

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-)	DOCKET NO.	900246-SU
assisted rate case in Pinellas)	ORDER NO.	23807
County by RANCH MOBILE WWTP, INC.)	ISSUED:	11-27-90
_____)			

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

FINAL ORDER GRANTING TEMPORARY RATES
IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

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

CASE BACKGROUND

Ranch Mobile WWTP, Inc. (utility) is a Class "C" utility located in Pinellas County. The utility has three customers, Ranch Mobile, Down Yonder, and Twin Palms Mobile Home Parks. The utility purchases wastewater treatment services from the City of Largo and passes on the services and costs to its three customers. The mobile home parks charge their residents a monthly fee which includes a charge for wastewater treatment.

DOCUMENT NUMBER-DATE

10544 NOV 27 1990

FPSC-RECORDS/REPORTING

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In 1986, the Department of Environmental Regulation (DER) had cited the utility for failure to meet or exceed requirements for wastewater treatment. The principals of the utility were faced with two choices: they could either undertake a reconstruction project to upgrade the plant to meet treatment standards, or interconnect with the City of Largo. A consulting engineer for the utility recommended interconnection as the most cost effective approach. However, due to the majority of the customers being opposed to the interconnection with the City, the decision to do so was deferred until the utility had exercised all other options and the situation became imperative. The interconnection was completed around October of 1988.

On April 3, 1990, the utility filed for this staff assisted rate case and has paid the appropriate filing fee. The test year for this proceeding is the year ended May 31, 1990. The utility provided wastewater service to 866 mobile homes during the test year. Ranch Mobile has 488 mobile homes; Down Yonder has 229 mobile homes and Twin Palms has 149 mobile homes. During the test year the utility recorded revenue of \$61,486 and \$80,482 of operating expenses, resulting in a loss of \$18,986.

A civil law suit is pending in the Circuit Court of Pinellas County. Down Yonder and Twin Palms are seeking damages from Ranch Mobile, Inc. for alleged failure to provide wastewater services allegedly agreed to in a contract. Ranch Mobile is seeking reimbursement from Down Yonder and Twin Palms for their respective portions of the interconnection charges being paid to the City of Largo. This Order does not in any respect purport to decide whether Ranch Mobile, Inc. violated that contract, or is liable for damages. Cohee v. Crestwood Utilities, Corp., 324 So.2d 155, 158 (Fla. 2nd DCA 1975).

QUALITY OF SERVICE

On March 31, 1983, Ranch Mobile Inc. purchased the wastewater treatment plant from Midway Service Corporation and assumed all responsibilities, liabilities, and commitments that Midway had entered into with DER. The residents of Ranch Mobile could not agree with annexation of their mobile home park to the City of Largo because of the resulting increase in taxes and the disbelief that annexation was the optimum solution.

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On January 26, 1984, a DER representative performed a compliance inspection. The wastewater treatment plant, under new management, was still not in compliance. The principals of the utility were not able to meet the schedules agreed upon in a Consent Order signed by them on June 6, 1983. This lack of compliance resulted in a \$1,300 penalty assessed by DER and paid by the utility on February 23, 1984. At this point, the utility had committed to DER that the existing discharge method would be eliminated by an extended April 1, 1984 deadline. By letter, dated March 14, 1984, the utility's engineer explained that the April first deadline would not be met. In addition, the letter recommended that the utility pursue the purchase of a specified 5.83 acre tract of land for an on-site containment of the plant's effluent by percolation/evaporation ponds.

The purchase of the 5.83 acres occurred and the ponds were placed into operation on July 31, 1984. The ponds are located approximately one and one-half miles from the service area which required the construction of a pumping station along with approximately 8,000 linear feet of force main. Other plant upgrades were also necessary. Before the plant upgrades were complete, the ponds began failing and overflowing into the adjacent drainage ditch.

The soil composition on which the ponds were constructed would not allow the effluent to adequately percolate into the ground. The ponds did not function adequately. A modification was made in an attempt to salvage the situation by constructing parallel trenches two feet wide and three feet deep in the bottom of the ponds. These did not function adequately. All attempts to comply with DER requirements were only partially successful, and full compliance was not accomplished.

On March 19, 1986, DER issued a temporary operating permit providing the utility with two options: either connect to the City of Largo or upgrade the plant to include an on-site containment of the effluent. The utility was faced with a dilemma. The utility's principals decided that the only feasible way to comply with DER's mandate would be to interconnect with the City of Largo. By October 1988, the interconnection was complete. The decision to interconnect with the City of Largo was a reasonable alternative and within the bounds of discretion of the utility's principals.

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On September 27, 1990, our staff conducted a customer meeting at the Ranch Mobile Clubhouse, Largo, Florida, to allow customers to provide testimony regarding the quality of service being provided by the utility and to ask questions about other issues as well. Approximately 125 residents and an attorney representing Down Yonder and Twin Palms attended the meeting. Six residents and the attorney representing Down Yonder and Twin Palms testified. One resident testified that the quality of service was fine before the plant got to the point where it could not operate. There was no additional testimony regarding quality of service. The majority of customer concerns were regarding the prudence of the interconnection with the City of Largo and staff's proposed surcharge to permit the utility to recover the inter-connection charges it is paying to the City of Largo. The surcharge is addressed under the "Rates and Charges" section of this Order.

The utility has no complaints on file from its customers. Plant and plant operations are now the responsibility of the City of Largo and no longer under this Commission's jurisdiction. However, based on the foregoing, we find the quality of service concerning that portion of the utility remaining under our jurisdiction to be satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The utility has interconnected with the City of Largo and retired all of its plant. Therefore, no used and useful determination is necessary.

Land

By Order No. 16730, issued October 15, 1986, the Commission established the utility's land valuation at \$1,000. When the

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utility interconnected with the City of Largo it retired all plant assets except land and the collection system. The City of Largo has installed a lift station on this land, owned and operated by the City. The utility has granted the City easement rights. The land itself has no usefulness for utility operations. Therefore we have adjusted the land account by a negative \$1,000 to reflect land as non-used and useful. The land value is zero for rate setting purposes.

Working Capital

Working capital represents investor supplied funds necessary to meet operating expenses of the utility. There is normally a time lag between the point when services are rendered (and the related operating costs are incurred) and the point when revenues to recover such costs are received. Following Commission practice and consistent with Rule 25-30.443, Florida Administrative Code, (Form PSC/WAS 18), the one-eighth of operation and maintenance expense formula shall be used for calculating working capital allowance in this proceeding. Applying that formula, we find that the appropriate working capital allowance is \$8,051.

Test Year Rate Base

The utility's prior rate base at June 30, 1985 was established by Order No. 16730, issued October 15, 1986. The audit for this rate case presented updated balances of all rate base components through May 31, 1990.

As previously stated, the utility interconnected with the City of Largo. The utility retired all of its plant assets, except the land valued at \$1,000, and the collection system. The collection system is contributed plant as established by Order No. 16730. Each park maintains its own collection lines. Contributions-in-Aid-of-Construction (CIAC) is not a utility investment. Therefore, we have adjusted CIAC by \$248,674 and amortization of CIAC by a negative \$53,069 to reflect the utility's post-retirement investment resulting from its interconnection with the City of Largo. When plant assets were retired, the utility incurred an immaterial loss. The utility did not request to recoup the loss and no adjustment has been made.

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The utility has retired all of its investment based assets. Accordingly, the only component that we will allow in the utility's ratebase is the working capital allowance of \$8,051.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustment which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order.

Return on Equity

The utility's capital structure includes averaged advances from Ranch Mobile, Inc. to the utility of \$297,525 and common equity of \$500. The utility recorded the advances from Ranch Mobile, Inc. as long term debt. It is Commission policy to consider these advances are common equity. Accordingly, the utility's capital structure is 100 percent equity. Using the leverage formula approved in Docket No. 900006, Order No. 23318, issued August 7, 1990, the utility's allowable return on equity is 11.50 percent, with a range of 10.50 percent to 12.50 percent.

Overall Rate of Return

We have reconciled the utility's capital structure with the approved rate base. Accordingly, we find the appropriate overall rate of return to be 11.50 percent.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, with our adjustments itemized on Schedule No. 3-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenue

During the test year the utility billed each mobile home the rates charged by the City of Largo, \$5.65 per month for Ranch

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Mobile and Down Yonder, and \$7.20 per month for Twin Palms. Down Yonder and Twin Palms have refused to pay the rates being charged by the City and, instead, have paid the Commission's previously approved rates of \$6.31 per month. The utility has paid the shortfall in revenues. The utility received test year revenues of \$61,486 based on rates charged by the City of Largo. We have adjusted test year revenue by \$4,088 to reflect revenue based on Commission approved rates and hereby approve test year revenue of \$65,574.

Operation and Maintenance Expenses (O & M)

The utility recorded \$79,445 of O & M expenses for the test year. Since the utility has retired its plant and interconnected with the City of Largo, the majority of test year expenses are non-recurring. We have reviewed test year expenses, determined those expenses necessary for the operation of the utility and made adjustments accordingly. A summary of adjustments follows.

1). Adjustments for Non-recurring Expenses - Since the utility's plant is no longer operational, we have decreased this expense as follows:

A) Salaries and wages	- \$2,500
B) Sludge removal	- \$3,625
C) Purchased power	- \$ 284
D) Materials and supplies	- \$ 499

2). Contractual Services - The utility incurred contractual service expenses of \$9,983. This expense includes \$9,783 in legal expenses associated with the utility's circuit court case and \$200 for two months of contractual bookkeeping service. We have decreased this expense by \$9,783 to remove non-recurring legal expenses. The utility's bookkeeper is responsible for maintaining the utility's books and records, handles Commission correspondence and reports information to the utility's principals. The bookkeeper's contractual allowance is \$1,200 annually. We find the amount to be reasonable and have increased this expense by \$1,000 to reflect an annual allowance of \$1,200. The utility also pays an outside accountant \$250 for completing the annual report required by the Commission; this reasonable expense has been increased by \$250. The total increase to contractual service expense is \$8,533.

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3). Regulatory Commission Expense and Rate Case Filing Fee - The utility charged a \$50 regulatory assessment fee to the wrong account and did not amortize the \$1,000 rate case filing fee. The only rate case expense incurred by the utility for this rate case was the \$1,000 filing fee. We have decreased the regulatory assessment fees by \$50 to reflect proper reclassification to "taxes other than income taxes." Following the requirement of Section 367.0816, Florida Statutes, the appropriate recovery period for the \$1,000 rate case fee is four years. This expense has been decreased by \$750 to remove the unamortized portion of the filing fee and to allow for four years an annual rate case expense of \$250. The total decrease for regulatory commission expense is \$800.

4. Miscellaneous Expense - The utility shares office space with Ranch Mobile, Inc. and pays \$100 per month for the use of office space, telephone and utilities. This expense is reasonable. Thus, the total annual increase for miscellaneous expense is \$1,200.

REVENUE REQUIREMENT

Based upon the utility's books and records and the adjustments discussed above, we find that the appropriate revenue requirement is \$68,579. This revenue requirement represents an annual increase in revenue of \$3,005, or 4.58 percent. This will allow the utility to recover its expenses and allow it an opportunity to earn an 11.50 percent return on its rate base.

RATES AND CHARGES

The rates herein have been set to allow the utility the opportunity to recover its expenses and earn an 11.50 percent return on its rate base.

The utility currently employs a flat rate structure. The utility purchases wastewater treatment services from the City of Largo. This service and costs are passed on to the utility's customers, which are three unmetered mobile home parks. Under these circumstances, we find that the flat rate structure should be retained.

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The City of Largo charges the utility \$5.65 per month for each mobile home inside of the City and \$7.20 per month for each mobile home outside of the City. Ranch Mobile and Down Yonder mobile home parks are located inside of the City. Twin Palms mobile home park is located outside of the City. All three parks are built-out. Rates have been calculated for customers inside and outside of the City based on the purchased wastewater treatment charged by the City of Largo and the number of mobile homes in each park. We find the following rates to be fair, just and reasonable:

WASTEWATER
MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE

RANCH MOBILE AND DOWN YONDER

	<u>Existing</u>	<u>Commission Approved</u>
Flat Rate	\$6.31	\$6.32

TWIN PALMS

	<u>Existing</u>	<u>Commission Approved</u>
Flat Rate	\$6.31	\$7.94

These rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with the decision herein and that the proposed customer notice is adequate.

Rates After Amortization of Rate Case Expense

As previously stated, the only rate case expense incurred by the utility for this rate case was the \$1,000 filing fee. Following the requirements of Section 367.0816, Florida Statutes,

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the appropriate recovery period for this expense is four years, after which period this expense will be eliminated.

Elimination of this expense at the end of four years will reduce the rates to a flat monthly rates of \$6.27 per mobile home for Ranch Mobile and Down Yonder, and \$7.89 per mobile home for Twin Palms.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter 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.

Surcharge to Recover Interconnection Charges

The utility's interconnection with the City of Largo has been addressed previously in this Order and appears to be a reasonable decision by the utility principals, who had to decide how to make changes to the system to bring the utility up to DER standards.

When this interconnection took place, the City charged the utility \$575 for each mobile home inside of the City limits, and \$725 for each mobile home outside the City limits. The interconnection charge was \$280,600 for Ranch Mobile, \$131,675 for Down Yonder, and \$108,025 for Twin Palms. The total interconnection charge covers the cost of the lift station and the tie-in of Ranch Mobile's force main into the City's interceptor.

Ranch Mobile Home Park has paid its pro-rata share of the interconnection charge. However, Down Yonder and Twin Palms have not paid their share. Each mobile home park should pay its purportionate share of the interconnection charges. There is no factual dispute that these charges are mathematically correct as applied to each park. We find them to be reasonable. Ranch Mobile has made an agreement with the City to make scheduled payments plus 10 percent on the unpaid balance. Ranch Mobile made an initial payment of \$125,570. Subsequent payments of \$98,682 plus 10 percent interest on the unpaid balance were scheduled from July 1989 through July 1992. Since Ranch Mobile has paid its share of

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the interconnection charge, we have calculated the interconnection charge amount for Down Yonder and Twin Palms based on the interconnection charge as assessed by the City plus 10 percent interest charged to the utility through July 1992. When the application for this rate case was filed, the utility requested the recovery of the interconnection charge only. Since the interconnection is owned by the City and is not utility capital, the interconnection charge should be recovered through a surcharge. We have approved surcharges in prior cases. This surcharge is designed to accomplish full recovery over a ten year period to keep the amount in line with the utility's charge for wastewater service and shall be charged to Down Yonder and Twin Palms Mobile Home Parks. The surcharge calculations are as follows:

DOWN YONDER MOBILE HOME PARK

Interconnection Charge (229 x \$575)	\$131,675
Interest through 7/92 @ 10%	<u>43,503</u>
	\$175,178
No. Mobile Homes	<u>229</u>
Interconnection charge per home	\$ 765
No. of years to recover	<u>10</u>
Annual surcharge per mobile home	\$ 76.50
Months	<u>12</u>
Monthly surcharge per mobile home	<u>\$ 6.38</u>

TWIN PALMS MOBILE HOME PARK

Interconnection Charge (149 x \$725)	\$108,025
Interest through 7/92 @ 10%	<u>34,043</u>
	\$142,068
No. Mobile Homes	<u>149</u>
Interconnection charge per home	\$ 953
No. years to recover	<u>10</u>
Annual surcharge per mobile home	\$ 95.30
Months	<u>12</u>
Monthly surcharge per mobile home	<u>\$ 7.94</u>

These surcharges shall be effective on or after the stamped approval date on the revised tariff sheets. The tariff sheets will

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be approved upon staff's verification that the tariffs are consistent with this decision and that the proposed customer notice is adequate.

RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater rates. A timely protest could delay what may be a justified rate increase, pending a formal hearing and final order in this case, resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we authorize the utility to collect the service rates and surcharges approved herein, on a temporary basis, subject to refund, provided that it establishes an interest bearing escrow account with an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting.

If this Order is timely protested, the increased amount of the monthly rates and the surcharge shall be placed in an interest bearing escrow account by the utility until such time as the protest, if any, is resolved. Only the surcharge and the incremental differences between the old rates and the allowed increase need be escrowed.

The utility must keep an accurate account, in detail of all monies received by said increase, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month that the temporary rates are in effect, showing the amount of revenues collected as a result of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

The utility is authorized to implement the temporary rates and surcharges only after providing the above discussed escrow account and Staff's approval of the revised tariff sheets and customer notice.

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If the utility files and received approval of its revised tariff sheets and customer notice, and a timely protest is not received, the processing of this case will be complete and this docket will be closed without further order of the Commission.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Ranch Mobile WWTP, Inc., for an increase in its wastewater rates in Pinellas County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

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

ORDERED that the provisions of this Order issued as proposed agency action shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

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

ORDERED that the rates approved herein shall be effective for service rendered after the stamped approval date on the revised tariff pages. It is further

ORDERED that the surcharges approved herein shall be effective on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that prior to its implementation of the rates approved herein, Ranch Mobile WWTP, Inc., shall submit and have approved revised tariff pages and a proposed notice to its customers of the increased rates and surcharges and the reasons therefor. The

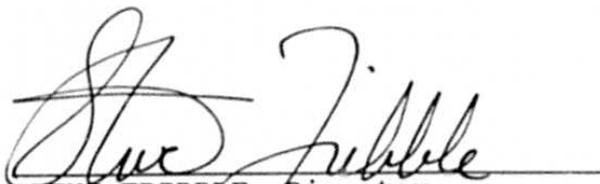
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revised tariff pages will be approved upon Staff's verification that they are consistent with our decisions herein and that the protest period has expired. The proposed customer notice will be approved upon Staff's determination of its adequacy. It is further

ORDERED that in the event of a protest by any substantially affected person other than Ranch Mobile WWTP, Inc., the utility, is authorized to collect the rates and the interconnection surcharges approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Ranch Mobile WWTP, Inc., has established the required interest bearing escrow account for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that after the expiration of the protest period, this Order shall become final and the docket closed if no timely protest has been filed.

By ORDER of the Florida Public Service Commission, this 27th
of NOVEMBER, 1990.


STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that

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is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions, other than the granting of temporary rates in event of a protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on December 18, 1990. In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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RANCH MOBILE WWP, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 1
 DOCKET NO. 900246-SU

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 0 A	\$ 0	0
LAND/NON-DEPRECIABLE ASSETS	1,000 B	(1,000)	0
PLANT HELD FOR FUTURE USE	0 C	0	0
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	(248,674) F	248,674	0
ACCUMULATED DEPRECIATION	0 G	0	0
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	53,069 I	(53,069)	0
WORKING CAPITAL ALLOWANCE	9,930 J	(1,879)	8,051
WASTEWATER RATE BASE	\$ (184,675) \$	192,726 \$	8,051

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RANCH MOBILE WWTP, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 1-A

WASTEWATER

B. LAND

To reflect land as non-used and
 useful.

(\$ 1,000)

F. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

To remove contributed plant that is not
 a utility investment.

\$248,674

I. AMORTIZATION OF CIAC

To remove amortization of CIAC.

\$(53,069)

J. WORKING CAPITAL ALLOWANCE

To reflect one-eighth of operation and
 maintenance expense.

\$(1,879)

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RANCH MOBILE WWTP, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 2
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	BALANCE PER COMM.	COMM. ADJUST TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 297,525	\$ (297,525)	\$ 0	0.00%	0.00%	0.00%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	8.00%	0.00%
COMMON EQUITY	500	7,551	8,051	100.00%	11.50%	11.50%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 298,025	\$ (289,974)	\$ 8,051	100.00%		11.50%

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RANCH MOBILE WWP, INC.
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO.3
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	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 61,486 A	\$ 4,088	\$ 65,574 G	\$ 3,005	68,579
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	79,445 B	(15,041)	64,404	0	64,404
DEPRECIATION	0 C	0	0	0	0
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME	1,027 E	1,924	2,951 H	135	3,086
INCOME TAXES	0 F	163	163	0	163
TOTAL OPERATING EXPENSES	\$ 80,472	\$ (12,954)	\$ 67,518	\$ 135	67,653
OPERATING INCOME/(LOSS)	\$ (18,986)	\$ 17,042	\$ (1,944)	\$ 2,870	926
WASTEWATER RATE BASE	\$ (184,675)		\$ 8,051		\$ 8,051
RATE OF RETURN	10.28%		-24.15%		11.50%

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RANCH MOBILE WWTP, INC.
 SCHEDULES OF ADJUSTMENTS TO OPERATING INCOME
 SCHEDULE NO. 3-A

WASTEWATER

A. OPERATING REVENUES

To adjust test year revenue based on existing
 Commission approved rates. \$ 4,088

B. OPERATION AND MAINTENANCE EXPENSE

- | | |
|--|--------------|
| 1. To remove non-recurring engineering salary. | \$ (2,500) |
| 2. To remove non-recurring sludge removal expense. | (3,625) |
| 3. To remove non-recurring purchased power expense. | (284) |
| 4. To remove non-recurring materials and supplies expense. | (499) |
| 5. To remove non-recurring legal expenses related to a a court case. | (9,783) |
| 6. To adjust bookkeeper allowance to \$1,200 annually. | 1,000 |
| 7. To reflect contractual expense for PSC annual report preparation. | 250 |
| 8. To reflect reclassification to taxes other than income. | (50) |
| 9. To remove unamortized portion of rate case expense and allow rate case expense amortized over four years (\$1,000 / 4). | (750) |
| 10. To reflect an annual \$1,200 miscellaneous expense for the use of office space, telephone expense and utilities. | <u>1,200</u> |

\$(15,041)

E. TAXES OTHER THAN INCOME

- | | |
|--|-------|
| 1. To reflect reclassification from Account No. 765 | 50 |
| 2. To reflect regulatory assessment fee @ 4.5% on test year revenue. | 2,851 |

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RANCH MOBILE WWTP, INC.
SCHEDULES OF ADJUSTMENTS TO OPERATING INCOME
SCHEDULE NO. 3-A

WASTEWATER

3. To remove non-recurring payroll and real estate taxes.	(921)
4. To reflect reclassification to income tax expense.	<u>(56)</u>
	<u>\$ 1,924</u>

F. INCOME TAX EXPENSE

1. To reflect reclassification from taxes other than income.	56
2. To adjust income tax expense to staff's calculated amount.	<u>107</u>
	<u>\$ 163</u>

G. OPERATING REVENUES

To reflect increase in revenue required to cover expenses and allow recommended rate of return on rate base.	<u>\$ 3,005</u>
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H. TAXES OTHER THAN INCOME

To reflect regulatory assessment fee @ 4.5% on increase in revenue.	<u>\$ 135</u>
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