

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

M E M O R A N D U M

April 25, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO) *86*

FROM : DIVISION OF WATER AND WASTEWATER (OKOME, DAVIS) *PO*
DIVISION OF LEGAL SERVICES (CAPELESS) *RWC*

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

AGENDA : MAY 7, 1996 - REGULAR AGENDA - PROPOSED AGENCY
ACTION EXCEPT ISSUE NO. 10 - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES : 15-MONTH EFFECTIVE DATE : 3/15/97

SPECIAL INSTRUCTIONS: THIS IS AN INITIAL DECISION AND SHOULD BE
HEARD BY THE FULL COMMISSION

951234-WS.RWC

DOCUMENT NUMBER-DATE

04732 APR 25 96

FPSC-RECORDS/REPORTING

TABLE OF CONTENTS

<u>ISSUE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
-	Case Background	2
	<u>QUALITY OF SERVICE</u>	
1	Quality of Service (DAVIS)	3
	<u>RATE BASE</u>	
2	Used and Useful Percentages (DAVIS)	6
3	Test Year Rate Base (OKOME, DAVIS)	8
	<u>COST OF CAPITAL</u>	
4	Rate of Return (OKOME)	11
	<u>NET OPERATING INCOME</u>	
5	Test Year Operating Revenue (OKOME)	12
6	Operating Expenses (OKOME, DAVIS)	13
	<u>REVENUE REQUIREMENT</u>	
7	Revenue Requirement (OKOME)	18
	<u>RATES AND CHARGES</u>	
8	Rates and Rate Structure (OKOME, DAVIS)	19
	<u>OTHER ISSUES</u>	
9	Rate Case Expense (OKOME)	22
10	Rates in Event of Protest (OKOME, CAPELESS)	23
11	Close Docket (OKOME, CAPELESS)	26

DOCKET NO. 951234-WS
APRIL 25, 1996

ATTACHMENTS

A	Water Treatment Plant Used and Useful	27
B	Water Distribution Plant Used and Useful	28
C	Wastewater Treatment Plant Used and Useful	29
D	Wastewater Collection System Used and Useful	30

SCHEDULES DESCRIPTION

		<u>PAGE</u>
1	Water Rate Base	31
1-A	Wastewater Rate Base	32
1-B	Adjustments to Rate Base	33
2	Capital Structure	34
3	Water Operating Income	35
3-A	Wastewater Operating Income	36
3-B	Adjustments to Operating Income	37
3-C	Water O&M Expenses	38
3-D	Wastewater O&M Expenses	39
4	Water Rate Case Expense Reduction	40
4-A	Wastewater Rate Case Expense Reduction	41

CASE BACKGROUND

Arredondo Utility Corporation (Arredondo or 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, in Docket No. 920973-WS.

On August 27, 1992, the utility applied for and received a staff-assisted rate case (SARC). By Order No. PSC-93-0509-FOF-WS, issued April 5, 1993, in Docket No. 920869-WS, the Commission 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 test year operating losses 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 has 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 was also performed of the utility's operation expenses, maps, files, and rate application 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 (SJRWMD). Staff has been informed by the SJRWMD that the area encompassing Arredondo is not in a water use caution area; therefore, conservation is not an issue. This Commission has a memorandum of understanding with the Florida Water Management Districts, in which this Commission has recognized that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy. This will be discussed further in Issues 1 and 8.

DISCUSSION OF ISSUES

QUALITY OF SERVICE

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

RECOMMENDATION: Yes. The quality of service provided by Arredondo Utility Company should be considered satisfactory. (Davis)

STAFF ANALYSIS: A customer meeting was held on the evening of March 27, 1996, at the Kimbally Wiles Elementary School on Southwest 75th Street in Gainesville. Out of the 479 customers served by this utility, eleven customers attended the informal meeting. The primary concern of these customers was the nature of the water in regards to its hardness. Two other concerns of the customers were air buildup in the pipes and consistency of meter readings.

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water and wastewater utility operations: (1) quality of the utility's product (both water and wastewater service), (2) operational conditions at both plant facilities, and (3) customer satisfaction.

The latest sanitary surveys of the water treatment plants performed by the Department of Environmental Protection (DEP) occurred during April, 1995. The respective survey for each plant listed no plant-in-service violations. The utility is currently up-to-date with its required testing and analysis. All chemical analysis results were satisfactory, but did indicate that the water contains minerals that classify it as "hard" water. Due to the mineral content, the treated water provided by the utility tends to form scale deposits. While this condition may be a nuisance, it is not considered a health hazard. The treated water provided by Arredondo meets or exceeds all requirements for safe drinking water.

Operational conditions at both water plants and the wastewater plant are considered normal. Housekeeping at each of the plants are also considered normal given the age of the equipment at each plant. Nothing was noted during staff's field investigation to indicate the utility was in a practice of deferring maintenance. To the contrary, repair parts appeared to be available, shelved and easily accessible for emergencies. Equipment may not have been freshly painted, but appeared well maintained. Each of the three auxiliary power generators were test started. The response was satisfactory which indicates a readiness

DOCKET NO. 951234-WS
APRIL 25, 1996

for emergency conditions. By all appearances, operational conditions are satisfactory.

This utility is within the St. John's River Water Management District, operating under Consumptive Use Permit Numbers 2-001-0016 AUR2M (issued September 7, 1994) and 2-001-0017 AUR (issued July 12, 1994). Arredondo's service area is not in a critical use or water caution area. 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. The average test year water and wastewater consumption for individually metered residential customers was approximately 4,936 and 3,268 gallons per month respectively. 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.

Those customers who attended the customer meeting were primarily concerned over the mineral deposits on their kitchen and bath fixtures. The normal method of treating this situation is lime softening. The cost to install lime softening equipment would be anywhere from \$80,000 to \$140,000 for each of the two water treatment plants. This cost would be passed on to the customers through their rates. This solution would not be cost effective or prudent for this customer base. Each customer that finds the scaling problem beyond their tolerance limits do have other options. They could either have a local water softening company install a water softening unit (prices vary) or they could purchase for less than fifty dollars (\$50.00) a whole house filter system. Filter cartridges are replaced as necessary and can be purchased to screen for a variance of compounds, including excessive minerals.

Another concern of the customers was air in the lines. According to the utility, a situation occurred about ten (10) months ago whereby the compressor (used to regulate the air/water ratio in the hydropneumatic tank) was left running for an extended period of time by mistake. This caused a problem of excessive air in the lines and created a nuisance when customers opened their faucets. The utility has corrected the situation and does not anticipate this problem to reoccur.

For those customers who expressed that the utility had an inconsistent policy of meter reading, staff admonished the utility at the customer meeting about the rules and the responsibilities of consistent meter reading. The utility contends that when meters

DOCKET NO. 951234-WS
APRIL 25, 1996

are not read, it is because those meters are within fenced yards where the gate is locked, or the yard contained unrestrained dogs, or there was too much debris covering the meter. The utility has assured staff that every diligent effort will be made to read all meters on or around the 15th of each month. It has also prepared a flyer for the meter reader to leave at those residences where the meter was not read. This flyer informs the customer of the normal reading cycle, requests that proper access be given to the meter reader, discusses the utility's policy for billing when the meter cannot be read, and acts as a checklist to inform the customer why their meter was not read. Staff finds this a satisfactory effort by the utility.

All things considered, staff recommends that the utility's quality of service should be found to be satisfactory.

RATE BASE

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

RECOMMENDATION: The water treatment plants serving both the Estates and the Farms are 100% used and useful; Account Numbers 331 (Transmission and Distribution Mains) and 333 (Services) for both the Estates and the Farms are 70.69% used and useful with all other distribution accounts being 100% used and useful. The wastewater plant accounts should be considered 64% used and useful with the exception of Account No. 353 (Land and Land Rights) which is 100% used and useful, the wastewater collection system is 62% used and useful with the exception of account No. 363 (Services) which should be considered 100% used and useful. (Davis)

STAFF ANALYSIS: This utility's water treatment plants were calculated for used and useful by a composite of the two water plants and was 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%. Each of the plant's components, 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.

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

The wastewater treatment plant was constructed at a rated capacity of 60,000 gallons per day. The highest five-day average of daily flows, during the test year, occurred in August, 1995 and was 35,600 gpd. The used and useful formula, used as an indicator, yields a percentage of useful plant at 63.55%. It is recommended that the wastewater treatment plant be considered 64% used and useful.

DOCKET NO. 951234-WS
APRIL 25, 1996

The formula approach, used as an indicator, yields 62.27% used 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.

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

RECOMMENDATION: The average test year rate base is \$156,994 for water and \$82,748 for wastewater. (OKOME, DAVIS)

STAFF ANALYSIS: By Order No. PSC-93-0509-FOF-WS, the Commission established rate base component balances at August 27, 1992. The Commission approved the utility plant in service amount based on an original cost study done by the staff engineer and the auditor. CIAC was imputed according to Rule 25-30.570, Florida Administrative Code, because the utility did not produce competent substantial evidence as to the amount of CIAC. The utility, for this rate case, has submitted competent substantial evidence as to the amount of CIAC in the form of tax returns and documentation on the sale of the utility from C. L. Brice 1977 Trust to Arredondo. Using the information provided by the utility, staff has determined that no CIAC was collected from customers of Arredondo Farms. Plant was capitalized on the books of C. L. Brice 1977 Trust. Staff has therefore, eliminated the CIAC imputed in Order No. PSC-93-0509-FOF-WS.

Staff has selected a historical test year ended October 31, 1995 for this rate case. Staff has calculated rate base based on the original cost provided by the utility. Rate base components have been updated through October 31, 1995, to include additions and reclassifications. 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 decreased by \$5,024 for water and increased by \$39,441 for wastewater to bring the utility balance to staff's recommended 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 \$12,653 were also made. Staff's recommended adjustments result in a decrease of \$12,216 for water and \$23,194 for wastewater.

Total recommended utility plant in service is \$260,361 for water and \$200,720 for wastewater.

Land: By Order No. PSC-93-0509-FOF-WS, the Commission approved land value of \$1,474 for water and \$5,500 for wastewater. The utility's original cost reflects land value of \$3,256 for water and

DOCKET NO. 951234-WS
APRIL 25, 1996

\$6,936 for wastewater. Land value has been increased by \$1,782 for water and \$1,486 for wastewater to reflect land value at original cost.

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 (\$24,870) for water and (\$75,039) for wastewater. The average non-used and useful accumulated depreciation associated with plant is \$13,639 for water and \$34,346 for wastewater.

This results in total recommended non-used and useful plant adjustments of (\$11,231) for water and (\$40,693) 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 the original cost provided by the utility. Staff has decreased accumulated depreciation by \$12,236 for water and increased accumulated depreciation by \$1,846 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 \$5,958 for water and \$4,382 for wastewater were also made.

Total recommended average accumulated depreciation is \$100,512 for water and \$90,793 for wastewater.

Contributions-in-Aid-of-Construction (CIAC): The utility recorded CIAC of \$69,350 for water and \$77,430 for wastewater representing the amounts imputed in Order No. PSC-93-0509-FOF-WS. As previously discussed in the staff analysis, CIAC has been decreased by \$59,274 for water and \$77,430 for wastewater 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 \$7,018 for water and \$0 for wastewater.

DOCKET NO. 951234-WS
APRIL 25, 1996

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 due to imputation in Order No. PSC-93-0509-FOF-WS. Staff decreased CIAC amortization for water by \$44,201 and by \$43,249 for wastewater. Staff reduced amortization of CIAC by \$231 for water only to reflect averaging adjustments. The resulting balances are \$355 for the water systems and \$0 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 \$11,783 for water and \$6,578 for wastewater (based on O&M of \$94,261 for water and \$52,627 for wastewater).

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate balances for test year rate base are \$156,994 for water and \$82,748 for wastewater.

Rate base is shown on Schedules Nos. 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 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.

DOCKET NO. 951234-WS
APRIL 25, 1996

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 \$76,158 for water and \$35,795 for wastewater. (OKOME)

STAFF ANALYSIS: The utility recorded test year combined water systems revenue 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 \$76,158 and \$35,795 for the wastewater system. Staff has increased revenue by \$260 for water and \$259 for wastewater to reflect the appropriate test year revenue.

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

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

RECOMMENDATION: The appropriate amounts for operating expense should be \$121,220 for water and \$64,575 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 to 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 systems and \$6,793 for the wastewater system. The water systems' purchased power was increased by \$704 and the wastewater system 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 systems 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 systems 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 amounts for materials and supplies are \$2,005 for water and \$2,583 for wastewater.
- 6) Contractual Services - The utility recorded \$60,502 for the water systems 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 \$6,967 for the water systems and \$3,707 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.

Staff allowed a wastewater inspection fee for the test year of \$750.

Auxiliary power maintenance inspection expense for the test year amounted to \$1,106 for water and \$553 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 \$1,228.

A meter changeout expense of \$900 was allowed for the water systems.

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 recommends paging cost for the test year of \$172 for water and \$86 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 the utility's general ledger of \$60,502 for water and \$37,328 for wastewater.

Total adjustments for this account amounted to \$7,629 for water and (\$3,240) for wastewater. Staff recommends a contractual service expense of \$68,131 for water and \$34,088 for wastewater.

- 7) Rents - The utility recorded \$0 in this account. Staff has adjusted this amount by \$5,172 for the water systems 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 systems 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 systems 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 systems 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 commission expense for the test year. This expense has been adjusted by \$648 (\$2,592/4) for the water systems 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 systems and \$1,083 for the wastewater system. A pro forma adjustment was made to reduce the water amount by \$484 and the 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 a DEP fee for a wastewater permit. Also, an addition was made of \$1,096 to wastewater to include all audited miscellaneous expense. Therefore, this expense has been decreased by \$484 for water and by \$188 for wastewater.

Operation and Maintenance Expenses (O & M) Summary: Total operation and maintenance adjustments are \$10,802 for water and (\$6,064) for wastewater. Staff recommends operation and maintenance expenses of \$94,261 for water and \$52,627 for wastewater. Operation and maintenance expenses are shown on 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 systems and \$4,703 for the wastewater system. Applying the composite depreciation rates to the appropriate CIAC account balance offsets depreciation expense by (\$479) for the water systems and \$0 for the wastewater system. The resulting net adjustment is \$12,367 for the water systems and \$4,703 for the wastewater system.

Taxes Other Than Income: The utility recorded taxes other than income of \$8,305 for the water systems and \$4,278 for the wastewater system. Staff has adjusted this account by reducing the water and wastewater amounts by \$3,558 and \$1,302, respectively, to adjust the utility balance to staff's recommended balance.

Operating Revenues: Revenues have been adjusted by \$60,642 for water and \$36,992 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

DOCKET NO. 951234-WS
APRIL 25, 1996

\$2,729 for water and \$1,665 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 \$121,220 for water and \$64,575 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 \$136,800 for water and \$72,787 for wastewater. (OKOME)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of \$60,642 (79.63%) for the water systems and \$36,992 (103.34%) 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:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$ 156,994	\$ 82,748
Rate of Return	<u>x .0992</u>	<u>x .0992</u>
Return on Investment	\$ 15,580	\$ 8,212
Adjusted Operation Expenses	94,261	52,627
Net Depreciation Expense	12,367	4,703
Taxes Other Than Income Taxes	14,592	7,245
Revenue Requirement	<u>\$ 136,800</u>	<u>\$ 72,787</u>
Annual Revenue Increase	\$ 60,642	\$ 36,992
Percentage Increase	<u>79.63%</u>	<u>103.34%</u>

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 \$136,800 for water and \$72,787 for wastewater using the base facility charge rate structure. The approved 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 should 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. 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. Arredondo is not in a critical use or water caution area.

The Commission approved the current tariff by Order No. PSC-93-0509-POP-WS. 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:

WATER RATES

MONTHLY

Residential and General Service

Base Facility Charge

<u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Staff's Recommended Rates</u>
5/8" x 3/4"	\$ 7.34	\$ 12.71
3/4"	11.01	19.06
1"	18.34	31.77
1 1/2"	36.70	63.54
2"	58.72	101.67
3"	117.45	203.34
4"	183.52	317.71
6"	367.04	635.42

Gallonge Charge

Per 1,000 Gallons	\$ 1.05	\$ 2.17
-------------------	---------	---------

WASTEWATER RATES

MONTHLY

Residential and General Service

Base Facility Charge

<u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Staff's Recommended Rates</u>
5/8" x 3/4"	\$ 7.74	\$ 13.40
3/4"	11.60	20.10
1"	19.35	33.49
1 1/2"	38.71	66.99
2"	61.94	107.18
3"	123.88	214.36
4"	193.57	334.93
6"	387.14	669.87

RESIDENTIAL GALLONAGE CHARGE

Per 1,000 Gallons	\$ 0.95	\$ 3.11
(7,000 gallons max.)		

GENERAL SERVICE GALLONAGE CHARGE

	\$ 0.95	\$ 3.73
--	---------	---------

DOCKET NO. 951234-WS
APRIL 25, 1996

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 recommended rates are as follows:

Average bill using recommended rates	\$ 23.42
Average bill using existing rates	<u>(12.52)</u>
Increase in average bill	\$ 10.90
Percentage increase in average bill	= 87.06 (\$10.90/\$12.52)

The average number of gallons of wastewater billed for individually metered residential customers was also 3,208 gallons per month. A schedule of an average bill for a residential customer based on existing rates and staff's recommended rates are as follows:

Average bill using recommended rates	\$ 23.56
Average bill using existing rates	<u>(10.84)</u>
Increase in average bill	\$ 12.72
Percentage increase in bill	= 117.34% (\$12.72/\$10.84)

Staff's recommended rates are designed to produce revenue of \$136,800 for water and \$72,787 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 should 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.

OTHER ISSUES

ISSUE 9: 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 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 Schedules 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 customer 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 should 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 10: 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 should 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 \$67,439. 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 a 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 Cosentino 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 a 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

DOCKET NO. 951234-WS
APRIL 25, 1996

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 should indicate the amount of revenue collected under the increased rates.

DOCKET NO. 951234-WS
APRIL 25, 1996

ISSUE 11: 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 the 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.

ATTACHMENT A

WATER TREATMENT PLANT

USED AND USEFUL DATA

(Integrated System)

- 1) Capacity of Plant = 355,200 GPD *
- 2) Maximum Daily Flow
(Total occurrence for Oct 16th) = 222,000 GPD *
- 3) Average Daily Flow
(Peak Mo. of Oct/95 - 5 day average) = 94,080 GPD *
- 4) Fire Flow Capacity = 120,000 GPD *
- 5) Margin Reserve (not to exceed 20% of Average GPM):
 - a) Average number of customers = 479
 - b) Average Customer Growth in ERC's
for most Recent 5 Years = 12
 - c) Construction Time for Additional
Capacity = 2.0 Years

Margin Reserve = $5b \times 5c \times \frac{2}{5a}$ = 11,123 GPD *
- 6) Excessive Unaccounted for Water = none GPD *
 - a) Total Amount 5,996 GPM = 10.9 % of Av. GMP Flow
 - b) Reasonable Amount 6,100 GPM = 12.5 % of Av. GMP Flow

PERCENT USED AND USEFUL FORMULA

$$\frac{2 + 4 + 5 - 6}{1} = \underline{99.42} \% \text{ Used and Useful}$$

* This is a closed system. To evaluate its readiness to serve on a gallon per minute (GPM) basis may be more appropriate, however, a 100% usefulness of plant can be illustrated on a gallon per day basis.

DOCKET NO. 951234-WS
APRIL 25, 1996

ATTACHMENT B

WATER DISTRIBUTION SYSTEM

USED AND USEFUL DATA

1) Capacity 638 ERC's (Number of potential customers without expansion)

2) Average number of **TEST YEAR** Connections 427 ERC's day

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 ERC's

c) Construction Time for Additional Capacity 2 Years

(a) x (b) = 12.5 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{70.69} \% \text{ Used and Useful}$$

DOCKET NO. 951234-WS
APRIL 25, 1996

ATTACHMENT C

WASTEWATER TREATMENT PLANT

USED AND USEFUL DATA

- 1) Capacity of Plant 60,000 gallons per day
2) Average Daily Flow 35,600 gallons per day
3) Margin Reserve (Not to exceed 20% of present customers)
a) Average number of customers in ERC's 225 ERC's
b) Customer yearly customer growth in ERC's
for Most Recent 5 Years Including Test Year 8 ERC's
c) Construction Time for Additional Capacity 2 Years

$$(b) \times (c) \times \left[\frac{3}{(a)} \right] = \underline{2,532} \text{ gallons per day}$$

- 4) Excessive Infiltration N/A gallons per day
a) Total Amount N/A gallons per day N/A % of Av. Daily Flow
b) Reasonable Amount N/A gallons per day N/A % of Av. Daily Flow
c) Excessive Amount N/A gallons per day N/A % of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\frac{(3) + (5)}{1} = \underline{63.55} \% \text{ Used and Useful}$$

ATTACHMENT D

WASTEWATER COLLECTION SYSTEM

USED AND USEFUL DATA

- 1) Capacity of present collection system 426 ERC's
- 2) Average number of connections for the Test Year 426 ERC's
- 3) Margin Reserve (not to exceed 20% of present ERC's):
- a) Average Yearly Customer Growth in
ERC's for Most Recent 5 8
- c) Construction Time for Additional
Capacity 2 Years

ERC's Margin Reserve

(a) x (b) = 16

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{62.27} \% \text{ Used and Useful}$$

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 STAFF
UTILITY PLANT IN SERVICE	\$ 272,577	\$ (12,216) A	\$ 260,361
LAND/NON-DEPRECIABLE ASSETS	1,474	1,782 B	3,256
NON USED & USEFUL PLANT	0	(11,231) C	(11,231)
ACCUMULATED DEPRECIATION	(125,350)	24,838 D	(100,512)
CIAC	(69,350)	62,332 E	(7,018)
AMORTIZATION OF CIAC	44,787	(44,432) F	355
WORKING CAPITAL ALLOWANCE	0	11,783 G	11,783
WATER RATE BASE	\$ 124,138	\$ 32,856	\$ 156,994

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	\$ 23,194 A	200,720
LAND/NON-DEPRECIABLE ASSETS	5,450	1,486 B	6,936
NON USED & USEFUL PLANT	0	(40,693) C	(40,693)
ACCUMULATED DEPRECIATION	(96,790)	5,997 D	(90,793)
CIAC	(77,430)	77,430 E	0
AMORTIZATION OF CIAC	43,249	(43,249) F	0
WORKING CAPITAL ALLOWANCE	0	6,578 G	6,578
WASTEWATER RATE BASE	\$ 52,005	\$ 30,743	\$ 82,748

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

SCHEDULE NO 18
 DOCKET NO 951234-W5

	WATER	W. STEWATER
A UTILITY PLANT IN SERVICE		
1 To bring utility balance to staff's recommended balance	\$ (5,024)	\$ 39,441
2 To retire pick-up truck from plant	(6,976)	(3,594)
3 To include staff recommended pro forma	3,602	0
4 To reflect averaging adjustment	(3,818)	(12,653)
	<u>\$ (12,216)</u>	<u>\$ 23,194</u>
B LAND		
1 To reflect cost per original cost	<u>\$ 1,782</u>	<u>\$ 1,486</u>
C NON-USED & USEFUL PLANT		
1 To reflect average non-used & useful plant	\$ (24,870)	\$ (75,039)
2 To reflect average non-used & useful accumulated depreciation associated with non-used & useful plant	13,639	34,346
3 To reflect average non-used & useful accumulated amortization of CIAC	0	0
4 To reflect average non-used & useful CIAC	0	0
	<u>\$ (11,231)</u>	<u>\$ (40,693)</u>
D ACCUMULATED DEPRECIATION		
1 To bring accumulated depreciation to correct amount	\$ 12,236	\$ (1,864)
2 To retire pick-up truck from plant	6,976	3,594
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	5,958	4,382
	<u>\$ 24,836</u>	<u>\$ 5,997</u>
E CIAC		
1 To bring CIAC to correct amount	\$ 59,274	\$ 77,430
2 To reflect averaging adjustment	3,058	0
	<u>\$ 62,332</u>	<u>\$ 77,430</u>
F AMORTIZATION OF CIAC		
1 To bring CIAC amortization to correct amount	\$ (44,201)	\$ (43,249)
2 To reflect averaging adjustment	(231)	0
	<u>\$ (44,432)</u>	<u>\$ (43,249)</u>
G WORKING CAPITAL ALLOWANCE		
1 To reflect 1/8 of test year O & M expenses	<u>\$ 11,783</u>	<u>\$ 8,678</u>

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

SCHEDULE NO 2
 DOCKET NO 951234-WS

	<u>PER UTILITY</u>	<u>STAFF ADJUST. TO UTIL BAL.</u>	<u>BALANCE PER STAFF</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 327,677	\$ (92,493)	\$ 235,184	98.10%	10.00%	9.81%
COMMON EQUITY	(208,553)	208,553	0	0.00%	11.88%	0.00%
CUSTOMER DEPOSITS	6,350	(1,792)	4,558	1.90%	6.00%	0.11%
TOTAL	\$ 125,474	\$ 114,268	\$ 239,742	100.00%		9.92%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
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 STAFF
OPERATING REVENUES	\$ 75,898	\$ 280 A	\$ 76,158	\$ 60,842 F	\$ 136,800
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	83,459	10,802 B	94,261	0	94,261
DEPRECIATION	10,963	1,883 C	12,846	0	12,846
AMORTIZATION	0	(479) D	(479)	0	(479)
TAXES OTHER THAN INCOME	8,305	3,558 E	11,863	2,729 G	14,592
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	102,727	\$ 15,764	\$ 118,491	\$ 2,729	\$ 121,220
OPERATING INCOME/(LOSS)	\$ (26,829)		\$ (42,333)		\$ 15,580
WATER RATE BASE	\$ 124,138		\$ 156,994		\$ 156,994
RATE OF RETURN	-21.61%		-26.86%		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 STAFF
OPERATING REVENUES	\$ <u>35,536</u>	\$ <u>259</u> A	\$ <u>35,795</u>	\$ <u>36,992</u> F	\$ <u>72,787</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	58,691	(6,064) B	52,627	0	52,627
DEPRECIATION	23,021	(18,318) C	4,703	0	4,703
AMORTIZATION	0	0 D	0	0	0
TAXES OTHER THAN INCOME	4,278	1,302 E	5,580	1,665 G	7,245
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>85,990</u>	\$ <u>(23,080)</u>	\$ <u>62,910</u>	\$ <u>1,665</u>	\$ <u>64,575</u>
OPERATING INCOME/(LOSS)	\$ <u>(50,454)</u>		\$ <u>(27,115)</u>		\$ <u>8,212</u>
WASTEWATER RATE BASE	<u>52,005</u>		\$ <u>82,748</u>		\$ <u>82,748</u>
RATE OF RETURN	<u>-97.02%</u>		<u>-32.77%</u>		<u>9.92%</u>

ANREDONDO UTILITY COMPANY INC.
 TEST YEAR ENDING OCTOBER 31, 1988
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 38
 CHECK# NO. 881234-WB

	WATER	WASTEWATER
A OPERATING REVENUES		
1 To adjust test year revenue to test year customers and consumption through billing analysis	\$ 265	\$ 259
B OPERATION AND MAINTENANCE EXPENSES		
1 Sludge Removal Expense		
a To bring sludge removal expense to the proper amount	\$ 0	\$ 89
2 Purchased Power		
a To bring purchased power to correct amount	\$ 704	\$ 2
3 Fuel for Power Production		
a To reflect the proper amount for fuel for power production	\$ 297	\$ 149
4 Chemicals		
a To bring chemical expense to proper amount	\$ 188	\$ 95
5 Materials and Supplies		
a To reconcile with audited amount	\$ (1,840)	\$ (5,251)
b To reflect reimbursed amounts	(488)	(89)
	\$ (2,328)	\$ (5,340)
6 Contractual Services		
a To record metering and ground-keeping amount	\$ 720	\$ 1,380
b To record operator services amount	6,867	3,707
c To record distribution/collection repair amounts	9,517	4,079
d To record wastewater inspection fee for the test year	0	790
e To record auxiliary power maintenance inspection exp	1,108	563
f To record wastewater plant cleaning, dirt and grit removal account	0	790
g To bring DEP required testing to correct amount	5,712	1,228
h To record meter changeout expenses for the test year	800	0
i To record accounting and legal fees for the test year	3,489	1,790
j To record answering service fee for the test year	264	138
k To record interlink Paging cost for the test year	172	88
l To include management contract	38,283	19,647
m To remove contractual service per utility books	(80,502)	(37,328)
	\$ 7,828	\$ (3,240)
7 Rent		
a To record rent expense for the test year	\$ 5,172	\$ 2,506
8 Transportation Expense		
a To record transportation expense for the test year	\$ 950	\$ 725
9 Insurance Expense		
a To record insurance expense for the test year	\$ (2,135)	\$ (1,284)
10 Regulatory Commission Expense		
a To include Rm fee amortized over 4 years	\$ 848	\$ 385
	\$ 848	\$ 385
11 Miscellaneous Expense		
a To remove mobile phone charges from miscellaneous exp	\$ (484)	\$ (249)
b To remove non-deductible charitable contributions	0	(235)
c To record DEP fee for wastewater permit	0	(400)
d To include all audited miscellaneous expenses	0	1,086
	\$ (484)	\$ (798)
TOTAL O & M ADJUSTMENTS	\$ (10,802)	\$ (8,654)
C DEPRECIATION EXPENSE		
1 To adjust utility balance to match depreciation rates set forth in Rule 25-30.140	\$ 1,892	\$ (18,318)
D AMORTIZATION EXPENSE		
1 To adjust utility balance to staff calculated balance	\$ (479)	\$ 0
E TAXES OTHER THAN INCOME		
1 To Adjust utility balance to staff calculated balance	\$ 2,358	\$ 1,392
F OPERATING REVENUES		
1 To reflect staff's recommended increase in revenue	\$ 80,842	\$ 78,892
G TAXES OTHER THAN INCOME		
1 To reflect additional regulatory assessment fee associated with recommended revenue requirement	\$ 2,729	\$ 1,885

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

SCHEDULE NO. 3C
 DOCKET NO. 951234-WS

	<u>TOTAL</u> <u>PER UTIL.</u>	<u>STAFF</u> <u>ADJUST.</u>	<u>TOTAL</u> <u>PER STAFF</u>
(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	7,148	704 [2]	7,850
(616) FUEL FOR POWER PRODUCTION	153	297 [3]	450
(618) CHEMICALS	825	159 [4]	784
(620) MATERIALS AND SUPPLIES	4,143	(2,138) [5]	2,005
(630) CONTRACTUAL SERVICES	60,502	7,629 [6]	68,131
(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	1,481
(675) MISCELLANEOUS EXPENSES	2,909	(484) [11]	2,425
	\$ 83,459	\$ 10,802	\$ 94,261

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	78	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	(3,240)[6]	34,088
(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	\$ (6,064)	\$ 52,627

RECOMMENDED RATE REDUCTION SCHEDULE

ARREDONDO UTILITY COMPANY, INC.
TEST YEAR ENDING OCTOBER 31, 1985

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

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE.		
Meter Size:		
5/8"X3/4"	\$ 12.71	0.03
3/4"	19.06	0.05
1"	31.77	0.08
1-1/2"	63.54	0.16
2"	101.67	0.25
3"	203.34	0.51
4"	317.71	0.80
6"	635.42	1.59
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (7,000 GALLON MAX. PER MONTH)	 \$ 2.17	 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	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size		
5/8"X3/4"	\$ 13.40	0.08
3/4"	20.10	0.12
1"	33.49	0.20
1-1/2"	66.99	0.41
2"	107.18	0.65
3"	214.36	1.30
4"	334.93	2.04
6"	669.87	4.08
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (7,000 GALLON MAX. PER MONTH)	 \$ 3.11	 0.02
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	 \$ 3.73	 0.02

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE

TALLAHASSEE, FLORIDA 32301

(904) 877-6655

CHRIS H. BENTLEY PA
JENNIFER S. BRUBAKER
F. MARSHALL DETERONCO
DRIAN L. DOETB
MARTIN S. FRIEDMAN PA
JOHN R. JENKINS PA
STEVEN T. MINDLIN PA
ROBERT M. C. ROSE
WILLIAM E. SUNDSTROM PA
DANNE O. TREMPER PA
JOHN L. WHARTON

MAILING ADDRESS:
POST OFFICE BOX 1167
TALLAHASSEE, FLORIDA 32302-1167
TELECOPIER (904) 856-4179

June 10, 1996

VIA HAND DELIVERY

Mr. Troy Rendell
Division of Water and Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Arredondo Utility Corporation, Inc.; PSC Docket No. 951234-WS
Application for Staff Assisted Rate Increase
Our File No. 30034.01

Dear Troy:

In accordance with the requirements of Commission Order No. PSC-96-0728-FOF-WS, issued in the above referenced docket, I am attaching hereto our proposed customer notice and tariff sheets in order to incorporate the rates approved in that order should this order go unprotested.

If the order does become protested, in accordance with its terms, these rates will go into effect on an interim basis pending the outcome of the case.

ACK _____ Therefore, regardless of whether the order is protested or
AFA 1 not, we request that the rate schedules attached be approved either
AFP _____ as temporary or as final rates and be stamped approved on June 21,
CAF _____ 1996 (the day after expiration of the protest period). If you will
CIT _____ call me and let me know when those tariffs are available on June
COT _____ 21st, we will send someone over to pick them up immediately.

_____ In the meantime, we need to prepare to send the attached
_____ customer notice out in the event the matter is not protested. We
EAF _____ have also attached a draft customer notice which will be utilized
I _____ in order to implement the rates on a temporary basis if a protest
_____ is received by the due date. Please review these customer notices
_____ and let me know as soon as possible whether the Staff is in
_____ agreement with the wording of them so that we can prepare to send

DOCUMENT NUMBER-DATE

U6249 JUN 10 8

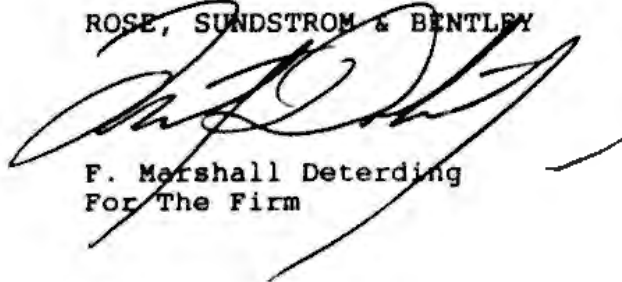
FPSC-RECORDS/REPORTING

Mr. Troy Rendell
June 10, 1996
Page 2

one of them out immediately after expiration of the protest period
or immediately after protest.

Sincerely,

ROSE, SUNDSTROM & BENTLEY



F. Marshall Deterding
For The Firm

FMD/lts
Enclosures

cc: Blanca S. Bayo, Director (R&R)
Charles H. Hill, Director (W&WW)
Roli Okome (W&WW)
Ms. Stephanie Wallen
Robert C. Nixon, CPA

NAME OF COMPANY Arredondo Utilities Co., Inc.

WATER TARIFF

**GENERAL SERVICE
RATE SCHEDULE GS**

AVAILABILITY - Available throughout the area served by the Company.

APPLICABILITY - For water service to all customers for which no other schedule applies.

LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - Monthly

RATE - Base Facility Charge

Meter Sizes:

3/4 x 5/8"	\$ 12.71
3/4"	19.06
1"	31.77
1 1/2"	63.54
2"	101.67
3"	203.34
4"	317.71
6"	635.42

Gallage Charge
per 1,000 gallons \$ 2.17

Note: the base facility charge includes no gallage

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days' written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued

EFFECTIVE DATE - June _____, 1996

TYPE OF FILING - 1996 Staff-Assisted Rate Case

Thomas P. Hicks, Jr.
ISSUING OFFICER

NAME OF COMPANY Arredondo Utilities Co., Inc.

WATER TARIFF

RESIDENTIAL SERVICE
RATE SCHEDULE RS

AVAILABILITY - Available throughout the area served by the Company.

APPLICABILITY - For water service for all purposes in private residences and individually metered apartment units.

LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - Monthly

RATE - **Base Facility Charge**

Meter Sizes:

3/4 x 5/8"	\$ 12.71
3/4"	19.06
1"	31.77
1 1/2"	63.54
2"	101.67
3"	203.34
4"	317.71
6"	635.42

Gallonage Charge
per 1,000 gallons \$ 2.17

Note: the base facility charge includes no gallonage

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days' written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued

EFFECTIVE DATE - June _____, 1996

TYPE OF FILING - 1996 Staff-Assisted Rate Case

Thomas P. Hicks, Jr.
ISSUING OFFICER

NAME OF COMPANY Arredondo Utilities Co., Inc.

WATER TARIFF

HELD FOR FUTURE USE

NAME OF COMPANY Arredondo Utilities Co., Inc.

WATER TARIFF

HELD FOR FUTURE USE

NAME OF COMPANY Arredondo Utilities Co., Inc.

WASTEWATER TARIFF

GENERAL SERVICE
RATE SCHEDULE GS

AVAILABILITY - Available throughout the area served by the Company.

APPLICABILITY - For wastewater service to all customers for which no other schedule applies.

LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - Monthly

RATE - Base Facility Charge

Meter Sizes:

3/4 x 5/8"	\$ 13.40
3/4"	20.10
1"	33.49
1 1/2"	66.99
2"	107.18
3"	214.36
4"	334.93
6"	669.87

Gallage Charge
per 1,000 gallons
(No Maximum) \$ 3.73

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days' written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.

EFFECTIVE DATE - June _____, 1996

TYPE OF FILING - 1996 Staff-Assisted Rate Case

Thomas P. Hicks, Jr.
ISSUING OFFICER

NAME OF COMPANY Arredondo Utilities Co., Inc.

WASTEWATER TARIFF

RESIDENTIAL SERVICE
RATE SCHEDULE RS

AVAILABILITY - Available throughout the area served by the Company.

APPLICABILITY - For wastewater service for all purposes in private residences and individually metered apartment units.

LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - Monthly

RATE - **Base Facility Charge**

Meter Sizes:

3/4 x 5/8"	\$ 13.40
3/4"	20.10
1"	33.49
1 1/2"	66.99
2"	107.18
3"	214.36
4"	334.93
6"	669.87

Gallage Charge
per 1,000 gallons \$ 3.11
(Maximum charge of 7,000 gallons)

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days' written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.

EFFECTIVE DATE - June _____, 1996

TYPE OF FILING - 1996 Staff-Assisted Rate Case

Thomas P. Hicks, Jr.
ISSUING OFFICER

NAME OF COMPANY Arredondo Utilities Co., Inc.

WASTEWATER TARIFF

HELD FOR FUTURE USE

ARREDONDO UTILITY CORPORATION, INC.

CUSTOMER NOTICE

On October 17, 1995, Arredondo Utility Corporation, Inc., applied to the Florida Public Service Commission (PSC) for increased water and wastewater service rates.

At its regularly scheduled Agenda Conference held on May 7, 1996, the Florida Public Service Commission authorized a portion of the requested increases in water and wastewater rates designed to allow Arredondo Utility Corporation, Inc. the opportunity to recover costs for providing service and a reasonable rate of return on its investment in facilities necessary to provide such water and wastewater services.

The Commission issued Order No. PSC-96-0728-FOF-WS on May 30, 1996, reflecting this decision. That Order has now been protested and under the terms of the Order, those rates may now be implemented on a temporary basis, subject to refund with interest, depending on the Commission's final decision in this proceeding. Customers will be notified of the time and place of future hearings in this regard.

The temporary rates for water and wastewater service listed on the back of this customer notice are effective for meter readings 30 days on or after the stamped approval date of the tariffs.

If you have any questions concerning this matter, please contact the Utility's office and have your account number available.

Sincerely,

Arredondo Utility Corporation, Inc.

CUSTOMER NOTICE

As you are probably aware, Arredondo Utility Corporation, Inc., recently filed a request for an increase in water and wastewater rates with the Florida Public Service Commission. After thorough review, analysis and adjustment by the Commission in its Docket No. 951234-WS, Order No. PSC-96-0728-FOF-WS was issued on May 28, 1996 and that Order has now become final.

The Commission approved rates from that Order are listed on the back of this Notice.

The new rates and charges will be effective for service rendered on or after the stamped approval date on the revised tariffs. That date should be sometime at or near the end of June, 1996.

If you have any questions with regard to your bill or these new rates, please call (352) 372-7736. Please have your account number available when you call.

ARREDONDO UTILITY CORPORATION, INC.