

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff- ) DOCKET NO. 920869-WS  
assisted rate case in Alachua ) ORDER NO. PSC-93-0509-FOF-WS  
County by Arredondo Utility, ) ISSUED: 04/05/93  
Inc. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
THOMAS M. BEARD  
SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES  
IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

Arredondo Utility Company, Inc. (Arredondo or the utility) is a Class C water and wastewater utility located in Alachua County, Florida. The utility operates two water systems and one wastewater system: The Arredondo Estates water system (the Estates) and the Arredondo Farms water and wastewater systems (the Farms). The utility served 461 water customers (232 in the Estates and 229 in the Farms) and 229 wastewater customers during the test year.

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. The

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PSC-REGULATORY REPORTING

utility's current rates have been in effect since 1984, and were established by the Alachua County Commission.

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

Water and wastewater in the utility's service area are under the jurisdiction of the St. John's River Water Management District. The district has designated the region as a "water use caution area," which makes water conservation 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 the body of this Order.

On August 27, 1992, Arredondo applied for this staff-assisted rate case (SARC) and it has paid the appropriate filing fees. We selected a historical test year ended June 30, 1992. During that period, the utility recorded water system operating revenues of \$48,520 and operating expenses of \$45,081, resulting in test period operating income of \$3,439. The utility recorded wastewater system operating revenues of \$22,653 and operating expenses of \$28,100, resulting in a test period operating loss of \$5,477. The water system totals represent the combined results of the Estates' and Farms' water systems.

#### QUALITY OF SERVICE

A customer meeting was held on January 26, 1993, at the Kimball Wiles Elementary School on 75th Street in Gainesville. Six people attended the meeting, three of whom were utility representatives. Two customers had comments concerning the utility's quality of service. Mr. Heidenreich, resident manager and representative of Arredondo Farms, was very concerned about the problem of water outages. His primary comments concerned the condition of the valves on the distribution system. According to Mr. Heidenreich, their condition is such that the whole system is shut down when any repair is made to the system. He alleges that these outages occur about twice a week. Ms. Sharron Huey,

customer, stated that there were outages, but her dealings with the utility were exceptional. Ms. Huey told how reasonable the utility had been in adjusting one particular water bill that was excessively high due to a leak in her water line.

The utility admits that outages in the Farms are a problem because of the difficulties maintenance personnel confront when attempting to either locate or close a particular valve. The plans and system drawings date back to 1970/1971, and according to the utility, changes have occurred in Arredondo Farms that are not recorded on the drawings. The valves that can be located are old and need replacing. The only known functioning valves are located near the primary distribution trunk, which requires maintenance to "shut down" most or all of the park whenever repairs are necessary to any portion of the distribution system. The utility needs to locate, repair, and/or replace any of the valves found to be defective. For the utility to do this, they shall be allowed the cost of a metal detector and sufficient funds to ensure functioning valves at all points necessary to isolate any given street in the Farms subdivision. The total estimated cost is \$10,270. We believe that 120 days is a reasonable amount of time for the utility to locate, repair or replace, and plat the location of each valve on the utility's set of plans.

The utility's water systems are currently in violation of Department of Environmental Regulation (DER) regulatory standards. Both of the utility's water systems are now serving an excess of 350 persons per system. Consequently, the DER has mandated that the utility provide auxiliary power in accordance with Rule 17-555.320(6), Florida Administrative Code. The total estimated cost to install auxiliary power units at both of the water treatment plants is \$33,850. Serving a population of over 350 people also requires the utility to provide dual chlorination at each of the two water treatment plants in accordance with Rule 17-555.320(5), Florida Administrative Code. The total estimated cost to install dual chlorination facilities at each water plant, complete with scales, is \$7,208. We have calculated that the utility will need 180 days to obtain the necessary permits and/or approvals, select bids for construction, and certify completion of the project.

Based on the above, we find it appropriate to require that the utility repair or replace any and all valves in the Arredondo Farms subdivision within 120 days from the effective date of this Order. Within 180 days of the effective date of this Order, the utility shall install auxiliary power units and dual chlorination

facilities on each of its two water treatment plants to comply with the outstanding DER citations.

#### RATE BASE

Our calculations of the appropriate water and wastewater rate bases for the purpose of this proceeding are depicted on Schedule No. 1 and our adjustments are itemized on Schedule No. 1-B. Those adjustments that are self-explanatory or 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 standard used and useful formulas were applied to the specific parameters of the water and wastewater plants. A discussion of the used and useful components of the utility's water and wastewater systems follows.

Water Treatment Plant - General Waterworks Design Criteria establish that each customer connection requires a minimum of 1.1 gallons per minute. By the approved formula, the Estates' water plant was found to be 100% used and useful, and the Farms' water treatment plant was found to be 95.3% used and useful.

Water Distribution System - By the approved formula, the distribution system serving the Estates is considered 83.7% used and useful, and the distribution system serving the Farms is considered 54.4% used and useful.

Wastewater Treatment Plant - By the approved formula, the Farms' wastewater treatment plant is considered 97.9% used and useful.

Wastewater Collection System - By the approved formula, the Farms' wastewater collection system is considered 54.4% used and useful.

#### Arredondo Farms - Individual Tenant Billing

When the utility sold the Arredondo Farms mobile home park three years ago, the utility retained ownership of the distribution and collection systems within the park along with the water and wastewater treatment plants. The utility has been billing the Farms' owner rather than the individual tenants. Since ownership of the lines has been retained by the utility, we believe that the

customers of record should be the individual tenants rather than the owner of the Farms. In addition, later in this Order, we are requiring the utility to install meters for each existing Farms' tenant. We believe that the most logical and simple arrangement will be for the utility to have the responsibility of reading meters and directly billing each customer.

Therefore, we find it appropriate to require that the utility bill the individual tenants of Arredondo Farms mobile home park.

#### Pro Forma Plant

As mentioned earlier in this Order, outages in the Farms mobile home park are a problem because of the difficulties maintenance personnel confront when attempting to either locate or close a particular valve. Therefore, we believe that location and repair or replacement of the valves must be completed to alleviate the outages. An appropriate time-frame for completion of this process is 120 days after the effective date of this Order, and \$10,270 has been included in test year rate base as pro forma plant for the completion of this project.

In addition to the valve program, we find that auxiliary power and dual chlorination facilities shall be installed due to regulatory mandates by the DER. The installation of these facilities shall be completed within 180 days of the effective date of this Order. The utility has received bids totalling \$33,850 for the completion of this project. This amount will be included in rate base upon completion of the project, as discussed later in this Order.

The utility has metered all customer connections in the Arredondo Estates' subdivision. Water use by those customers appears reasonable. However, the customer connections in the Farms are not metered and the water use by those customers appears to be abnormally high (550 gallons per day/mobile home connection). The owner of the Farms is billed on a flat rate per customer basis with no limits on the volume of water that can be consumed. Reports from the utility concerning excessive water use range from known leaks going unreported to sprinklers on the roof for cooling. In the past, this has not been a closely monitored problem. However, the utility is now under a Consumptive Use Permit (CUP) from the St. Johns River Water Management District. While the utility is not located in a critical use county, it still could find itself in

violation of its CUP if water continues to be wasted in the same manner as it has been in the past.

When the parent company sold Arredondo Farms to its current owners, the utility maintained ownership of all distribution lines including service installations. The utility has previously been charging the management of Arredondo Farms according to the flat rate per active customer connection and park management has been recovering that expense in the lot rent. Under the new rate structure the utility shall have the responsibility to read and directly bill each customer.

The utility has obtained a bid of \$24,875 from an outside service company to install 250 meters. The 250 meter installations average \$99.50 per installation and this cost is considered reasonable. At present, there are 242 active customers and we will include \$24,079 (pro rated for active customers) in rate base upon completion of the meter installation program, as discussed later in this Order. The meter installation program shall be completed by December 31, 1993.

The appropriate components of the utility's rate base include depreciable plant-in-service, land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and a working capital allowance. Adjustments are necessary to reflect the appropriate balances at the beginning of the test year, test year additions, and pro forma plant.

For the water system, we find that a portion of the pro forma plant improvements approved earlier in this Order shall be included in water rate base **after** their completion. Thus, we are addressing water rate base in two phases, discussed as Phase One and Phase Two below. The utility shall complete all improvements by December 31, 1993. However, the utility cannot provide signed contracts for the completion of the Phase Two pro forma plant improvements at this time. It is Commission policy to allow incomplete pro forma plant in rate base only if the utility has provided signed contracts for the completion of the work. However, we consider the pro forma plant improvements to be high priority items. Therefore, they are being addressed in this proceeding to encourage their timely completion. The utility has received project bids, which appear to be reasonable.

A discussion of each component of rate base follows.

Depreciable Plant-in-Service: The utility's books reflected a balance of \$0 in both the water and wastewater systems' plant-in-service accounts at the beginning of the test year. This amount has been adjusted by \$109,796 to reflect the appropriate amount of depreciable plant-in-service associated with the Estates' water system at the beginning of the test period. Additional adjustments of \$64,745 and \$135,338, respectively, were made to reflect the appropriate balances for the Farms' water and wastewater systems at the beginning of the test period.

There were \$4,769 in additions to the Farms' water system during the test period. There were no other test year additions to any of the other systems. Therefore, including the averaging adjustment of \$2,384, the appropriate average balances at the end of the test period are \$174,541, representing a combined balance for the water system, and \$135,338 for the wastewater system.

Land: The utility had not recorded any land values associated with its water and wastewater systems. We made adjustments of \$1,238 and \$236 to reflect the appropriate balances for the Estates' and Farms' water systems, and \$5,500 to reflect the appropriate balance for the Farms' wastewater system.

Plant Held for Future Use (PHFU): PHFU has been calculated based on the non-used and useful percentages of plant net of accumulated depreciation. The appropriate reduction to water rate base is \$660 and the appropriate reduction to wastewater rate base is \$265.

Contributions-in-Aid-of-Construction: The utility had recorded no CIAC on its books. Rule 25-30.570, Florida Administrative Code, entitled "Imputation of Contributions-in-Aid-of-Construction," provides:

- (1) If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

Consistent with the above-referenced rule, we imputed the value of the water plant's transmission and distribution systems

and the wastewater plant's collection system as CIAC. There were no additions to these plant accounts during the test period. The appropriate average and end of the test period balances are \$63,465 for the water system and \$77,430 for the wastewater system.

Accumulated Depreciation: The utility had recorded no accumulated depreciation on its books. We calculated the appropriate balances based on depreciation rates in conformity with Rule 25-30.140, Florida Administrative Code. Therefore, the appropriate balances, including the effects of averaging adjustments, are \$105,403 for the water system and \$82,491 for the wastewater system.

Accumulated Amortization: Amortization of CIAC has been calculated consistent with our calculation of accumulated depreciation. The resulting balances are \$40,436 for the water system and \$38,410 for the wastewater system.

Working Capital Allowance: We find it appropriate to use the formula method in calculating the working capital requirement of this utility, or one-eighth of operation and maintenance expenses. Therefore, we have included a working capital allowance of \$6,589 for the water system and \$3,012 for the wastewater system.

Wastewater Rate Base Summary: Based on the foregoing, the appropriate wastewater rate base balance for ratesetting purposes is \$22,074. A discussion of the water system pro forma plant improvements necessary to set the Phase One ratesetting water rate base balance and the Phase Two ratesetting water rate base balance follows.

Utility-Plant-in-Service: We find that a master meter for the Farms' water plant, which was installed after the test year, shall be included in Phase One pro forma plant. The cost of this meter installation was \$1,200. In addition, we have required the utility to complete a valve location, repair, and replacement program. The allowance for this program is \$10,270. Both of these amounts shall be included in the Phase One ratesetting water rate base balance.

Accumulated Depreciation: Consistent with Commission policy, one full year of depreciation expense associated with pro forma plant shall be included in the Phase One ratesetting water rate base balance. Therefore, \$270 for the valve replacement program and \$100 for the master meter have been included in the accumulated depreciation balance.

Phase One Water Rate Base Summary: Based on the foregoing, the appropriate Phase One water rate base balance for ratesetting purposes is \$64,611. A discussion of Phase Two additions follows.

Utility-Plant-in-Service: Earlier in this Order, we required the utility to install DER required auxiliary power and dual chlorination facilities at each water plant. The costs associated with these two projects are, respectively, \$33,850 and \$7,208. We also ordered the utility to install water meters for the individual tenants in the Farms mobile home park. The cost associated with this project is \$24,079. The utility has received bids for all three of these projects. These three amounts shall be included in the Phase Two ratesetting water rate base balance.

Accumulated Depreciation: Consistent with Commission policy, one full year of depreciation expense associated with pro forma plant shall be included in the Phase Two ratesetting water rate base balance. Therefore, \$1,991 for the DER required auxiliary power, \$424 for the dual chlorination facilities, and \$2,007 for the meter installation program have been included in the accumulated depreciation balance for Phase Two water rate base.

Phase Two Water Rate Base Summary: Based on the foregoing, the appropriate Phase Two water rate base balance for ratesetting purposes is \$125,326.

#### CAPITAL STRUCTURE

The utility's capital structure includes a long term debt balance of \$126,970 and a common equity balance of \$19,875 for the test year, for ratios of 86.46% long-term debt and 13.54% common equity. 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-92-0686-FOF-WS, is 12.44%. Therefore, the resulting weighted costs of debt and equity are 8.65% and 1.68%, respectively.

When the approved rate base balances are less than the balances in the utility's capital structure, it is Commission policy to reduce each component in the capital structure by its weighted share of the excess capital. As a result, we have reduced the long-term debt balance by \$52,022 and the common equity balance by \$8,138 to reconcile the utility's capital structure components to our approved Phase One rate base balances. To adjust the utility's capital structure components to our approved Phase Two

rate base balances, pro rata adjustments of \$52,494 for long-term debt and \$8,221 for common equity have been made. The net result after Phase Two rate base has been implemented is an upward adjustment of \$555 to the utility's total capital structure.

The weighted costs of 8.65% for debt and 1.68% for equity result in the appropriate overall rate of return of 10.33%.

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

#### NET OPERATING INCOME

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

#### Test Year Operating Revenues

The utility recorded test year combined water system revenues of \$48,520 and wastewater system revenues of \$22,653 during the test period. We 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 system are \$58,173 and \$28,105 for the wastewater system. Therefore, adjustments of \$9,653 and \$5,452, respectively, are necessary to our approved balances.

#### Test Year Operating Expenses

The components of the utility's operating expenses include operation and maintenance expense, depreciation expenses, and taxes other than income taxes. The utility recorded test year water system operating expenses of \$45,081. These expenses include operation and maintenance expense of \$45,012 and taxes other than income of \$69. The utility recorded test year wastewater system operating expenses of \$28,100. These expenses include operation and maintenance expense of \$22,007 and taxes other than income of \$6,093.

Operation and Maintenance Expense

1) Salaries and Wages - Employees (601) - The utility recorded a total of \$23,348 in salaries expense during the test period. However, the utility failed to allocate these expenses between its water and wastewater systems. We calculated reasonable allocations for each system resulting in \$17,511 for its water system and \$5,837 for its wastewater system.

The utility recorded maintenance salary expense of \$11,213. We believe that \$5,300 (\$3,500 for the water system and \$1,800 for the wastewater system) is a reasonable allowance for this expense. This amount is based on 15 hours per week of utility-related work (general maintenance of the plants, mowing and groundskeeping, pick-up and deliveries, and assistance with repairs). Therefore, adjustments of \$3,904 and \$2,008 are necessary to remove the pro rata excess expense recorded by the utility.

The utility recorded plant operator's salary of \$9,867 during the test period months of January 1992 through June 1992. We believe that an annual allowance of \$9,500 for the water system and \$6,700 for the wastewater system is appropriate. This allowance represents 80% of the plant operator's current salary because we estimate that 20% of the operator's duties are associated with interests outside the utility. Therefore, adjustments of \$3,714 and \$2,619 are necessary to reflect the pro rata increase necessary for each system.

The utility recorded no billing or secretarial expenses during the test period. We have determined reasonable allowances for both a billing clerk and a secretary, based on the number of customers served by the utility and standard hourly wages for each person. This results in an allowance of \$8,004.

The difference between our total approved operation and maintenance salaries allowance of \$21,500 and the utility's recorded test year expenses of \$23,348 is \$1,848. This difference was then subtracted from the billing and secretarial allowance to reflect the additional allowance necessary. The resulting \$6,156 was allocated to each system based on the number of customers served. The adjustments are \$4,104 for the water system and \$2,052 for the wastewater system.

2) Salaries and Wages - Officer, Directors - The utility recorded \$0 in this account for officers and directors salaries. We have adjusted this amount by \$3,989 for the water system and \$1,510 for the wastewater system to reflect reasonable annual allowances based on the utility's size and the officer's duties. We based this allowance on a total of 22 hours per month at \$19.27 per hour for the president and treasurer of the utility. The hourly wage is based on a survey of Florida utility wages.

3) Sludge Removal Expense - The utility recorded \$280 in this account. We adjusted this amount by \$860 to reflect the appropriate balance of \$1,140. This allowance is based on one load per month at \$95 per load.

4) Purchased Power - The utility recorded \$10,739 for the water system and \$6,534 for the wastewater system. The water system's purchased power was increased by \$51 and the wastewater system's balance was decreased by \$51 to correct a misclassification of this expense.

5) Chemicals - The utility recorded \$255 for the water system and \$109 for the wastewater system in the chemicals expense account. These balances were adjusted by \$985 and \$426, respectively, to reflect the additional allowances of chemicals expense for the water and wastewater systems. These allowances are based on 17 150-pound cylinders of chlorine gas for the water plants and 7.3 cylinders of chlorine gas for the wastewater plant per year at \$72.90 per cylinder.

6) Materials and Supplies - The utility recorded \$1,486 for the water system and \$495 for the wastewater system during the test period. We believe an additional \$900 annual allowance is appropriate for a meter changeout program for the water system. The wastewater system's balance appears reasonable; therefore, no adjustments were made to this account for this system.

7) Contractual Services - The utility recorded \$10,126 for the water system and \$6,934 for the wastewater system during the test period. We made several adjustments to these balances.

For the first six months of the test year, the utility used a contract operator for its water and wastewater systems, resulting in expenses of \$2,520 for the water system and \$3,663 for the wastewater system. However, as discussed in the Salaries and Wages section earlier, the utility now has an employee who performs this

task, and an annual allowance has been reflected for each system in the Salaries and Wages account. Therefore, to avoid double recovery of these expenses, we removed the utility's recorded operator expenses from this account.

The utility recorded \$5,879 for water system repairs and maintenance expense and \$1,951 for wastewater system repairs and maintenance expense. We find appropriate \$3,340 as a total annual allowance for the water system and \$1,170 as an annual allowance for the wastewater system. This is based on an examination of the reasonable repair and maintenance expenses incurred during the test year. The resulting adjustments of \$2,539 and \$781 were made.

The utility recorded \$975 for water system laboratory testing expense and \$606 for wastewater system laboratory testing expense. We approve \$2,782 as a total annual allowance for the water system and \$275 as an annual allowance for the wastewater system. Therefore, an adjustment of \$1,807 to the water system was necessary to increase the utility's recorded expense to our balance. Also, an adjustment of \$331 to the wastewater system was necessary to reduce the utility's recorded expense to our balance. Included in our approved water testing balance are primary organics (\$150), primary inorganics (\$143), secondary contaminants (\$150), turbidity (\$7), volatile organics (\$700), and unregulated organics (\$675), all of which have been amortized over three years, a gross alpha test at \$50 amortized over four years, and a copper and lead test at \$1,020 per year. Included in the wastewater testing balance are quarterly fecal coliform analyses at \$140 per year and annual sludge analysis at \$135 per year.

8) Rents - The utility recorded \$0 in this account. We adjusted this amount by \$1,800 for the water system and \$600 for the wastewater system to reflect an allowance for office space overhead.

9) Transportation Expenses - The utility recorded \$1,522 for the water system and \$517 for the wastewater system in this account during the test period. We disallowed \$27 for each system associated with a disallowed utility vehicle.

10) Insurance Expense - The utility recorded \$1,769 for the water system and \$590 for the wastewater system in this account during the test period. This expense has been reduced by \$885 for the water system and by \$295 for the wastewater system to remove that portion of expense allocable to a related construction company.

11) Regulatory Commission Expense - This expense has been adjusted by \$225 ( $\$900/4$ ) for the water system and by \$38 ( $\$150/4$ ) for the wastewater system to record the utility's rate case filing fee amortized over four years.

12) Miscellaneous Expense - The utility recorded \$1,604 for the water system and \$709 for the wastewater system. We adjusted the wastewater expense by \$1,145 to include an allowance to establish the Farms' tenants as customers of the utility, amortized over three years.

Depreciation Expense: The utility recorded \$0 on the books of the water and wastewater systems 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 \$6,557 for the water system and \$4,417 for the wastewater system. Applying the composite depreciation rates to the appropriate CIAC account balance offsets depreciation expense by \$1,591 for the water system and by \$1,054 for the wastewater system. In addition, we imputed \$370, representing one year's depreciation on Phase One pro forma plant. The resulting net adjustment is \$5,335 for the water system and \$3,363 for the wastewater system.

Taxes Other Than Income: The utility recorded taxes other than income of \$69 for the water system and \$6,093 for the wastewater system. We removed these same amounts to correct improperly recorded expenses. We adjusted this account by \$104 for the water system and \$4,371 for the wastewater system to reflect property taxes associated with used and useful plant. These account balances were increased by \$2,618 for the water system and \$1,265 for the wastewater system to reflect regulatory assessment fees based on the approved balance of test year revenues.

We further increased these balances by \$1,944 and \$752 to reflect the appropriate amount of payroll taxes based on the approved salaries allowance for the respective systems. Finally, the water system account was increased by \$284 to reflect the amortization of its operating permit over a five-year period.

Increases in Operating Expenses for Phase One Ratesetting Purposes

Taxes Other Than Income Taxes: This expense has been increased by an additional \$542 for the water system and \$378 for the wastewater system to reflect the regulatory assessment fee of

4.5% on the approved increase in revenue for Phase One ratesetting purposes.

Increases in Operating Expenses for Phase Two Ratesetting Purposes

Depreciation Expense: We imputed \$4,422, representing one year's depreciation on Phase Two pro forma water plant.

Taxes Other Than Income Taxes: This expense has been increased by an additional \$504 to reflect the regulatory assessment fee of 4.5% on the approved increase in revenue for Phase Two water ratesetting purposes.

Operating Expenses Summary: The application of the approved adjustments to the utility's test year operating expenses results in operating expenses for Phase One ratesetting purposes of \$63,538 for the water system and \$34,227 for the wastewater system. The additional adjustments to the water operating expenses that reflect expenses associated with completion of the Phase Two pro forma plant result in Phase Two water operating expenses of \$68,464.

Operating expenses are shown on Schedules Nos. 3, 3-A, 3-C, and 3-D. Adjustments are shown on Schedule No. 3-B.

Test Year Operating Loss

The test year combined operating revenues for Arredondo's water system are \$58,173, while the corresponding test year combined operating expenses are \$62,996. This results in a test year operating loss of \$4,823.

The test year operating revenue for Arredondo's wastewater system is \$28,105, while the corresponding test year operating expenses are \$33,849. This results in a test year operating loss of \$5,744.

Test year operating losses are shown on Schedule No. 3.

REVENUE REQUIREMENT

We find the appropriate revenue requirement is \$70,212 for the water system and \$36,507 for the wastewater system. The appropriate water revenue requirement after Phase Two pro forma plant improvements are completed is \$81,410.

The utility initially shall be allowed an annual increase in revenue of \$12,039 (20.70%) for the water system and \$8,402 (30.00%) for the wastewater system over test year revenues. The utility then shall be allowed an additional increase in water revenue of \$11,198, once the Phase Two pro forma plant improvements are completed. The cumulative water revenue increase over test year revenues, once Phase Two pro forma is completed, will be \$23,237 (a 39.94% total increase). This will allow the utility the opportunity to recover its operating expenses and earn a 10.33% return on its investment at each phase.

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

#### RATES AND RATE STRUCTURE

We have calculated new rates for the utility that are designed to achieve the revenue requirements approved herein. We find these new rates to be fair, just, reasonable, and not unduly discriminatory. The utility's existing rates and the rates we hereby approve are set forth below.

The utility's current tariff provides for a flat rate structure for the Farms' systems, and a minimum charge/gallage charge rate structure (with 4,000 gallons included in the minimum) for the Estates' system. However, the preferred rate structure is the base facility (with no gallons included) and gallage charge rate structure, because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs of providing service (through the consumption or gallage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

In addition, the base facility charge rate structure is an appropriate rate structure for this utility for conservation purposes. The utility's customer usage of water appears high (277 gallons per day per capita) compared to the criteria set by the water management district (250 gallons per day per capita). However, we believe this excessive consumption for the utility is due in large part to the utility's current rate structure. We

believe excessive consumption will be discouraged through the implementation of the base facility and gallonage charge rate structure.

Additionally, it is difficult to detect an unaccounted-for water problem when a utility utilizes a flat rate structure. As discussed earlier, we have required that meters be installed for all customers served by the utility. We believe that once all meters are in place, any unaccounted-for water will be detected. Therefore, no additional rate structure conservation measures are necessary at this time.

However, meter installation at the Farms mobile home park will not be completed until December 31, 1993. Therefore, the flat rate structure shall be retained for the unmetered Farms customers until meters are installed.

Based on the test year billing analysis, the utility provided water service to approximately 461 customers (232 metered Estates customers and 229 unmetered Farms customers) and wastewater service to approximately 229 customers. The utility's average residential consumption is 8,199 gallons per bill for the Estates water system. Based on data from the utility's monthly operating reports, the average residential consumption appears to be in excess of 15,000 gallons per bill for customers of the Farms water system. As stated above, we believe this high consumption level is due in large part to the current flat rate structure. Once meters are installed for these customers, the average consumption level is expected to be less than the current figure. Therefore, the utility's average residential consumption was estimated at 8,000 gallons per customer per month for the Farms water system and 7,000 gallons per customer per month for the Farms wastewater system.

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 the approved rates and rate structure are as follows:

EXISTING WATER RATES

MONTHLY RATES

Residential and General Service

ESTATES

Minimum Charge (includes 4,000 gallons)	\$ 6.00
Gallonage Charge per 1,000 gallons:	
4,001 - 8,000 Gallons	0.75
Over 8,000 Gallons	0.90

FARMS

Minimum Charge	
Flat Rate per Month	\$ 10.50

APPROVED WATER RATES

(PHASE ONE)

MONTHLY

Residential and General Service

<u>Base Facility Charge</u>	<u>Approved</u>
<u>Meter Sizes:</u>	
5/8" x 3/4"	\$ 6.15
3/4"	9.22
1"	15.37
1 1/2"	30.75
2"	49.19
3"	98.39
4"	153.73
6"	307.46
<u>Gallonage Charge</u>	
Per 1,000 Gallons	\$ 0.87

Note: the base facility charge includes no gallonage  
Flat Rate for unmetered customers: \$ 13.11

EXISTING WASTEWATER RATES

MONTHLY

Residential and General Service

FARMS

Flat Rate per Month \$ 11.00

APPROVED WASTEWATER RATES

MONTHLY

Residential and General Service

<u>Base Facility</u>	<u>Approved</u>
<u>Meter Sizes:</u>	
5/8" x 3/4"	\$ 7.23
3/4"	10.84
1"	18.07
1 1/2"	36.15
2"	57.84
3"	115.67
4"	180.74
6"	361.48
<u>Gallonge Charge</u>	
Per 1,000 Gallons	\$ 0.89
(Maximum charge of 7,000 gallons)	
Flat Rate for unmetered custome	\$ 13.46

RATES AND RATE STRUCTURE AFTER PHASE TWO

As addressed earlier, the utility shall install meters by December 31, 1993. After all meters are installed, the utility shall notify our Staff. Earlier, we considered the utility's water revenue requirement in two phases. This is to reflect pro forma plant improvements that will not be included in rate base and expenses until they are completed. Once the pro forma plant improvements are made, new rates will be necessary to allow the utility to recover the increase in costs associated with the pro forma plant. The rates approved for this purpose are listed below:

APPROVED WATER RATES  
(PHASE TWO)  
MONTHLY

Residential and General Service

<u>Base Facility Charge</u>	<u>Approved</u>
<u>Meter Sizes:</u>	
5/8" x 3/4"	\$ 7.09
3/4"	10.63
1"	17.71
1 1/2"	35.43
2"	56.68
3"	113.36
4"	177.13
6"	354.26
<u>Gallonage Charge</u>	
Per 1,000 Gallons	\$ 1.02

Note: the base facility charge includes no gallonage

Service Availability Charges

Currently, the utility's tariff contains no provisions for service availability charges. Since we have found it appropriate to require the utility to install meters for all customers, we also find that a meter installation charge of \$110 shall be approved for all new connections beyond the 242 meter installations the utility is being ordered herein to complete.

Miscellaneous Service Charges

The utility's current tariff contains the following provisions for water system miscellaneous service charges: normal reconnection charge of \$10 and violation reconnection charge of \$10. The utility's current tariff contains no provisions for wastewater system miscellaneous service charges. We hereby authorize the following charges:

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

Section 367.081, Florida Statutes, allows this Commission to approve the fixing and changing of rates charged by utilities under its jurisdiction. Rule 25-30.345, Florida Administrative Code, discusses charges for discontinuance of water and/or wastewater service charges.

In our opinion, charges should be contained in each utility's tariff for initial connections, normal reconnections, violation reconnections, and premises visit charges, if applicable. However, the utility's current water tariff contains provisions for only two of these charges, while the utility's current wastewater tariff contains no provisions for these charges.

These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred (the "cost causer"), rather than on the entire ratepaying body as a whole.

However, we do not approve a tariff charge of actual cost for a wastewater-only violation reconnection unless the utility also files with this Commission for prior approval: a breakdown of the actual components, the corresponding unit costs, and the typical labor hours required for the discontinuance and subsequent reinstatement of service. Therefore, we find that the utility's tariff shall be revised to incorporate the charges discussed above.

We find that the cost to establish the existing Farms' tenants as customers shall be amortized and included in operation and maintenance expenses. Therefore, the utility shall not collect this charge for the initial connection of the current Farms' tenants.

#### Books and Records

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

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

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

We believe the utility has the expertise necessary to convert and maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, we find that the utility shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

#### Statutory Rate Reduction and Recovery Period

Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expenses" states that:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The rate case expense incurred by the utility for this case totaled \$900 for the water system and \$150 for the wastewater system. Based on the above-mentioned statute, the appropriate recovery period for this expense is four years, which allows the utility to recover \$225 and \$38 per year, respectively, through its water and wastewater rates. Once the annual Regulatory Commission Expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$236 and \$39, respectively.

At the end of four years, the utility's rates shall be reduced by \$236 annually for the water system and \$39 annually for the wastewater system. Using current revenues, expenses, capital structure, and customer base, the rate reduction for the water system is \$.02 and for the wastewater system is \$.01 in the base facility charge for a 5/8" x 3/4" meter. There is no rate

reduction in the water system's gallonage charge and no rate reduction in the wastewater system's gallonage charge.

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 notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

The four-year rate case expense reductions are shown on Schedules Nos. 4 and 4-A.

#### Temporary Rates in the Event of Protest

This Order 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, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our Staff's approval of security for both the potential refund and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$13,927. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

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

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

If the utility chooses a letter of credit as a security, it shall contain the following conditions:

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an

account of all monies received as result of the rate increase shall 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 shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

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

#### Effective Date

The Phase One metered rates shall be effective for meter readings taken 30 days on or after the stamped approval date on the revised tariff sheets. The flat rates shall be effective on or after the stamped approval date on the revised tariff sheets. The miscellaneous service charges shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets. Tariff sheets will not be approved until our Staff verifies that the tariff sheets are consistent with this Commission's decision, that the proper security for refund (if necessary) has been provided, and that the proposed customer notice is adequate. Phase Two rates shall be effective after our Staff verifies completion of the Phase Two pro forma plant improvements and approves the revised tariff sheets and a new customer notice.

#### Monitor Status

As discussed earlier in this Order, we have ordered the installation of auxiliary power, dual chlorination facilities, and water meters, and that the cost of these pro forma improvements be included in Phase Two rate base as pro forma plant. Therefore, this docket shall remain open at least ten months from the date of this Order so our Staff may verify the approved pro forma plant additions. After the utility has complied with the Order in all respects, and has submitted and has had approved revised tariff sheets reflecting the Phase Two rates, this docket may be closed administratively. However, if the utility fails to timely complete the aforementioned pro forma additions, our Staff will prepare a follow-up recommendation and show cause proceedings may be initiated.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Arredondo Utility Company, Inc. for an increase in its water and wastewater rates in Alachua 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 schedules attached hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, subject to refund, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.020, Florida Administrative Code, is received by the Director 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 Arredondo Utility Company, Inc. shall repair or replace any and all valves in the Arredondo Farms subdivision within 120 days from the effective date of this Order. It is further

ORDERED that within 180 days of the effective date of this Order, Arredondo Utility Company, Inc. shall install auxiliary power units and dual chlorination facilities on each of its two water treatment plants to comply with the requirements of the Department of Environmental Regulation. It is further

ORDERED that Arredondo Utility Company, Inc. shall install meters for the individual tenants of Arredondo Farms mobile home park by December 31, 1993. It is further

ORDERED that Arredondo Utility Company, Inc. shall bill the tenants of Arredondo Farms mobile home park individually. It is further

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

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

ORDERED that the flat rates, miscellaneous service charges and service availability charges approved herein shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Arredondo Utility Company, Inc. shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon our Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Arredondo Utility Company, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

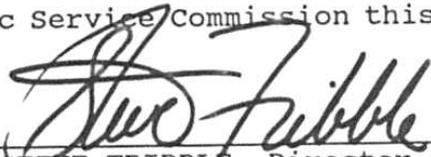
ORDERED that in the event of a protest by any substantially affected person other than the utility, Arredondo Utility Company, Inc. is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that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

ORDERED that this docket shall remain open for at least ten months from the effective date of this Order so our Staff may verify the pro forma plant additions. After the utility has complied with this Order in all respects and has submitted and had approved revised tariff sheets reflecting the Phase Two rates and a second customer notice, this docket may be closed administratively if no timely protest is received from a

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PAGE 2

substantially affected person by the expiration of the protest period.

By ORDER of the Florida Public Service Commission this 5th day of April, 1993.

  
\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

KAC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the granting of temporary rates, subject to refund, in the event of a protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 26, 1993. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ARREDONDO UTILITY COMPANY, INC.  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1  
 DOCKET NO. 920869-WS  
 PAGE 1 OF 2

	TEST YEAR PER COMMISSION	COMMISSION ADJUSTMENT TO UTIL. BAL.	BALANCE PER COMMISSION	PHASE ONE PRO FORMA ADDITIONS	PHASE ONE RATESETTING BALANCE	PHASE TWO PRO FORMA ADDITIONS	PHASE TWO RATESETTING BALANCE
UTILITY PLANT IN SERVICE	\$ 0	\$ 174,541 A	\$ 174,541	\$ 11,470 H	\$ 186,011	\$ 65,137 J	\$ 251,148
LAND/NON-DEPRECIABLE ASSETS	0	1,474 B	1,474	0	1,474	0	1,474
PLANT HELD FOR FUTURE USE	0	(660)C	(660)	0	(660)	0	(660)
ACQUISITION ADJUSTMENT	0	0	0	0	0	0	0
C.V.I.P.	0	0	0	0	0	0	0
C.I.A.C.	0	(63,465)D	(63,465)	0	(63,465)	0	(63,465)
ACCUMULATED DEPRECIATION	0	(105,403)E	(105,403)	(3,001)	(105,773)	(4,422)K	(110,195)
AMORTIZATION OF ACO. ADJUSTMENT	0	0	0	0	0	0	0
AMORTIZATION OF C.I.A.C.	0	40,436 F	40,436	0	40,436	0	40,436
WORKING CAPITAL ALLOWANCE	0	6,589 G	6,589	0	6,589	0	6,589
<b>WATER RATE BASE</b>	<b>\$ 0</b>	<b>\$ 53,511</b>	<b>\$ 53,511</b>	<b>\$ 11,100</b>	<b>\$ 64,611</b>	<b>\$ 60,715</b>	<b>\$ 125,326</b>

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ARREDONDO UTILITY COMPANY, INC.  
 SCHEDULE OF WASTEWATER RATE BASE  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1  
 DOCKET NO. 920869-WS  
 PAGE 2 OF 2

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENT TO UTIL. BAL.	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 0	\$ 135,338 A	\$ 135,338
LAND/NON-DEPRECIABLE ASSETS	0	5,500 B	5,500
PLANT HELD FOR FUTURE USE	0	(265) C	(265)
ACQUISITION ADJUSTMENT	0	0	0
C.V.I.P.	0	0	0
C.I.A.C.	0	(77,430) D	(77,430)
ACCUMULATED DEPRECIATION	0	(82,491) E	(82,491)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0	38,410 F	38,410
WORKING CAPITAL ALLOWANCE	0	3,012 G	3,012
	-----	-----	-----
WASTEWATER RATE BASE	\$ 0	\$ 22,074	\$ 22,074
	-----	-----	-----

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ARREDONDO UTILITY COMPANY, INC.  
ADJUSTMENTS TO RATE BASE  
TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1-A  
DOCKET NO. 920869-WS  
PAGE 1 OF 3

	DESCRIPTION	WATER	WASTEWATER
A.	UTILITY PLANT IN SERVICE		
	1. To reflect appropriate amount of UPIS for Arredondo Estates water system	\$ 109,796	\$ 0
	2. To reflect appropriate amount of UPIS for Arredondo Farms water and wastewater system	64,745	135,338
	TOTAL ADJUSTMENTS	\$ 174,541	\$ 135,338
B.	LAND/NON-DEPRECIABLE ASSETS		
	1. To reflect the appropriate amount of land associated with the Estates and Farms systems	\$ 1,474	\$ 5,500
C.	PLANT HELD FOR FUTURE USE (PHFU)		
	1. To reflect non-used and useful plant net of depreciation	\$ (660)	\$ (265)
D.	C.I.A.C.		
	1. To reflect appropriate CIAC for Arredondo Estates water system	\$ (45,245)	\$ 0
	2. To reflect appropriate CIAC for Arredondo Farms water and wastewater systems	(18,220)	(77,430)
	TOTAL ADJUSTMENTS	\$ (63,465)	\$ (77,430)
E.	ACCUMULATED DEPRECIATION		
	1. To reflect the appropriate amount of accumulated depreciation associated with Arredondo Estates water system	\$ (76,563)	\$ 0
	2. To reflect the appropriate amount of accumulated depreciation associated with Arredondo Farms water and wastewater systems	(28,340)	(82,491)
	TOTAL ADJUSTMENTS	\$ (105,403)	\$ (82,491)

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ARREDONDO UTILITY COMPANY, INC.  
 ADJUSTMENTS TO RATE BASE  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1-A  
 DOCKET NO. 920869-WS  
 PAGE 2 OF 3

	DESCRIPTION	WATER	WASTEWATER
		-----	-----
F.	AMORTIZATION OF C.I.A.C.		
	1. To reflect appropriate amount of amortization associated with the Estates	\$ 31,072	\$ 0
	2. To reflect appropriate amount of amortization associated with the Farms	9,363	38,410
	TOTAL ADJUSTMENTS	\$ 40,436	\$ 38,410
G.	WORKING CAPITAL ALLOWANCE		
	1. To reflect appropriate amount of working capital for Arredondo Estates water system	\$ 3,766	\$ 0
	2. To reflect appropriate amount of working capital for Arredondo Farms water and wastewater systems	2,823	3,012
	TOTAL ADJUSTMENTS	\$ 6,589	\$ 3,012
H.	UTILITY PLANT IN SERVICE		
	1. To reflect pro forma plant associated with valve replacement program at Farms	\$ 10,270	\$ 0
	2. To reflect pro forma plant associated with master meter replaced after test year at Farms	1,200	0
	TOTAL ADJUSTMENTS	\$ 11,470	\$ 0
I.	ACCUMULATED DEPRECIATION		
	1. To reflect one year's depreciation associated with pro forma valve replacement program	\$ (270)	\$ 0
	2. To reflect one year's depreciation associated with pro forma master meter	(100)	
	TOTAL ADJUSTMENTS	\$ (370)	\$ 0

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ARREDONDO UTILITY CO., INC.  
 ADJUSTMENTS TO RATE BASE  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1-A  
 DOCKET NO. 920869-WS  
 PAGE 3 OF 3

	DESCRIPTION	WATER	WASTEWATER
		-----	-----
J.	UTILITY PLANT IN SERVICE		
	1. To reflect pro forma plant associated with meter installation program at Farms	\$ 24,079	\$ 0
	2. To reflect pro forma plant associated with DER required dual chlorination	7,208	0
	3. To reflect pro forma plant associated with DER required auxiliary power	33,850	0
	TOTAL ADJUSTMENTS	\$ 65,137	\$ 0
		=====	=====
K.	ACCUMULATED DEPRECIATION		
	1. To reflect one year's depreciation associated with meter installation program	\$ (2,007)	\$ 0
	2. To reflect one year's depreciation associated with DER required dual chlorination	(424)	
	3. To reflect one year's depreciation associated with DER auxiliary power	(1,991)	
	TOTAL ADJUSTMENTS	\$ (4,422)	\$ 0
		=====	=====



ARCONDO UTILITY COMPANY, INC.  
 SCHEDULE OF WATER OPERATING INCOME  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 3  
 DOCKET NO. 920869-WS

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENT TO UTIL. BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	PHASE ONE BALANCE PER COMMISSION	COM. ADJUST. TO BALANCE FOR PRO FORMA	PHASE TWO BALANCE PER COMMISSION
OPERATING REVENUES	\$ 48,520 A	\$ 9,653	\$ 58,173 E	\$ 12,039	\$ 70,212 G	\$ 11,198	\$ 81,410
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	45,012 B	7,699	52,711	0	52,711	0	52,711
DEPRECIATION	0 C	5,335	5,335	0	5,335 H	4,422	9,757
AMORTIZATION	0	0	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	69 D	4,881	4,950 F	542	5,492 I	504	5,996
INCOME TAXES	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	45,081	17,915	62,996	542	63,538	4,926	68,464
OPERATING INCOME/(LOSS)	3,439	(8,262)	(4,823)	11,697	6,674	6,272	12,946
WATER RATE BASE	0		66,611		66,611		125,326
RATE OF RETURN	0.00%		-7.47%		10.33%		10.33%

ARREDONDO UTILITY COMPANY, INC.  
 SCHEDULE OF WASTEWATER OPERATING INCOME  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 3-A  
 DOCKET NO. 920869-WS

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENT TO UTIL. BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$ 22,653 A	\$ 5,452	\$ 28,105 E	8,402	\$ 36,507
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	22,007 B	2,091	24,098	0	24,098
DEPRECIATION	0 C	3,363	3,363	0	3,363
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	6,093 D	295	6,388 F	378	6,766
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	28,100	\$ 5,749	\$ 33,849	\$ 378	\$ 34,227
OPERATING INCOME/(LOSS)	(\$ 447)	(\$ 297)	(\$ 5,744)	8,024	2,280
WASTEWATER RATE BASE					
	0		\$ 22,074		\$ 22,074
RATE OF RETURN					
	0.00%		-26.02%		10.33%

DESCRIPTION		WATER	WASTEWATER
		-----	-----
A.	OPERATING REVENUE		
	1. To reflect the utility's appropriate test year revenues based on the billing analysis	\$ 9,653	\$ 5,452
		-----	-----
B.	OPERATION AND MAINTENANCE		
	1. Salaries and Wages - Employees		
	A. To remove excessive maintenance personnel expense for the Estates and the Farms systems as approved by Commission	\$ (3,904)	\$ (2,008)
	B. To reflect additional allowance for operator services as approved by Commission	3,714	2,619
	C. To reflect additional allowance for billing clerk and secretary	4,104	2,052
	Subtotal	\$ 3,913	\$ 2,663
		-----	-----
	2. Salaries and Wages - Officers, Directors		
	A. To reflect salary for president and treasurer	\$ 3,989	\$ 1,510
		-----	-----
	3. Sludge Removal Expense		
	A. To reflect appropriate amount of sludge removal expense as approved by Commission	\$ 0	\$ 860
		-----	-----
	4. Purchased Power		
	A. To reflect misclassification of expense per audit	\$ 51	\$ (51)
		-----	-----
	5. Chemicals		
	A. To reflect appropriate amount of chemicals as approved by Commission	\$ 985	\$ 426
		-----	-----
	6. Materials and Supplies		
	A. To reflect allowance for meter change-out program as approved by Commission	\$ 900	\$ 0
		-----	-----

DESCRIPTION	WATER	WASTEWATER
	-----	-----
7. Contractual Services		
A. To remove operator services expenses which are already reflected in salaries and wages	\$ (2,520)	\$ (3,663)
B. To remove excess repairs and maintenance as approved by Commission	(2,539)	(781)
C. To reflect appropriate laboratory testing fees per Commission	1,807	(331)
Subtotal	\$ (3,252)	\$ (4,775)
8. Rents		
A. To reflect an allowance for office space overhead	\$ 1,800	\$ 600
9. Transportation expenses		
A. To remove repair expense associated with disallowed utility vehicle	\$ (27)	\$ (27)
10. Insurance expense		
A. To remove half of insurance expense associated with related company	\$ (885)	\$ (295)
11. Regulatory Commission expense		
A. To reflect amortization of rate case expense	\$ 225	\$ 38
12. Miscellaneous expense		
A. Allowance to establish Farms tenants as customers of utility, amortized over 3 years	\$ 0	\$ 1,145
TOTAL O&M ADJUSTMENTS	\$ 7,699	\$ 2,094
	=====	=====
C. DEPRECIATION EXPENSE		
1. Adjustment to reflect Commission approved used and useful test year depreciation expense net of CIAC amortization expense	\$ 5,335	\$ 3,363
	=====	=====

	DESCRIPTION	WATER	WASTEWATER
		-----	-----
D.	TAXES OTHER THAN INCOME TAXES		
	1. To remove balance recorded by the utility	\$ (69)	\$ (6,093)
	2. To reflect property taxes associated with used and useful plant	104	4,371
	3. To reflect regulatory assessment fees based on Commission approved balance of test year revenues	2,618	1,265
	4. To reflect amortization of operating permit over a five year period	284	0
	5. To reflect appropriate amount of payroll taxes based on Commission approved salaries allowance	1,944	752
	TOTAL TAXES OTHER THAN INCOME TAXES	\$ 4,881	\$ 295
		=====	=====
E.	OPERATING REVENUE		
	1. To reflect Commission approved increase in revenues (Phase One for water)	\$ 12,039	\$ 8,402
		=====	=====
F.	TAXES OTHER THAN INCOME TAXES		
	1. To reflect regulatory assessment fees on recommended increased revenue.	\$ 542	\$ 378
		=====	=====
G.	OPERATING REVENUE		
	1. To reflect Commission approved increase in revenues for water Phase Two	\$ 11,198	\$ 0
		=====	=====
H.	DEPRECIATION EXPENSE		
	1. To reflect additional depreciation expense associated with Phase Two pro forma plant	\$ 4,422	\$ 0
		=====	=====
I.	TAXES OTHER THAN INCOME TAXES		
	1. To reflect regulatory assessment fees on Phase Two recommended revenue increase	\$ 504	\$ 0
		=====	=====

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SCHEDULE NO. 3-C  
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ARREDONDO UTILITY COMPANY, INC.  
 ANALYSIS OF WATER O & M EXPENSES  
 TEST YEAR ENDED JUNE 30, 1992

ACCOUNT TITLE	BALANCE PER UTIL.	COMMISSION ADJUST.	COMMISSION BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 17,511	\$ 3,913	\$ 21,424
SALARIES AND WAGES - OFFICERS	0	3,989	3,989
PENSIONS AND BENEFITS	0	0	0
PURCHASED WATER	0	0	0
PURCHASED POWER	10,739	51	10,790
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	255	985	1,240
MATERIALS AND SUPPLIES	1,486	900	2,386
CONTRACTUAL SERVICES	10,126	(3,252)	6,874
RENTS	0	1,800	1,800
TRANSPORTATION EXPENSES	1,522	(27)	1,496
INSURANCE EXPENSE	1,769	(885)	884
REGULATORY COMMISSION EXPENSES	0	225	225
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	1,604	0	1,604
<b>TOTAL</b>	<b>\$ 45,012</b>	<b>\$ 7,699</b>	<b>\$ 52,711</b>

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SCHEDULE NO. 3-D  
 DOCKET NO. 920869-WS  
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ARREDONDO UTILITY COMPANY, INC.  
 ANALYSIS OF WASTEWATER O & M EXPENSES  
 TEST YEAR ENDED JUNE 30, 1992

ACCOUNT TITLE	BALANCE PER UTIL.	COMMISSION ADJUST.	COMMISSION BALANCE
SALARIES AND WAGES - EMPLOYEES \$	5,837 \$	2,663 \$	8,500
SALARIES AND WAGES - OFFICERS	0	1,510	1,510
PENSIONS AND BENEFITS	0	0	0
PURCHASED SEWAGE TREATMENT	0	0	0
SLUDGE REMOVAL	280	860	1,140
PURCHASED POWER	6,534	(51)	6,484
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	109	426	535
MATERIALS AND SUPPLIES	495	0	495
CONTRACTUAL SERVICES	6,934	(4,777)	2,157
RENTS	0	600	600
TRANSPORTATION EXPENSE	517	(27)	491
INSURANCE EXPENSE	590	(295)	295
REGULATORY COMMISSION EXPENSES	0	38	38
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	709	1,145	1,854
TOTAL	\$ 22,007 \$	\$ 2,091 \$	\$ 24,098

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SCHEDULE NO. 4  
 DOCKET NO. 920869-WS

ARREDONDO UTILITY CO., INC.  
 SCHEDULE OF WATER RATE CASE EXPENSE  
 RATE REDUCTION AFTER FOUR YEARS  
 TEST YEAR ENDED JUNE 30, 1992

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE -----	COMMISSION APPROVED -----	RATE DECREASE -----
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 7.09	0.02
3/4"	10.63	0.03
1"	17.71	0.05
1-1/2"	35.43	0.10
2"	56.68	0.16
3"	113.36	0.33
4"	177.13	0.51
6"	354.26	1.02
GALLONAGE CHARGE PER 1000 GALLONS	\$ 1.02	0.00

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SCHEDULE NO. 4-A  
 DOCKET NO. 920869-WS

ARREDONDO UTILITY CO., INC.  
 SCHEDULE OF WASTEWATER RATE CASE EXPENSE  
 RATE REDUCTION AFTER FOUR YEARS  
 TEST YEAR ENDED JUNE 30, 1992

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE -----	COMMISSION APPROVED -----	RATE DECREASE -----
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 7.23	0.01
3/4"	10.84	0.01
1"	18.07	0.02
1-1/2"	36.15	0.04
2"	57.84	0.06
3"	115.67	0.13
4"	180.74	0.20
6"	361.48	0.39
GALLONAGE CHARGE-RESIDENTIAL SERVICE PER 1000 GALLONS	\$ 0.89	0.00