving the plant and metered water sold to customers. This percentage occurs after allowances for flushing and water loss during a fire hydrant accident. After subtracting 12.5% for normal unaccounted for water, this leaves the Farms distribution system with an excessive unaccounted for water loss of 13.5%. Due to the size of this utility, it is believed that to assess this percentage against purchased power and chemical expenses would be counterproductive. The Florida Rural Water Association works with small utilities and can perform a leak detection survey at little or no cost to the utility. Once leaks have been located, the utility can make the necessary repairs to reduce its excessive water losses. It is recommended that the utility not be penalized for excessive unaccounted for water at the Farms MHP. Instead, it is recommended that the utility seek the services of the Rural Water Association for a leak detection survey and make the necessary repairs to reduce unaccounted water losses.

Infiltrated water

A comparison of the average daily flow of metered water sold with the average daily flow of wastewater treated at the Farms MHP was conducted. At no time did treated wastewater exceed the recommended 70 - 80 percent. By all appearances, the Farms MHP does not have an excessive infiltration problem and no adjustment is recommended at this time..

9.0 QUALITY OF SERVICE

The utility is up-to-date with all chemical tests required by the DER. Test analysis results were satisfactory, but indicates the water contains minerals classifying it as "hard" water. Due to the mineral content, the treated water provided by the utility tends to form scale deposits which can be considered a nuisance. However, the quality of the water service appears to be satisfactory.

This utility is within the St. John's River Water Management District, operating under Consumptive Use Permit Number(s) 2-001-0016 AUR2M (issued on September 7, 1994) and 2-001-0017 AUR (issued on July 12, 1994). Arrendondo Utilities' service area is not in a critical use or water caution area and does not qualify for conservation rates. The permit places the restriction of 16.0 Million Gallons per Year (MGY) on the Estates MHP and 12.926 MGY on the Farms MHP for annual extraction quotas. According to monthly operational reports, the utility did exceed its annual withdrawal quotas for both systems. Commission staff has contacted the St. John's River Water Management District in Palatka to discuss the actual extraction rates. At this time the water management office is investigating the utility's need to either increase its yearly withdrawal quotas or to institute a water conservation program.

The wastewater utility appears to be adequately maintained. On the day of the plant visit, no excessive or foul odors were detected, and discharge facilities appeared normal. There are no open citations or violations listed against the wastewater utility by the Gainesville office of the DER.

Conditions at each of the plants appear normal. The quality of the water supplied to customers meets or exceeds all requirements for potable water. Housekeeping at the plants is satisfactory. By all appearances, quality of service to customers appear normal. Actual customer opinions will not be expressed until the customer meeting which is scheduled for March 27, 1996. The engineer on staff will reserve any and all recommendations concerning quality of service until after the informal customer meeting.

Recommendations

1. It is recommended that reasonable yearly expenses for the technical operations of water and wastewater production are:

Expenses	Water	Sewer
Maintenance Personnel - Salary & Wages	$ -0-	$ -0-
Electrical	7,850	6,795
Fuel for Power Production	450	225
Chemicals	784	294
Materials & Supplies	-0-	-0-
Contracted Services		
Operator Services	5,600	2,800
Normal Repairs & Maintenance	11,916	5,461
Amortized Repairs & Maintenance	-0-	-0-
Testing & Laboratory Analysis	5,712	1,228
Meter Reading Service	-0-	-0-
Mowing & Groundskeeping	720	1,380
Sludge Hauling	-0-	1,740
Transportation	1,740	870
Meter Replacement Program	900	-0-
Totals	$35,672/year	$20,793/year

2. That water treatment plants serving both the Estates and the Farms be considered 100% used and useful.

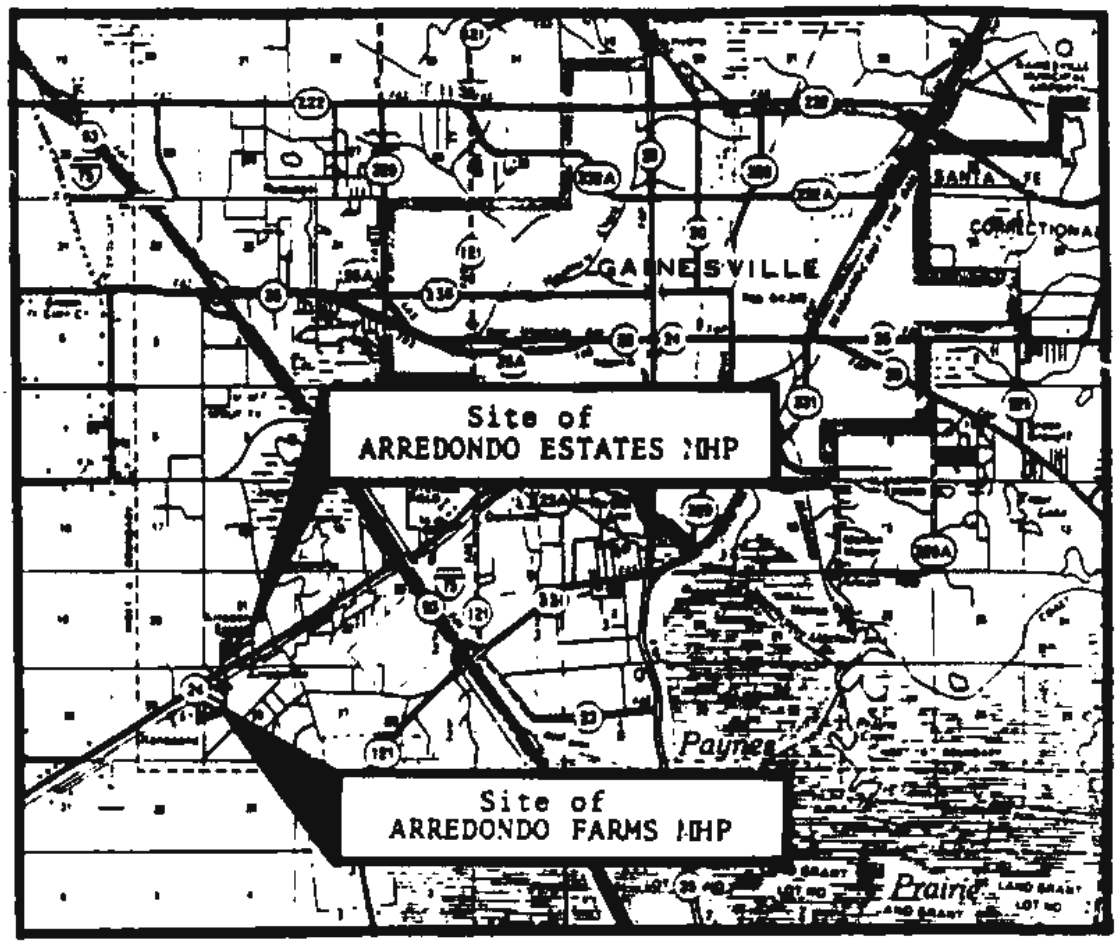
3. That Account Numbers 331 (Transmission and Distribution Mains) and 333 (Services) for both the Estates and the Farms be considered 70.69% used and useful. All other distribution accounts should be considered 100% used and useful.

4. That the wastewater plant accounts should be considered 64% used and useful with the exception of Account No. 353 (Land and Land Rights) which should be considered 100% used and useful.

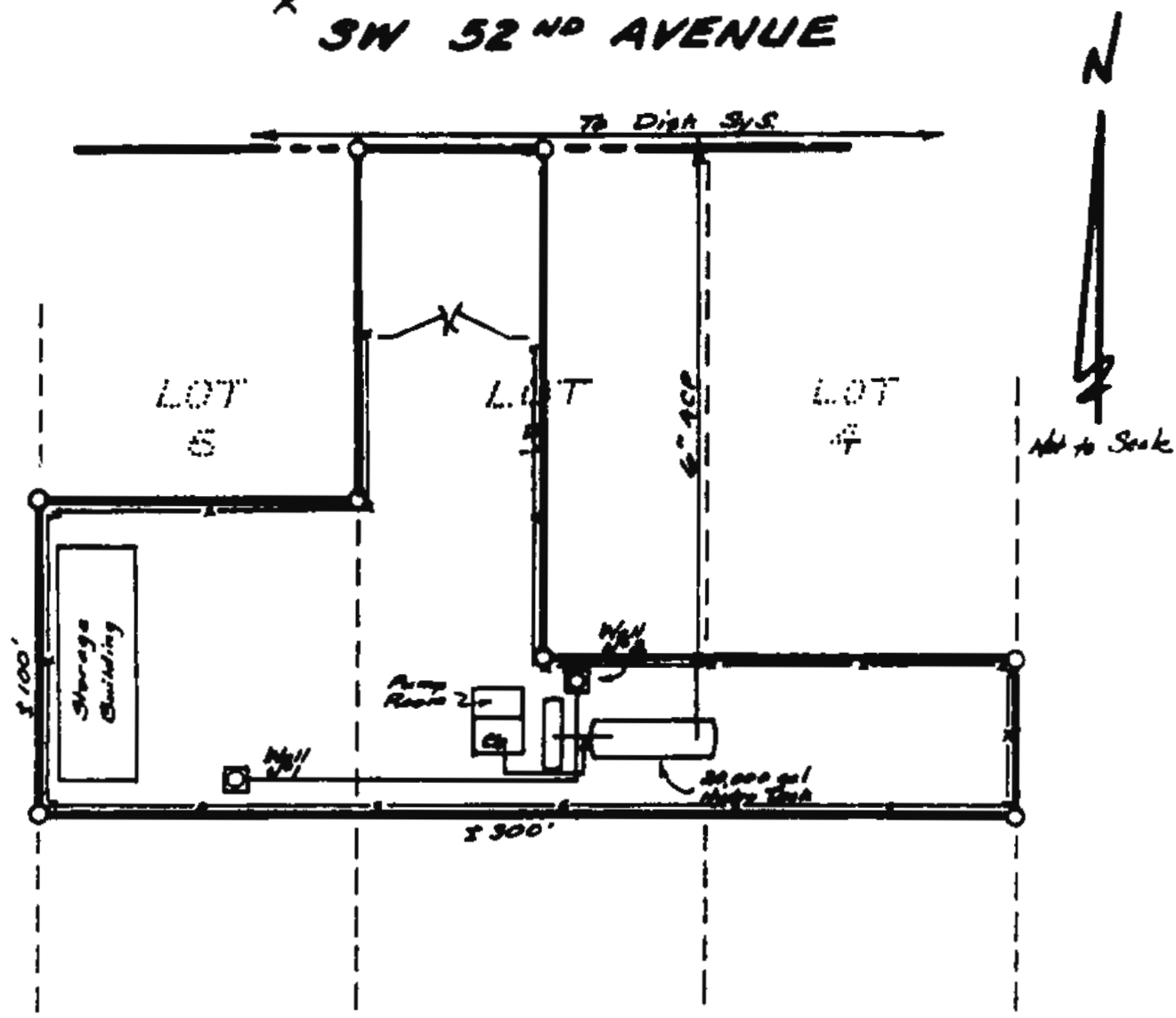
5. That the wastewater collection accounts should be considered 62% used and useful with the exception of account No. 363 (Services) which should be considered 100% used and useful.

6. That an adjustment of 13.5% against purchased power and chemical expenses due to excessive unaccounted for water at the Farms be temporarily suspended to allow the utility time to have a leak detection survey done and to make necessary repairs to correct excessive water losses.

7. That the quality of service determination be reserved until after the customer meeting.

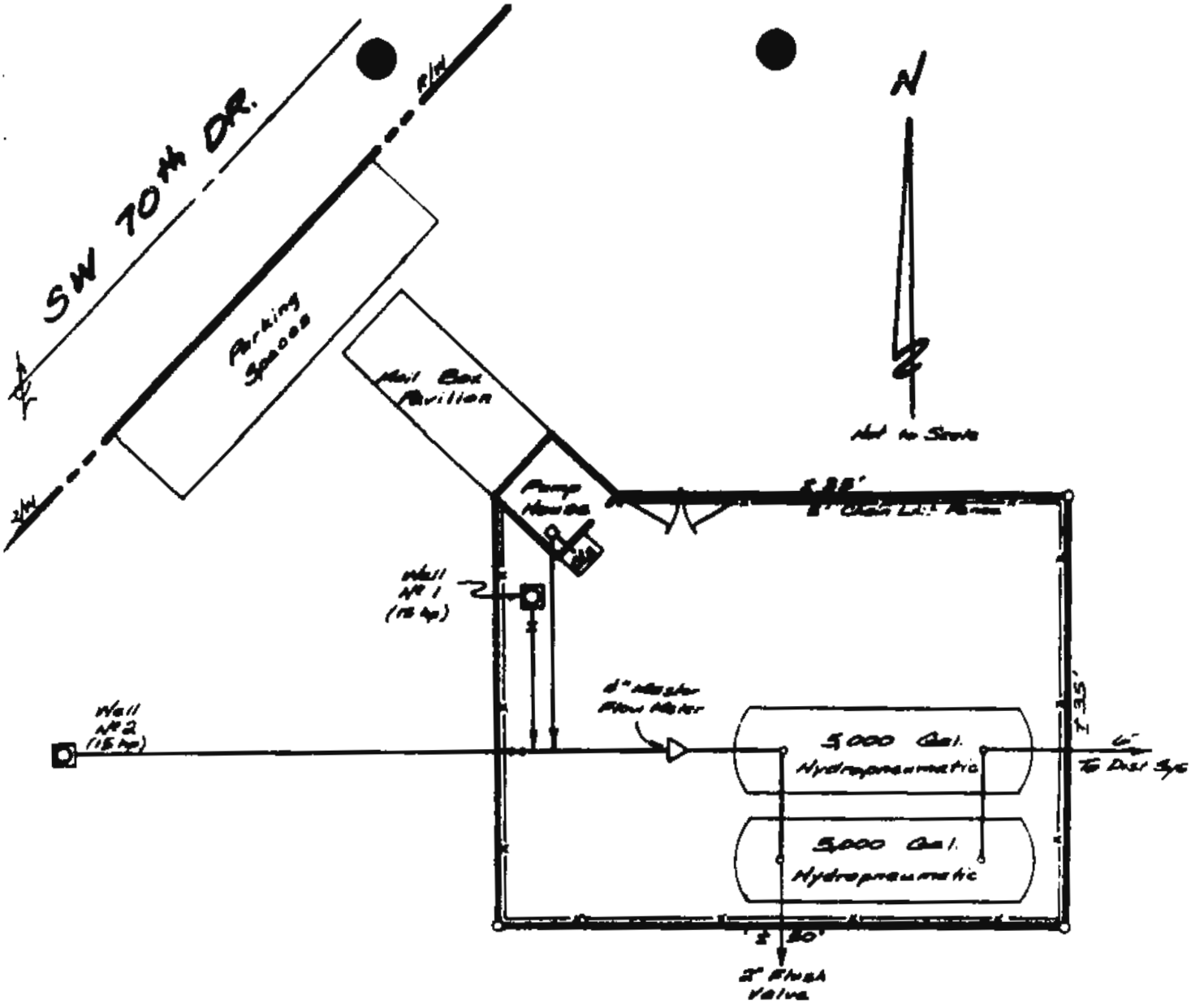


Location Map
ARREDONDO UTILITY COMPANY
Alachua County
ATTACHMENT "A"



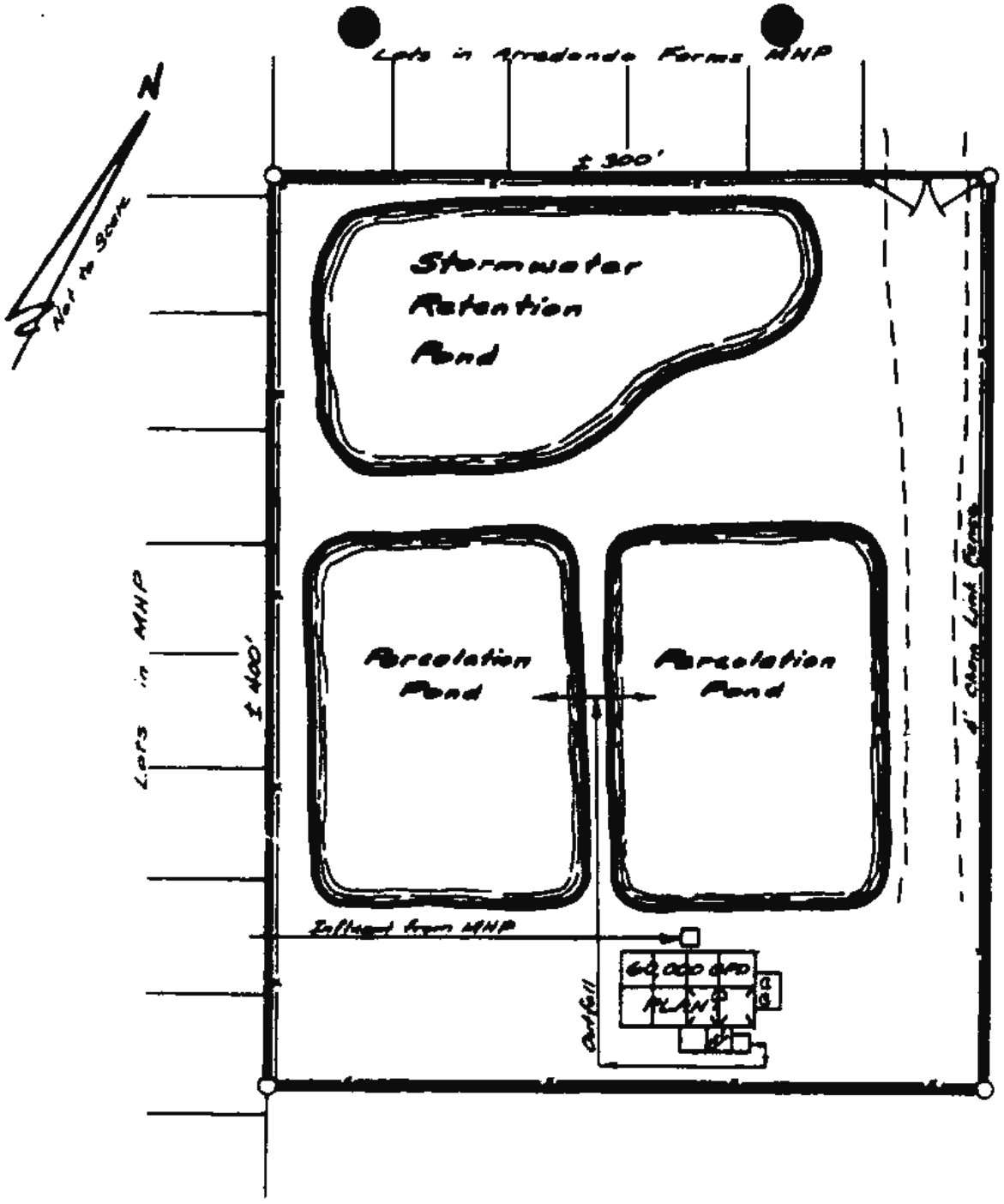
Site of
Water Treatment Plant
Serving
ARREDONDO ESTATES MHP

ATTACHMENT "B"



Site of
Water Treatment Plant
Serving
ARREDONDO FARMS MHP

ATTACHMENT "C"



Site of

Wastewater Treatment Plant

Serving

ARREDONDO FARMS MHP

ATTACHMENT "D"

DOCKET NO. : 951334-WS DATE: 01/29/96

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.

WATER TREATMENT PLANT USED AND USEFUL CALCULATION

% USED AND USEFUL = $\frac{(1 + 4 + 5 - 6)}{1}$ = (Use 100% Used and Useful) 99.42 %

(1) Capacity of plant (16 Hr.day With 1 well/ea out of Serv.) 351,300 GPD*

(2) Maximum Daily Flow (total consumnee for Oct. 16th) 333,000 GPD*

(3) Average Daily Flow (Peak Mo. of Oct/95 - 5 Day Avg) 84,000 GPD*

(4) Fire flow capacity required 110,000 GPD

(5) Margin Reserve (not to exceed 30% of present ERC's):

(a) Average number of connections	479
(b) Average yearly customer growth for most recent 5 years	13
(c) Construction time for additional capacity (in months)	24

Margin Reserve = 5b x $\frac{5c}{12 \text{ mths}}$ x $\frac{3}{5a}$ = 11,133 GPD

(6) Excessive Unaccounted for water N/A GPD

(a) Total amount	8,994 GPD	10.90 % of Avg. Daily Flow
(b) Reasonable amount	6,196 GPD	13.50 % of Avg. Daily Flow

* This is a closed system plant. If evaluated on a gallon per minute basis, using Design Criteria, the maximum gpm would be more than double the rated capacity. While it would clearly illustrate the need to consider this utility at 100% used and useful, it would raise questions of plant integrity. Plant integrity is not compromised which is illustrated by the above result. Each plant component, when evaluated separately, are considered 100% used and useful, either by regulatory mandate or by readiness to serve existing customers

Engineer assigned

signature

ATTACHMENT "B"
SHEET 1 OF 3

DOCKET NO. : 951334-WS DATE: 01/29/96

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(1 + 2)}{1} = 70.69\ \%$$

(1) Capacity of present distribution system _ _ _ _ _ _ _ _ _ = 638 ERCs

(2) Average number of ERC's to the system for the year_ _ _ = 417 ERCs

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average yearly customer growth in ERC's for most recent 5 years = 12

(b) Construction time for additional capacity (in months) = 24

$$\text{Margin Reserve} = 3a \times \frac{3b}{12 \text{ mths}} = 24 \text{ ERCs}$$

Engineer assigned

signature

ATTACHMENT "B"

SHEET 2 OF 3

DOCKET NO. 951334-WS DATE: 01/29/96

UTILITY NAME: ARMENDOMO UTILITY COMPANY, INC.

USED AND USEFUL ADJUSTMENTS TO
WATER UTILITY PLANT ACCOUNTS

ACCT NO. (a)	ACCOUNT NAME (b)	PLANT PER BOOKS (c)	USED AND USEFUL % (d)	USED AND USEFUL PLANT (e)
301	Organization	$	100 %	$ 0
302	Franchises		100 %	0
303	Land and Land Rights		100 %	0
304	Structures and Improvements		100 %	0
305	Collecting and Impounding Reservoirs		100 %	0
306	Lake River and Other Intakes		%	0
307	Wells and Springs		100 %	0
308	Infiltration Galleries and Tunnels		%	0
309	Supply Mains		100 %	0
310	Power Generation Equipment		100 %	0
311	Pumping Equipment		100 %	0
320	Water Treatment Equipment		100 %	0
330	Distribution Reservoirs and Standpipes		100 %	0
331	Transmission and Distribution Mains		70.69 %	0
333	Services		70.69 %	0
334	Meters and Meter Installation		100 %	0
335	Hydrants		100 %	0
339	Other Plant and Miscellaneous Equipment		%	0
340	Office Furniture and Equip.		%	0
341	Transportation Equipment		%	0
342	Stores Equipment		%	0
343	Tools, Shop and Garage Equip.		%	0
344	Laboratory Equipment		%	0
345	Power Operated Equipment		%	0
346	Communication Equipment		%	0
347	Miscellaneous Equipment		%	0
348	Other Tangible Plant		%	0
	Total Water Plant	$ 0		$

Engineer assigned

signature

ATTACHMENT "B"
SHEET 3 OF 3

DOCKET NO : 951334-WS DATE: 01/29/96

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.
(Arredondo Farms)

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(3 + 3 - 4)}{1} = 63.85\ \%$$

(1) Capacity of plant - 80,000 GPD

(2) Average Daily Flow (Highest 6 Day Avg. in August/95)_ _ _ _ _ 38,600 GPD

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average number of customers in ERCs	225
(b) Average yearly customer growth in ERC's for most recent 4 years	9
(c) Construction time for additional capacity (in months)	24

$$\text{Margin Reserve} = 3b \times \frac{3c}{12\ \text{mths}} \times \frac{3}{3a} = 3,833\ \text{GPD}$$

(4) Excessive Infiltration- 0 GPD

(a) Total amount	0 GPD	0.00 % of Avg. Daily Flow
(b) Reasonable amount	0 GPD	0.00 % of Avg. Daily Flow

Engineer assigned

signature

ATTACHMENT "P"
SHEET 1 OF 3

DOCKET NO : 941234-WS DATE: 01/30/96

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.
(Arredondo Farms)

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(1 + 2)}{3} = 62.27\ \%$$

(1) Capacity of present collection system - - - - - - - - - - - - 387 ERC's

(2) Average number of connections to the system for the year- - 333 ERC's

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average yearly customer growth in ERC's for most recent 4 years: 6

(b) Construction time for additional capacity (in months): 24

$$\text{Margin Reserve} = 14 \times \frac{24}{12 \text{ mths}} = 14 \text{ ERC's}$$

Engineer assigned

ATTACHMENT "F"
SHEET 3 OF 3

DOCKET NO. : 951334-SU DATE: 01/29/96

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.

USED AND USEFUL ADJUSTMENTS TO
WASTEWATER UTILITY PLANT ACCOUNTS

ACCT NO. (a)	ACCOUNT NAME (b)	PLANT PER BOOKS (c)	USED AND USEFUL % (d)	USED AND USEFUL PLANT (e)
351	Organization	$	63.55 %	$ 0
352	Franchises		63.55 %	0
353	Land and Land Rights		63.55 %	0
354	Structures and Improvements		63.55 %	0
360	Collection Sewers - Force		63.27 %	0
361	Collection Sewers - Gravity		63.27 %	0
362	Special Collecting Structures		- %	0
363	Services to Customers		100.00 %	0
364	Flow Measuring Devices		63.55 %	0
365	Flow Measuring Installations		63.55 %	0
370	Receiving Wells		63.27 %	0
380	Treatment and Disposal Equip.		63.55 %	0
381	Plant Sewers		63.55 %	0
382	Outfall Sewer Lines		63.55 %	0
389	Other Plant and Miscellaneous Equipment		63.55 %	0
390	Office Furniture and Equip.		- %	0
391	Transportation Equipment		- %	0
392	Stores Equipment		- %	0
393	Tools, Shop and Garage Equip.		- %	0
394	Laboratory Equipment		- %	0
395	Power Operated Equipment		- %	0
396	Communication Equipment		- %	0
397	Miscellaneous Equipment		- %	0
398	Other Tangible Plant		- %	0
			%	0
	Total Sewer Plant	$ 0		$ 0

Engineer assigned

signature

ATTACHMENT "F"
SHEET 3 OF 3

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
TALLAHASSEE, FLORIDA 32399-0850

M E M O R A N D U M

March 1, 1996

TO : NEIL BETHEA, SUPERVISOR, BUREAU OF SPECIAL ASSISTANCE

FROM : DIVISION OF WATER AND WASTEWATER (OKONE, DAVIS)

RE : UTILITY: ARREDONDO UTILITY COMPANY, INC.
DOCKET NO.: 951234-WS
COUNTY: ALACHUA
CASE: STAFF-ASSISTED RATE CASE

--- ACCOUNTING REPORT ---

TABLE OF CONTENTS

DOCKET NO. 951234-WS
MARCH 1, 1996

CASE BACKGROUND

Arredondo Utility Corporation (Arredondo or the utility) is a Class C water and wastewater utility located in Alachua County, Florida. The utility operates two water systems and one wastewater system: The Arredondo Estates water system (the Estates) and the Arredondo Farms water and wastewater systems (the Farms). The utility is serving approximately 455 water customers and 224 wastewater customers.

This Commission gained jurisdiction over Alachua County on June 30, 1992. The utility was granted a grandfather certificate by Order No. PSC-92-1454-FOF-WS, issued December 15, 1992.

On August 27, 1992, Docket No. 920869-WS, the utility applied for and received a staff-assisted rate case (SARC). Commission Order No. PSC-93-0509-FOF-WS, issued April 5, 1993, established the utility's current rates.

On October 17, 1995, Arredondo applied for this SARC and has paid the appropriate filing fees. Staff has selected a historical test year ended October 31, 1995. Test year revenues per staff were $78,644 for water and $32,790 for wastewater. Test year operating expenses were $110,287 for water and $56,132 for wastewater. This results in a test year operating loss of $31,643 for water and $23,342 for wastewater.

In preparation for this report, staff has audited the utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. The staff engineer has also conducted a field investigation of the utility's water plants and wastewater plant and the service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plants and operating costs.

Water and wastewater in the utility's service area is under the jurisdiction of the St. John's River Water Management District. Arredondo is not in a critical use or water caution area and does not qualify for conservation.

A customer meeting is scheduled for March 27, 1996 in the utility's service area to receive quality of service testimony from any interested parties.

DISCUSSION OF ISSUES

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Arredondo Utility Company in Alachua County satisfactory?

RECOMMENDATION: The quality of service appears to be satisfactory but the staff engineer reserves all quality of service determinations until after the scheduled March 27, 1996, customer meeting. (DAVIS)

STAFF ANALYSIS: The water treatment and water distribution facilities along with the wastewater treatment and wastewater collection facilities were inspected during the engineer's evaluation and seemed to be operating satisfactorily, but it is recommended that the staff engineer reserve any and all quality of service determinations until after the informal customer meeting scheduled for March 27, 1996.

RATE BASE

ISSUE 2: What portions of water and wastewater plants-in-service are used and useful?

RECOMMENDATION: The Estates and Farms water treatment plant should be considered 100% used and useful. The Estates and Farms (account no. 331) Transmission and Distribution System and (account no. 333) Service should be considered 70.69% used and useful. All other distribution accounts should be considered 100% used and useful. The wastewater plant should be considered 64% used and useful except for (account no. 353) Land and Land Rights which should be considered 100% used and useful. The wastewater collection system should be considered 62% used and useful except for (account no. 353) Land and Land Rights which should be considered 100% used and useful. (DAVIS)

STAFF ANALYSIS:

Water Treatment Plant - General Waterworks Design Criteria establishes that each customer connection requires a minimum of 1.1 gallons per minute. By the approved formula, the Estates water plant and the Farms water treatment plant should be considered 100% used and useful.

Water Distribution System - By the approved formula, the Distribution System for (account no. 331) Transmission and Distribution Mains and (account no. 333) Service for both Estates and Farms should be considered 70.69% used and useful. All other distribution accounts should be considered 100% used and useful.

Wastewater Treatment Plant - By the approved formula, the Farms wastewater treatment plant should be considered 64% used and useful with the exception of (account no. 353) Land and Land Rights which should be considered 100% used and useful.

Wastewater Collection System - By the approved formula, the Farms wastewater collection system should be considered 62% used and useful with the exception of (account no. 363) Service which should be considered 100% used and useful.

Staff's calculations of the appropriate used and useful percentages are shown on Attachment A, B, C, and D.

ISSUE 3: What is the average test year rate base for each system?

RECOMMENDATION: The average test year rate base is $130,131 for water and $36,110 for wastewater. (OKOME, DAVIS)

STAFF ANALYSIS: Order No. PSC-93-0509-FOF-WS issued April 5, 1993, established rate base component balances at August 27, 1992. Staff has selected a historical test year ended October 31, 1995 for this rate case. All rate base components have been updated through October 31, 1995, to include additions and reclassification. A discussion of each component of rate base follows:

Utility Plant in Service (UPIS): The utility recorded UPIS of $272,577 for water and $177,526 for wastewater. UPIS has been increased by $2,960 for water and $5,121 for wastewater to bring the utility balance to staff's audited balance. UPIS has been decreased by $ 6,976 for water and $3,594 for wastewater to retire a pick-up truck from plant. UPIS has been increased by $3,602 for water to reflect recommended pro forma plant. The pro forma plant includes a dual chlorination system. Averaging adjustments reducing water UPIS by $3,818 and wastewater UPIS by $12,614 were also made. Staff's recommended adjustments result in a decrease of $4,232 for water and $11,087 for wastewater.

Total recommended utility plant in service is $268,345 for water and $166,439 for wastewater.

Land: Order No. PSC-93-0509-FOF-WS, issued April 5, 1993, approved land value of $1,474 for water and $5,500 for wastewater. The utility recorded land value of $5,450 for wastewater. Land value has been increased by $50 for wastewater to reflect land value approved by Order No. PSC-93-0509-FOF-WS.

Non-Used & Useful Plant: The staff engineer has determined the used and useful percentage of each plant account. Applying the non-used and useful percentage as determined by the staff engineer, average non-used and useful plant is ($27,738) for water and ($62,500) for wastewater. The average non-used and useful accumulated depreciation associated with plant is $17,056 for water and $37,019 for wastewater. The average non-used and useful accumulated amortization of CIAC associated with plant is ($14,021) for water and ($17,940) for wastewater. The average non-used and useful CIAC is $20,659 for water and $29,423 for wastewater.

This results in total recommended non-used and useful plant adjustments of $4,044 for water and $13,998 for wastewater.

Accumulated Depreciation: The utility's books reflected accumulated depreciation balances of $125,350 for water and $96,790 for wastewater. Consistent with Commission practice, staff has calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code and started with Commission Order No. PSC-93-0509-POF-WS, issued April 5, 1993. Staff has increased accumulated depreciation by $12,050 for water and $8,466 for wastewater. Accumulated depreciation was decreased by $6,976 for water and $3,594 for wastewater to retire a pick-up truck from plant. Accumulated depreciation was increased by $106 for water only to reflect the average accumulated depreciation on pro forma plant. Staff increased accumulated depreciation by $226 for water and $115 for wastewater to reflect the salvage value on a golf cart that was sold. Averaging adjustments of $6,006 for water and $3,702 for wastewater were also made.

Total recommended average accumulated depreciation is $124,750 for water and $98,075 for wastewater.

Contributions-in-Aid-of-Construction (CIAC): The utility recorded CIAC of $69,350 for water and $77,430 for wastewater. CIAC has been increased by $4,191 for water to bring CIAC to the recommended test year amount. CIAC has been decreased by $3,058 for water to reflect averaging adjustments.

Total recommended average CIAC balances are $70,483 for water and $77,430 for wastewater.

Amortization of CIAC: Amortization of CIAC has been calculated consistent with Staff's calculation of accumulated depreciation. The utility recorded amortization of CIAC of $44,787 for water and $43,249 for wastewater. Staff increased CIAC amortization for water by $4,733 and by $5,529 for wastewater. Staff reduced amortization of CIAC by $1,684 for water and $1,568 for wastewater to reflect averaging adjustments. The resulting balances are $47,836 for the water system and $47,210 for the wastewater system.

Working Capital Allowance: Following current Commission practice and consistent with Rule 25-30.443, Florida Administrative Code (Form PSC/WAS 18), Staff recommends that the one-eighth of operation and maintenance expense formula approach be used for calculating working capital allowance. Applying that formula, Staff recommends a working capital allowance of $11,753 for water and $6,464 for wastewater (based on O&M of $94,021 for water and $51,713 for wastewater).

Rate Base Summary: Based on the foregoing, the appropriate

balances for test year rate base are $130,131 for water and $36,110 for wastewater.

Rate base is shown on Schedule No. 1 and 1A. Related adjustments are shown on Schedule No. 1B.

COST OF CAPITAL

ISSUE 4: What is the appropriate rate of return on equity, and what is the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity is 11.88% with a range of 10.88% - 12.88% and the appropriate overall rate of return is 9.92% with a range of 9.92% - 9.92%. (OKOME)

STAFF ANALYSIS: The utility's capital structure includes a long term debt balance of $327,667 and negative common equity balance of $208,553 for the test year. The utility's debt is at a cost rate of 10%. The utility's return on equity, when based on the leverage graph formula in Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, is 11.88%. Therefore, the resulting weighted costs of debt and customer deposits are 9.81% and .11%, respectively.

Since including a negative figure for common equity would penalize the utility's capital structure by understating the overall rate of return, staff has adjusted the negative common equity to zero. Staff made pro rata adjustments to reconcile the capital structure downward to match the recommended rate base.

The weighted costs of 9.81% for debt and 0.11% for customer deposits result in the appropriate overall rate of return of 9.92%.

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

NET OPERATING INCOME

ISSUE 5: What is the appropriate test year operating revenue for each system?

RECOMMENDATION: The appropriate test year operating revenue should be $78,644 for water and $32,790 for wastewater. (OKOME)

STAFF ANALYSIS: The utility recorded test year combined water system revenues of $75,898 and wastewater system revenues of $35,536 during the test period. Staff recalculated test year revenues for each system based on the number of test year bills and consumption. Based on this analysis, the appropriate test year operating revenues for the water systems should be $78,644 and $32,790 for the wastewater system. Staff has increased revenue by $2,746 for water and decreased revenue by $2,746 for wastewater to reflect the appropriate test year revenue.

Test year revenue is shown on Schedule Nos. 3 and 3A. The adjustments are shown on Schedule No. 3B.

ISSUE 6: What is the appropriate amounts for operating expense for each system?

RECOMMENDATION: The appropriate amounts for operating expense should be $112,387 for water and $57,401 for wastewater. (OKOME, DAVIS)

STAFF ANALYSIS: The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect unrecorded test year expenses and reflect recommended allowances for plant operations.

OPERATION AND MAINTENANCE EXPENSES (O & M): The utility charged $83,459 to water O & M and $58,691 to wastewater O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

1) Sludge Removal Expense - The utility recorded $2,121 in this account. Staff has adjusted this amount by $89 to reflect the appropriate balance of $2,210 as recommended by Staff.

2) Purchased Power - The utility recorded $7,146 for the water system and $6,793 for the wastewater system. The water system's purchased power was increased by $704 and the wastewater system's balance was increased by $2 to reflect the appropriate balance of $7,850 for water and $6,795 for wastewater as recommended by staff.

3) Fuel for Power Production - The utility recorded $153 for water and $79 for wastewater fuel for power production. Staff increased the water amount by $297 and the wastewater amount by $146 to reflect the recommended amount of $450 for water and $225 for wastewater.

4) Chemicals - The utility recorded $625 for the water system and $199 for the wastewater system in the chemical expense account. These balances were adjusted by $159 and $95, respectively, to reflect

the additional allowances of chemicals expense as recommended by Staff for the water and wastewater systems.

5) Materials and Supplies - The utility recorded $4,143 for the water system and $7,933 for the wastewater system during the test period. Staff decreased water and wastewater amounts to reconcile with the audited amounts of $1,640 and $5,251 respectively. Additionally, staff reduced the reimbursed amounts of materials and supplies by $498 for water and $99 for wastewater. The total recommended materials and supplies for water is $2,005 and $2,583 for wastewater.

6) Contractual Services - The utility recorded $60,502 for the water system and $37,328 for the wastewater system during the test year. Staff made several adjustments to these balances.

Staff allowed mowing and groundskeeping expenses for the test year of $720 for water and $1,380 for wastewater.

The utility utilized a contract operator for its water and wastewater systems, resulting in expenses of $5,600 for the water system and $2,800 for the wastewater system for the test year.

An allowance was made for distribution and collection repair of $9,517 for water and $4,079 for wastewater.

Contracted operator service expenses were allowed of $1,367 for water and $907 for wastewater.

Auxiliary power maintenance inspection expense for the test year amounted to $1,038 for water and $475 for wastewater. Staff recommended a wastewater plant cleaning, dirt and grit removal expense of $730. DEP required testing expenses for water as recommended by the staff engineer are $5,712. The recommended wastewater testing expense amounted to $1,220.

A meter charge out expense of $900 was allowed for the water system.

Accounting and Legal fees for the test year amounted to $3,480 for water and $1,792 for wastewater. Staff recommends an answering service fee for the test year of $264 for water and $136 for wastewater.

Staff made an adjustment to include a management contract. The amount of the management contract is $39,293 for water and $19,647 for wastewater for the test year.

Staff made adjustments to reduce the contractual service amount per utilities general ledger of $60,502 for water and $37,328 for wastewater.

Total adjustments for this account amounted to $7,389 for water and ($4,154) for wastewater. Staff recommends contractual service expense of $67,891 for water and $33,174 for wastewater.

7) Rents - The utility recorded $0 in this account. Staff has adjusted this amount by $5,172 for the water system and $2,586 for the wastewater system to reflect an allowance for office space overhead.

8) Transportation Expenses - The utility recorded $790 for the water system and $145 for the wastewater system in this account during the test period. Staff increased the expense by $950 for water and $725 for wastewater to reflect test year transportation expense.

9) Insurance Expense - The utility recorded $5,710 for the water system and $2,620 for the wastewater system in this account during the test period. This expense has been reduced by $2,135 for the water system and by $1,294 for the wastewater system to remove that portion of expense not allocable to the test year.

10) Regulatory Commission Expense - The utility recorded no regulatory commisaion expense for the test year. This expense has been adjusted by $648 ($2,592/4) for the water system and by $365 ($1,460/4) for the wastewater system to record the utility's rate case expenses amortized over four years.

11) Miscellaneous Expense - The utility recorded $2,909 for the water system and $1,083 for the wastewater system. A pro forma adjustment was made to reduce the water amount by $484 and wastewater amount by $249 to remove mobile phone charges from miscellaneous expense. Staff also reduced the wastewater expense by $235 to remove charitable contributions and reduced the wastewater expense by $800 for DEP fee for wastewater permit. In addition, an addition was made for $1,096 to wastewater to include all audited miscellaneous expense. Therefore, this expense has been decreased by $484 for water and $188 for wastewater.

Operation and Maintenance Expenses (O & M) Summary: Total operation and maintenance adjustments are $10,562 for water and ($6,978) for wastewater. Staff recommends operation and maintenance expenses of $94,021 for water and $51,713 for wastewater. Operation and maintenance expenses are shown in schedules Nos. 3C and 3D.

Depreciation Expense (net of related amortization of CIAC): The utility recorded $10,963 for water depreciation expense and $23,021 for wastewater depreciation expense during the test period. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances results in depreciation expense of $12,846 for the water system and $4,703 for the wastewater system. Applying the composite depreciation rates to the appropriate CIAC account balance offsets depreciation expense by $3,368 for the water system and $3,136 for the wastewater system. The resulting net adjustment is $9,478 for the water system and $1,567 for the wastewater system.

Taxes Other Than Income: The utility recorded taxes other than income of $8,305 for the water system and $4,278 for the wastewater system. Staff has adjusted this account by reducing the water and wastewater amounts by $1,517 and $1,426, respectively, to adjust the utility balance to staff's recommended balance.

Operating Revenues : Revenues have been adjusted by $46,657 for water and $28,194 for wastewater to reflect the increase in revenue required to cover expenses and allow the recommended rate of return on investment for water and wastewater.

Taxes Other Than Income Taxes : This expense has been increased by $2,100 for water and $1,269 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary : The application of staff's recommended adjustments to the utility's test year operating expenses results in staff's recommended operating expenses of $112,387 for water and $57,401 for wastewater.

Operating expenses are shown on Schedules Nos. 3 and 3A. Adjustments are shown on Schedule No. 3B.

ISSUE 7: What is the appropriate revenue requirement?

RECOMMENDATION: The appropriate revenue requirement is $125,301 for water and $60,984 for wastewater. (OKOME, ROMIG)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of $46,657 (59.33%) for the water system and $28,194 (85.98%) for the wastewater system. This will allow the utility the opportunity to recover its operating expenses and earn a 9.92% return on its investment. The calculations are as follows:

	Water	Wastewater
Adjusted Rate Base	$ 130,131	$ 36,110
Rate of Return	x .0992	x .0992
Return on Investment	$ 12,914	$ 3,583
Adjusted Operation Expenses	94,021	51,713
Net Depreciation Expense	9,478	1,567
Taxes Other Than Income Taxes	8,888	4,121
Revenue Requirement	$ 125,301	$ 60,984
Annual Revenue Increase	$ 46,657	$ 28,194
Percentage Increase	59.33%	85.98%

The revenue requirements and resulting annual increases are shown on Schedules Nos. 3 and 3A.

RATES AND CHARGES

ISSUE 8: What is the appropriate rate structure and what are the recommended rates for this utility?

RECOMMENDATION: The recommended rates should be designed to produce revenue of $125,301 for water and $60,984 for wastewater using the base facility charge rate structure. The approved rates will be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 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 the notice. (OKOME, DAVIS)

STAFF ANALYSIS: The utility is located within the St. John's River Water Management District. Arredondo is not in a critical use or water caution area and does not qualify for conservation rates. The Commission has a memorandum of understanding with the Florida Water Management Districts, in which the Commission has recognized that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy.

The current tariff was approved in Commission Order No. PSC-93-0509-FOF-WS, issued April 5, 1993. Based on the test year billing analysis, the utility provided water service to approximately 467 residential and 2 general service water customers (Estates customers and Farms) and wastewater service to approximately 239 customers. There is a 7,000 gallon cap for residential wastewater service. The average residential water consumption based on staff's review is 4,936 gallons per month.

Rates have been calculated based on test year customers and the consumption levels discussed above. Schedules of the utility's existing rates and rate structure and staff's preliminary rates and rate structure are as follows:

DOCKET NO. 951234-WS
MARCH 1, 1996

WATER RATES

MONTHLY

Residential and General Service

Base Facility Charge

Meter Sizes:	Current Rates	Staff's Preliminary Rates
5/8" x 3/4"	$ 7.34	$ 10.06
3/4"	11.01	15.08
1"	18.34	25.14
1 1/2"	36.70	50.28
2"	58.72	80.45
3"	117.45	160.90
4"	183.52	251.41
6"	367.04	502.83

Gallonage Charge

Per 1,000 Gallons	$ 1.05	$ 2.38

WASTEWATER RATES

MONTHLY

Residential and General Service

Base Facility Charge

Meter Sizes:	Current Rates	Staff's Preliminary Rates
5/8" x 3/4"	$ 7.74	$ 12.00
3/4"	11.60	18.00
1"	19.35	30.00
1 1/2"	38.71	60.00
2"	61.94	96.00
3"	123.88	192.00
4"	193.57	300.00
6"	387.14	599.99

RESIDENTIAL GALLONAGE CHARGE

Per 1,000 Gallons (7,000 gallons max.)	$ 0.95	$ 2.58

GENERAL SERVICE GALLONAGE CHARGE

	$ 0.95	$ 3.09

Based on the test year billing analysis the average water consumption for individually metered residential customers was approximately 4,936 gallons per month. A schedule of an average residential customer based on existing and staff's preliminary rates are as follows:

Average bill using preliminary rates	$ 21.81
Average bill using existing rates	(12.52)
Increase in average bill	$ 9.29

Percentage increase in average bill = 74.20% ($9.29/$12.52)

The average number of gallons of wastewater billed for individually metered residential customers was also 3,268 gallons per month. A schedule of an average bill for a residential customer based on existing rates and staff's preliminary rates are as follows:

Average bill using preliminary rates	$ 20.43
Average bill using existing rates	(10.84)
Increase in average bill	$ 9.59

Percentage increase in bill = 88.47% ($9.59/$10.84)

Staff's preliminary rates are designed to produce revenue of $125,301 for water and $60,984 for wastewater, using the base facility charge rate structure. If the Commission approves staff's recommendation, these rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. 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 within 10 days after the date of the notice.

ISSUE 9: Should the utility be authorized to collect service availability charges, and if so, what are the appropriate charges?

RECOMMENDATION: Commission Order No. PSC-93-0509-FOF-WS, issued April 5, 1993, established the current service availability charge of $110 for meter installation. Staff has not made any change for this report. The final recommendation will address any changes. (OKOME, DAVIS)

STAFF ANALYSIS: Currently, the utility's tariff contains a service availability charge of $110 for meter installation. This charge was authorized on April 5, 1993, by Order No. PSC-93-0509-FOF-WS. Staff will address any changes in the final recommendation.

OTHER ISSUES

ISSUE 10: Should the utility be required to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts (USOA)?

RECOMMENDATION: Yes, the utility should be required to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts. (OKOME, CAPELESS)

STAFF ANALYSIS: During the test year, the utility's books were not maintained in conformity with the USOA.

Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

> (1) 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.

Staff believes the utility has the expertise necessary to convert and maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, Staff recommends that the utility be required to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

ISSUE 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: Revenues should be reduced by a total of $423 annually for water and $324 for annually for wastewater to reflect the removal of rate case expense grossed-up for regulatory assessment fees which is being amortized over a four year period. Using the utility's current revenues, expenses, capital structure and customer base, the effect of the revenue reduction results in rate decreases as shown on Schedule Nos. 4 and 4A. The decrease in rates should become effective immediately following the expiration of the four year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should 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. (OKOME)

STAFF ANALYSIS: 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 $423 annually for water and $327 annually for wastewater. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedules Nos. 4 and 4A.

The utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also should be required to file a proposed cuatomer notice setting forth the lower rates and the reason for the reduction.

If the utility 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.

ISSUE 12: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

RECOMMENDATION: Yes, the recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after staff's approval of the security for potential refund, the proposed customer notice and revised tariff sheets. (OKOME, CAPELESS)

STAFF ANALYSIS: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, Staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility shall be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the Staff's approval of security for both the potential refund and a copy of the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of $51,704. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should 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 the utility chooses a letter of credit as a security, it should 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 final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should 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 be a signatory to the escrow agreement.

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

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In

addition, after the increased rates are in effect, the utility should 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.

ISSUE 13: Should this docket be closed if a timely protest is not received?

RECOMMENDATION: No, upon expiration of the protest period, this docket should remain open for 180 days from the effective date of the Order to allow staff to verify completion of all pro forma plant improvements recommended in Issue 3. If all pro forma plant improvements have been completed within the 180 day time frame, this docket should be closed administratively. (OKOME, CAPELESS)

STAFF ANALYSIS: As addressed in Issue 3, pro forma plant improvements have been included in rate base for setting rates. Therefore, staff recommends that this docket should remain open, for 180 days from effective date of the Order to allow staff to verify the completion of all pro forma plant improvements. Upon expiration of the protest period, if no timely protest is received, and all pro forma plant improvements have been completed within the 180 day time frame, this docket should be closed administratively.

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
DOCKET NO. 951234-WS

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.		BALANCE PER STAF
UTILITY PLANT IN SERVICE	$ 272,577	$ (4,232)	A	$ 268,345
LAND/NON-DEPRECIABLE ASSETS	1,474	0	B	1,474
NON USED & USEFUL PLANT	0	(4,044)	C	(4,044)
ACCUMULATED DEPRECIATION	(125,350)	600	D	(124,750)
CIAC	(69,350)	(1,133)	E	(70,483)
AMORTIZATION OF CIAC	44,787	3,049	F	47,836
WORKING CAPITAL ALLOWANCE	0	11,753	G	11,753
WATER RATE BASE	$ 124,138	$ 5,993		$ 130,131

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
DOCKET NO. 951234-WS

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.		BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$ 177,526	$ (11,087)	A	166,439
LAND/NON-DEPRECIABLE ASSETS	5,450	50	B	5,500
NON USED & USEFUL PLANT	0	(13,998)	C	(13,998)
ACCUMULATED DEPRECIATION	(96,790)	(1,285)	D	(98,075)
CIAC	(77,430)	0	E	(77,430)
AMORTIZATION OF CIAC	43,249	3,961	F	47,210
WORKING CAPITAL ALLOWANCE	0	6,464	G	6,464
WASTEWATER RATE BASE	$ 52,005	$ (15,895)		$ 36,110

ARREDONDO UTILITY COMPANY, INC
TEST YEAR ENDING OCTOBER 31, 1995
ADJUSTMENTS TO RATE BASE

SCHEDULE NO 1B
DOCKET NO 951234-WS

		WATER	WASTEWATER
A	UTILITY PLANT IN SERVICE		
1	To bring utility balance to staff's audited balance	$ 2,980	$ 5,121
2	To retire pick-up truck from plant	(6,976)	(3,584)
3	To include staff recommended pro forma	3,802	0
4	To reflect averaging adjustment	(3,618)	(12,614)
		$ (4,712)	$ (11,067)
B	LAND		
1	To reflect cost per Order No. PSC-93-0508-FOF-WS	$ 0	$ 80
C	NON-USED & USEFUL PLANT		
1	To reflect average non-used & useful plant	$ (27,738)	$ (62,500)
2	To reflect average non-used & useful accumulated depreciation associated with non-used & useful plant	17,056	37,018
3	To reflect average non-used & useful accumulated amortization of CIAC	(14,021)	(17,840)
4	To reflect average non-used & useful CIAC	20,658	28,423
		$ (4,044)	$ (14,899)
D	ACCUMULATED DEPRECIATION		
1	To bring accumulated depreciation to correct amount	$ (12,050)	$ (8,466)
2	To retire pick-up truck from plant	6,976	3,584
3	To reflect average accumulated dep on pro forma	(106)	0
4	To reflect salvage value of Golf Cart	(226)	(115)
5	To reflect averaging adjustment	6,006	3,702
		$ 600	$ (1,295)
E	CIAC		
1	To bring CIAC to correct amount	$ (4,191)	$ 0
2	To reflect averaging adjustment	3,056	0
		$ (1,135)	$ 0
F	AMORTIZATION OF CIAC		
1	To bring CIAC amortization to correct amount	$ 4,733	$ 5,529
2	To reflect averaging adjustment	(1,684)	(1,568)
		$ 3,049	$ 3,961
G	WORKING CAPITAL ALLOWANCE		
1	To reflect 1/8 of test year O & M expenses	$ 11,753	$ 6,494

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 951234-WS

	PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTE COST
LONG-TERM DEBT	$ 327,677	$ (164,597)	$ 163,080	98.10%	10.00%	9.81%
COMMON EQUITY	(208,553)	208,553	0	0.00%	11.88%	0.00%
CUSTOMER DEPOSITS	8,350	(3,190)	3,160	1.90%	6.00%	0.11%
TOTAL	$ 125,474	$ 40,767	$ 166,241	100.00%		9.92%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.88%	12.88%
OVERALL RATE OF RETURN	9.92%	9.92%

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
DOCKET NO. 951234-WS

	TEST YEAR PER UTILITY	STAFF ADJ. TO UTILITY		STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		TOTAL PER STAF
OPERATING REVENUES	75,898	$ 2,746	A	$ 78,644	$ 46,657	F	$ 125,301
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	83,459	10,562	B	94,021	0		94,021
DEPRECIATION (NET)	10,963	1,883	C	12,846	0		12,846
AMORTIZATION (CIAC)	0	(3,368)	D	(3,368)	0		(3,368)
TAXES OTHER THAN INCOME	8,305	(1,517)	E	6,788	2,100	G	8,888
INCOME TAXES	0	0		0	0		0
TOTAL OPERATING EXPENSES	102,727	$ 7,560		$ 110,287	$ 2,100		$ 112,387
OPERATING INCOME/(LOSS)	(26,829)			$ (31,643)			$ 12,914
WATER RATE BASE	$ 124,138			$ 130,131			$ 130,131
RATE OF RETURN	-21.61%			-24.32%			9.92%

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
DOCKET NO. 951234-WS

	TEST YEAR PER UTILITY	STAFF ADJ. TO UTILITY		STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		TOTAL PER STAF
OPERATING REVENUES	35,536	$ (2,746)	A	$ 32,790	$ 28,194	F	$ 60,984
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	58,691	(6,978)	B	51,713	0		51,713
DEPRECIATION (NET)	23,021	(18,318)	C	4,703	0		4,703
AMORTIZATION (CIAC)	0	(3,138)	D	(3,138)	0		(3,138)
TAXES OTHER THAN INCOME	4,278	(1,426)	E	2,852	1,269	G	4,121
INCOME TAXES	0	0		0	0		0
TOTAL OPERATING EXPENSES	85,990	$ (29,858)		$ 56,132	$ 1,269		$ 57,401
OPERATING INCOME/(LOSS)	(50,454)			$ (23,342)			$ 3,584
WASTEWATER RATE BASE	52,005			$ 36,110			$ 36,110
RATE OF RETURN	-97.02%			-64.64%			9.92%

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, [illegible]
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. [illegible]
DOCKET NO. [illegible]-WS

		WATER	WASTEWATER
A	**OPERATING REVENUES**		
1	To adjust test year revenue to test year customers and consumption through billing analysis.	$ 2,74[illegible]	$ (2,7[illegible])
B	**OPERATION AND MAINTENANCE EXPENSES**		
1	Sludge Removal Expense		
a.	To bring sludge removal expense to the proper amount.	$ [illegible]	$ [illegible]
2	Purchased Power		
a.	To bring purchased power to correct amount.	$ 7[illegible]	$ [illegible]
3	Fuel for Power Production		
a.	To reflect the proper amount for fuel for power production.	$ [illegible]	$ 14[illegible]
4	Chemicals		
a.	To bring chemical expense to proper amount.	$ 1[illegible]	$ [illegible]
5	Materials and Supplies		
a.	To reconcile with audited amount.	$ (1,[illegible])	$ ([illegible],[illegible]1)
b.	To reflect [illegible] amounts.	([illegible])	([illegible])
		$ [illegible]	$ [illegible]
6	Contractual Services		
a.	To record mowing and groundskeeping amount.	$ 720	$ 1,[illegible]
b.	To record operator services amount.	[illegible]	2,[illegible]
c.	To record distribution/collection repair amounts.	[illegible],917	4,[illegible]
d.	To record contracted operator services amount.	1,[illegible]	[illegible]
e.	To record auxiliary power maintenance inspection exp.	1,[illegible]	4[illegible]
f.	To record wastewater plant cleaning, dirt and grit removal amount.	0	720
g.	To bring DEP required testing to correct amount.	[illegible],712	1,2[illegible]
h.	To record meter [illegible] expenses for the test year	[illegible]	0
i.	To record accounting and legal fees for the test year	2,4[illegible]	1,7[illegible]
j.	To record answering service fee for the test year	[illegible]	1[illegible]
k.	To include management contract.	[illegible]	1[illegible],647
l.	To remove contractual service per utility books.	([illegible])	(27,[illegible])
		$ 7,[illegible]	$ ([illegible])
7	Rent		
a.	To record rent expense for the test year	$ [illegible],172	$ [illegible]
8	Transportation Expense		
a.	To record transportation expense for the test year	$ [illegible]	$ 72[illegible]
9	Insurance Expense		
a.	To record insurance expense for the test year	$ (2,1[illegible])	$ (1,[illegible])
10	Regulatory Commission Expense		
a.	To include filing fee amortized over 4 years.	$ [illegible]	$ [illegible]
		$ [illegible]	$ [illegible]
11	Miscellaneous Expenses		
a.	To remove mobile power charges from miscellaneous exp.	$ (4[illegible])	$ ([illegible])
b.	To remove non-deductible charitable contributions	0	(2[illegible])
c.	To record DEP fee for [illegible] period.	0	([illegible])
d.	To include all audited miscellaneous expenses.	0	1,[illegible]
		$ ([illegible])	$ ([illegible])
	TOTAL O & M ADJUSTMENTS	$ [illegible]	$ [illegible]
C	**DEPRECIATION EXPENSE**		
1	To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	$ 1,[illegible]	$ ([illegible])
D	**AMORTIZATION EXPENSE**		
1	To adjust utility balance to staff calculated balance.	$ ([illegible])	$ ([illegible])
E	**TAXES OTHER THAN INCOME**		
1	To Adjust utility balance to staff calculated balance	$ (1,817)	$ (1,[illegible])
F	**OPERATING REVENUES**		
1	To reflect staff's recommended increase in revenue	$ [illegible]	$ [illegible]
G	**TAXES OTHER THAN INCOME**		
1	To reflect additional regulatory assessment fee associated with recommended revenue requirement.	$ 2,1[illegible]	$ 1,[illegible]

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3C
DOCKET NO. 951234-WS

	TOTAL PER UTIL.	STAFF ADJUST.		TOTAL PER STAF
(601) SALARIES AND WAGES - EMPLOYEES	$ 0	$ 0		$ 0
(603) SALARIES AND WAGES - OFFICERS	0	0		0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	7,146	704	[2]	7,850
(616) FUEL FOR POWER PRODUCTION	153	297	[3]	450
(618) CHEMICALS	625	159	[4]	784
(620) MATERIALS AND SUPPLIES	4,143	(2,138)	[5]	2,005
(630) CONTRACTUAL SERVICES	60,502	7,389	[6]	67,891
(640) RENTS	0	5,172	[7]	5,172
(650) TRANSPORTATION EXPENSE	790	950	[8]	1,740
(655) INSURANCE EXPENSE	5,710	(2,135)	[9]	3,575
(665) REGULATORY COMMISSION EXPENSE	0	648	[10]	648
(670) BAD DEBT EXPENSE	1,481	0		1,461
(675) MISCELLANEOUS EXPENSES	2,909	(484)	[11]	2,425
	$ 83,459	$ 10,562		$ 94,021

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3D
DOCKET NO. 951234-WS

	TOTAL PER UTIL	STAFF ADJUST.	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$ 0	$ 0	$ 0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,121	89 [1]	2,210
(715) PURCHASED POWER	6,793	2 [2]	6,795
(716) FUEL FOR POWER PRODUCTION	79	146 [3]	225
(718) CHEMICALS	199	95 [4]	294
(720) MATERIALS AND SUPPLIES	7,933	(5,350)[5]	2,583
(730) CONTRACTUAL SERVICES	37,328	(4,154)[6]	33,174
(740) RENTS	0	2,586 [7]	2,586
(750) TRANSPORTATION EXPENSE	145	725 [8]	870
(755) INSURANCE EXPENSE	2,620	(1,294)[9]	1,326
(765) REGULATORY COMMISSION EXPENSES	0	365 [10]	365
(770) BAD DEBT EXPENSE	390	0	390
(775) MISCELLANEOUS EXPENSES	1,083	(188)[11]	895
	$ 58,691	$ (6,978)	$ 51,713

RECOMMENDED RATE REDUCTION SCHEDULE

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995

SCHEDULE NO. 4
DOCKET NO. 951234-WS

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

MONTHLY WATER RATES

RESIDENTIAL AND GENERAL SERVICE		MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:			
Meter Size.			
5/8"X3/4"	$	10.06	0.03
3/4"		15.08	0.04
1"		25.14	0.07
1-1/2"		50.28	0.14
2"		80.45	0.22
3"		160.90	0.44
4"		251.41	0.69
6"		502.83	1.37
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (7,000 GALLON MAX PER MONTH)	$	2.38	0.01

RECOMMENDED RATE REDUCTION SCHEDULE

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1995

SCHEDULE NO. 4A
DOCKET NO. 951234-WS

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

MONTHLY WASTEWATER RATES

RESIDENTIAL AND GENERAL SERVICE		MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:			
Meter Size:			
5/8"X3/4"	$	12.00	0.09
3/4"		18.00	0.13
1"		30.00	0.22
1-1/2"		60.00	0.44
2"		96.00	0.70
3"		192.00	1.39
4"		300.00	2.18
6"		599.99	4.36
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (7,000 GALLON MAX. PER MONTH)	$	2.56	0.02
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	$	3.09	0.02

DOCKET NO. : 951334-WS

ATTACHMENT A

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.

WATER TREATMENT PLANT USED AND USEFUL CALCULATION

% USED AND USEFUL = (1 + 4 + 5 - 6) / 1 = (Use 100% Used and Useful) 99.43 %

(1) Capacity of plant (16 Hr.day With 1 well/ea out of Serv.) 356,200 GPD*

(2) Maximum Daily Flow (total occurance for Oct. 16th) 333,000 GPD*

(3) Average Daily Flow (Peak Mo. of Oct/95 - 5 Day Avg) 94,000 GPD*

(4) Fire flow capacity required 120,000 GPD

(5) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average number of connections 479

(b) Average yearly customer growth for most recent 5 years 12

(c) Construction time for additional capacity (in months) 24

Margin Reserve = 5b x (5c / 12 mths) x (1 / 5a) = 11,123 GPD

(6) Excessive Unaccounted for water N/A GPD

(a) Total amount 8,996 GPD 10.96 % of Avg. Daily Flow

(b) Reasonable amount 8,196 GPD 12.96 % of Avg. Daily Flow

* This is a closed system plant. If evaluated on a gallon per minute basis, using Design Criteria, the maximum gpm would be more than double the rated capacity. While it would clearly illustrate the need to consider this utility at 100% used and useful, it would raise questions of plant integrity. Plant integrity is not compromised which is illustrated by the above result. Each plant component, when evaluated separately, are considered 100% used and useful either by regulatory mandate or by readiness to serve existing customers

Engineer assigned

signature

DOCKET NO. 851334-WS

ATTACHMENT B

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

% USED AND USEFUL	=	(1 + 2) / 3	= 70.69 %

(1) Capacity of present distribution system _ _ _ _ _ _ _ _ _ _ _ 636 ERCs

(2) Average number of ERC's to the system for the year_ _ _ 487 ERCs

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average yearly customer growth in ERC's for most recent 5 years: 13

(b) Construction time for additional capacity (in months): 24

Margin Reserve	=	3a x 3b / 12 mths	=	26 ERCs

Engineer assigned

signature

DOCKET NO : 951234-WS

ATTACHMENT C

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.
(Arredondo Farms)

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

% USED AND USEFUL =	(2 + 3 - 4) / 1	=	63.55 %

(1) Capacity of plant	68,000 GPD
(2) Average Daily Flow (Highest 5 Day Avg. in August/95)	38,400 GPD
(3) Margin Reserve (not to exceed 20% of present ERC's):	
(a) Average number of customers in ERCs	235
(b) Average yearly customer growth in ERC's for most recent 4 years	0
(c) Construction time for additional capacity (in months)	24

Margin Reserve = 3b x (3a / 12 mths) x (1 / 3a) = 2,532 GPD

(4) Excessive Infiltration		0 GPD
(a) Total amount	0 GPD	0.00 % of Avg. Daily Flow
(b) Reasonable amount	0 GPD	0.00 % of Avg. Daily Flow

Engineer assigned

signature

DOCKET NO. : 951334-SU

ATTACHMENT D

UTILITY NAME: ARREDONDO UTILITY COMPANY, INC.
(Arredondo Farms)

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(1 + 2)}{1} = 61.37\ \%$$

(1) Capacity of present collection system - - - - - - - - - - - - 387 ERC's

(2) Average number of connections to the system for the year- - 238 ERC's

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average yearly customer growth in ERC's for most recent 4 years: 8

(b) Construction time for additional capacity (in months): 24

$$\text{Margin Reserve} = 3a \times \frac{3b}{12 \text{ mths}} = 16 \text{ ERC's}$$

Engineer assigned