BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff-assisted rate case in Volusia County by TERRA MAR VILLAGE (River Park).	)	DOCKET NO. 941084-WS ORDER NO. PSC-95-0722-FOF-WS ISSUED: June 19, 1995

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER GRANTING TEMPORARY RATES IN 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 regarding our granting the increased rates and charges is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Terra Mar Village (Terra Mar or utility) is a Class C water and wastewater utility located in Volusia County, Florida. The utility's service area is located on the Intercoastal Waterway between Edgewater and Oak Hill approximately seven miles south of New Smyrna Beach along the east boundary of US Hwy 1 in Volusia County. Presently, there are 237 water customers and 247 wastewater customers receiving service from the utility.

A bottled water notice was issued on April 5, 1993, by the Volusia County Public Health Unit (VCPHU). On May 21, 1993, 177 persons served by the utility (representing 40% of the active customer base) petitioned this Commission to require the utility to

either supply its customers with potable water, or make monetary reimbursement to each customer for out-of-pocket expenses incurred while obtaining bottled water. As a result of the customer's petition and our subsequent investigation, we issued Order No. PSC-93-1414-FOF-WU, on September 29, 1993, ordering Terra Mar to show cause why it should not be fined up to $5,000 per day for failure to provide adequate water service to its customers. Terra Mar was also ordered to file a detailed plan, including a timetable, demonstrating the improvements necessary to comply with a Consent Agreement with the VCPHU.

On September 10, 1993, as a result of foreclosure proceedings, Mr. Bernard Covington was removed from any involvement with Terra Mar by Circuit Court Judge William Johnson. At the same hearing, Judge Johnson named Mr. Gerald Potts of Contemporary Property Management, Inc. as its receiver. After his appointment, Mr. Potts sent us a letter dated October 15, 1993, requesting that the Commission hold any fine in abeyance pending completion of the required improvements. On March 8, 1994, we issued Order No. PSC-94-0265-FOF-WU which suspended the fine for 12 months pending compliance with VCPHU requirements or an interconnection with the City of Edgewater.

On July 15, 1994, Circuit Judge William Johnson relieved Mr. Potts as the receiver, and appointed Mr. Frank Uddo, original owner and developer of Terra Mar as successor Receiver. Mr. Uddo began, almost immediately upon appointment, upgrading both the water treatment plant and the wastewater treatment plant. Because Terra Mar improved the plant up to VCPHU standards, the Commission issued Order No. PSC-95-0339-FOF-WU, on March 10, 1995, permanently suspending the fine imposed by Order No. PSC-94-0265-FOF-WU.

On October 11, 1994, Mr. Uddo, on behalf of the utility, filed for this staff-assisted rate case and has paid the appropriate filing fee. We audited the utility's records and conducted an engineering field investigation of the utility's water and wastewater plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant and operating costs.

Water in the utility's service area is under the jurisdiction of the St. John's River Water Management District. A Consumptive Use Permit is not required of this utility because the consumptive demands are less than 100,000 gallons per day (gpd). Flows for this utility average between 20,000 and 25,000 gpd. We have an understanding with the Florida Water Management Districts, which

recognizes that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy.

We selected a historical test year ended December 31, 1994. According to our analysis, the utility's test year revenues were $73,250 for the water system and $47,364 for the wastewater system. Test year operating expenses were $88,281 for the water system and $47,279 for the wastewater system. This results in a net loss of $15,031 for the water system and operating income of $85 for the wastewater system.

QUALITY OF SERVICE

A customer meeting was held on the evening of March 16, 1995, at the Terra Mar Clubhouse in Edgewater, Florida. Approximately 120 persons attended the customer meeting. Several customers went on record with comments and opinions. Seven customers submitted testimony concerning "unfit" water (including comments about past bottled water notices and high levels of chlorine), three customers specifically believed the proposed rates were too high, three more customers spoke of being connected to the county system, one had concerns over the frequency of testing, one believed the reject water from the Reverse/Osmosis (R/O) process at the water treatment plant was polluting the area, one customer made claims that the utility cut off his water service without notification, and one was not able to flush his toilet. Each of these customers also expressed underlying concern over high rates.

Our decision regarding the overall quality of service provided by the utility is derived from the evaluation of three separate components of water and wastewater utility operations: (1) Quality of Utility's Product (water and wastewater), (2) Operational Conditions of Utility's Plant or Facilities, and (3) Customer Satisfaction.

Quality of Utility's Product

In order to assess the overall quality of service provided by the utility, water and wastewater supplied by the utility must be evaluated by reviewing the utility's current compliance stature with water and wastewater standards set and enforced by the Department of Environmental Protection (DEP). In Volusia County, the DEP has relinquished the jurisdiction of its water program to the VCPHU.

The ultimate concern of a water utility is the quality of water consumed by its customers. The degree to which a utility is able to maintain satisfactory water quality is reflected in its

ability to meet all of the testing requirements set by the DEP and the Environmental Protection Agency. Prior to going into receivership, the utility was placed on bottled water notice in February 26, 1992, and again on April 5, 1993. The first notice was due to a failure of a permeable membrane at the water plant which continued for about six months before the problem was corrected. The second bottled water notice was issued for exceeding contaminate levels for Chlorides and Total Dissolved Solids (TDS). On September 10, 1993, Mr. Potts was appointed receiver for the utility. Mr. Uddo was appointed as successor receiver on July 15, 1994.

Upon his appointment, Mr. Uddo began making improvements to the treatment plant. On August 9, 1994, the VCPHU lifted the bottled water notice. This was made possible by successfully verifying three consecutive days of satisfactory chemical analysis for Chlorides and TDS.

In accordance with Chapters 62-550 and 62-551, Florida Administrative Code, approximately 135 parameters must be tested on a regular cycle and found to be satisfactory for all periods within that cycle. Terra Mar has performed all of its necessary tests and is currently up-to-date for all tests required in this test cycle. All test results were satisfactory with the exception of lead which was retested at the source and found to be satisfactory to the point of delivery. The treated water at Terra Mar meets or exceeds all of the standards for safe drinking water.

The primary concern of a wastewater utility is the quality of the effluent being discharged to the environment from the plant. Plant effluent has specific limitations which are tested at the point of discharge. The effluent that Terra Mar discharges to its dual percolation ponds meets or exceeds all of the limitations imposed by the DEP.

Operational Conditions of Utility's Plant or Facilities

The operational conditions of the utility's treatment and distribution/collection systems were evaluated in order to determine the overall quality of product provided by the utility. This evaluation included a review of the utility's compliance with both the DEP and the VCPHU concerning plant in service performance levels.

Our engineer has reviewed the water utility's files with the VCPHU. The utility is under a Consent Agreement that was entered into between the VCPHU and Mr. Covington on December 22, 1992. Very little was accomplished by Mr. Covington after signing this

agreement. The plant remained in its "run down" condition throughout the foreclosure and removal of Mr. Covington. The VCPHU's latest inspection in January, 1995, found the utility to be on schedule with its program of improvements required by the Consent Agreement. Remaining projects include the provision of an auxiliary power source or independent resource of water for emergencies and the enlargement of the aeration units located just prior to the ground storage reservoirs.

Shortly after Mr. Uddo was appointed by the court, plant improvements made it possible to lift the bottled water notice. This became possible after the two existing permeable membrane filters were chemically treated and backwashed to improve efficiency and volume of flow. Since July, 1994, the utility has installed an additional two new membrane filters, two new pressure pumps, primary filament filters, rewired electrical circuits, and other structural plant improvements. After our review, we find that the operational conditions at the water plant are satisfactory.

The engineer also discussed the utility's wastewater compliance record with the DEP in the Orlando office. The wastewater plant was in a "run down" condition when Mr. Uddo took over the utility. Since July, 1994, Mr. Uddo has cleaned, removed, and disposed of dead sludge/sand from the treatment chambers, replaced the air line, refurbished the lift stations, and cleaned the ponds. The last sanitary inspection of the wastewater treatment plant was performed on February 13, 1995. No violations were listed during the inspection and the effluent being discharged was within standards.

Customer Satisfaction

The final component of the overall quality of service is the level of customer satisfaction which results from the utility's relations with its customers. The customers' participation at the customer meeting certainly gave the appearance that the utility has very poor relations with its customers. However, after the meeting seven customers submitted letters to the Commission and an additional 26 customers submitted a petition expressing their support of the utility. These customers expressed their satisfaction with the quality of service.

While more customers specifically spoke of poor quality of water, their overall concerns were over the high rates being proposed. The high rates are primarily caused by the location of the community and the special water treatment. Terra Mar is located in an area that is infiltrated with salt water (Chlorides).

The water treatment plant must process its water through a reverse osmosis (R/O) treatment system in order to meet the state and local requirements for safe drinking water. Processing raw water through an R/O plant is a complex and expensive operation. Before the water can be passed through the membrane filters, the pH must be lowered, water must be pre-filtered, additives to assist coagulant action in the pre filter and prevent scale buildup in the permeable membranes filters must be added, and the pressure must be elevated to approximately 300 pounds per square inch (psi) on entry into the membranes. After membrane filtration, the pH must be adjusted back to normal and proper levels of disinfection must be maintained throughout the system. This requires a multitude of expensive chemicals, higher power costs and more attention by either a certificated operator or a specially trained maintenance person.

We believe that the concerns regarding the quality of the water and the amount of chlorine being put into the water are being satisfactorily addressed. The water has been tested by a certified laboratory and has been found to meet or exceed all parameters for safe drinking water. As for chlorine, the utility must comply with Chapter 62-550.560(3)(c), Florida Administrative Code, which states:

> If at any time the residual disinfectant concentration falls below 0.2 milligrams per liter free chlorine or its equivalent in a system using grab sampling instead of continuous monitoring, the system shall immediately begin taking grab samples every four hours until the residual disinfectant is equal to or greater than 0.2 milligrams per liter or its equivalent.

The regulatory standards set by the DEP do not address a maximum level for disinfection. A review of Monthly Operation Reports for the first quarter of 1995, noted that the highest level of free chlorine was 3.5 mg/L at the plant and the lowest level of free chlorine was 0.3 mg/L at the plant. The average free chlorine level for the first quarter was 1.8 mg/L at the plant.

At the customer meeting, the customers provided our staff with a list of neighboring utilities and associated rates. This was submitted so that a comparison could be drawn and to illustrate that the proposed rates were unreasonable. The first utility on the customer's list was Hacienda Del Rio which is a lime softening plant with a customer base nearly twice that of Terra Mar. Hacienda Del Rio also has a well field of five wells located about one mile west of Highway A1A on land that was purchased over ten years ago. Magnolia Village, the second utility on the customer's list, is located inland approximately ten miles and is a simple,

aeration/chlorination system. Edgewater Landing, another utility on the customer's list, is a system which is 100% donated to the City of Edgewater whereby the city owns all lines up to the point of delivery. At this point it should be noted, that if Terra Mar connects to the county main which was recently constructed, water supplied to Terra Mar might be city water, but, it would be obtained from the county and would have to be purchased at county rates, not city rates. Another utility cited by the customers, Light House Cove, could not be contacted. None of the utilities that the customers were drawing their comparisons from could be used in a comparative analysis because of dissimilar mode of treatment, water resource location, general plant location, and/or customer base.

We investigated the possibility of interconnection with Volusia County. While Volusia County may not charge as much for water, should Terra Mar become a consecutive system other costs may offset the difference. Presently, the county charges a base facility charge of $9.69 plus $7.40 per 1,000 gallons for a 5/8" X 3/4" meter. These rates are applicable to R/O water in the west area of the county. At present, it is uncertain what the County would charge Terra Mar to provide water via interconnection. The County is still negotiating with the City of Edgewater as to the wholesale rate the City would charge. Moreover, the County has not yet set an impact fee nor finalized other charges for the east side of the County. Should Terra Mar interconnect to the County, it would become a bulk rate customer of the county (not the City of Edgewater), and would remain a certificated utility retaining its distribution system. If an interconnection occurs, Terra Mar would become a consecutive system, subject to other costs that may offset the difference in rates. Additional costs to be considered include but are not limited to: impact fees; cost of a backflow prevention device; yearly testing and maintenance of the backflow prevention device; expenses related to the operation and maintenance of the distribution system; continued meter reading and billing expenses; and continued collections and bookkeeping. Additionally, the latest DEP rule change includes a requirement for the testing of consecutive water systems. Chapter 62-550.540, Florida Administrative Code, states that consecutive water systems must test for primary, secondary, and microbiological contaminants.

One customer had concerns over the frequency of testing done by the utility. In accordance with Chapters 62-550 and 62-551, Florida Administrative Code, all regulated utilities must submit analysis results for a series of tests on a nine year cycle, broken down into three, three year periods. Each period is broken down into yearly, quarterly and monthly periods. The utility's expense for its program of testing averages $2,364 per year. As mentioned

above, Terra Mar has performed all of its necessary tests and is currently up-to-date for all tests required in this test period. All test results were satisfactory with the exception of lead which was retested at the source and found to be satisfactory to the point of delivery, that being the customer's meter. Any additional testing would be a further financial burden for the customers and would be considered imprudent.

A concern was mentioned at the customer meeting that the utility should relocate their wells. Again, this may not be economically feasible. The utility would have to purchase land on the west side of Highway A1A, drill new wells, obtain right-of-ways to go through intermediate land and to cross under Highway A1A, and construct a transfer main to the Terra Mar distribution system. Hacienda Del Rio, an established utility, has a system of five wells approximately one mile west of A1A. Their raw water must be lime softened and disinfected before it can be delivered to its customers. Once Terra Mar went to the expense of a remote well field, it is quite possible that they would have to continue treatment by R/O, or a further expense would be necessary to shift to another treatment process. This could easily become cost prohibitive.

Some customers were concerned that the reject water from the R/O process was polluting the area. Customers that have been watering their lawns with water from their own shallow irrigation wells have been having problems keeping their grass and shrubs alive. While this could be due to the high chlorides content in the groundwater, the customers are convinced that it is because the reject water from the water treatment plant is polluting the area. Groundwater this near the ocean may possibly have sufficient salt content to build up over a period of time and could or could not be related to the reject water. We spoke with a DEP representative; and they reached no conclusion as to the source of this problem. Under the ownership of Mr. Covington, the disposal system for the backwash water from the permeable membranes was allowed to degenerate, and the permit was allowed to expire. Mr. Uddo's engineer has submitted an application to DEP for a permit renewal. By the end of the permitting process, an appropriate system of reject disposal will be required which will be adequate to relieve any concerns over area pollution.

One specific customer claimed that the utility cut off his water service without notification for failing to pay amenities which was not related to utility service. The utility sent this customer a five day notice on September 20, 1994, before terminating service on September 26, 1994. The customer was in arrears from July, 1994. The utility sent us a copy of a letter

they received from the customer that was his response to their billing notices. Upon our review of the letter and other documentation, we find that the customer's complaint is unfounded.

One customer had trouble flushing his toilet. This customer lives near the wastewater treatment plant. One of the first things that Mr. Uddo did when appointed receiver was to refurbish the master lift station at the wastewater treatment plant. A series of calls were made to locate customers living in the same proximity as this customer and to contact those customers to determine if they were experiencing the same problem. None of the other customers living in same vicinity as this customer were having trouble with flushing their toilets. Either the problem has been corrected by the repairs made to the master lift station, or the problem is related to this customer's personal plumbing system. There is nothing to suggest that this customer's problem is utility-related.

In conclusion, we believe the utility is meeting the standards set forth by the VCPHU and the DEP for drinking water and wastewater treatment. Based on the foregoing, we find that the quality of service provided by Terra Mar in treating and distributing water is satisfactory and that the quality of service provided in collecting, treating and disposing wastewater is also satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the water system is depicted on Schedule No. 1. 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

Water Treatment Plant

The water treatment plant is an open system operation, functioning in the R/O mode of treatment. This plant's ability to meet flow requirements rests on both the ability of the R/O filters to process sufficient amounts of potable water and the capacity of the High Service pumps to deliver potable water to the customers. This utility's ability to produce potable water involves an advanced technical process that must be balanced with care and diligence. Even after the bottle water notice was lifted by the county, the VCPHU continues to hold a moratorium against the utility to prevent any new customers from being connected to the

system. Upgrades have been ongoing throughout our investigation and processing of this rate case. The latest information on these upgrades has been considered in the used and useful formula which is used as an indicator and yields a percentage that represents useful plant. Using this formula, we find that the water treatment plant is 86.42% used and useful.

Water Distribution System

The network of water mains is engineered and constructed to adequately serve the potential customer base of 267 ERCs. No further customers could be served by this distribution system without the construction of additional lines. Using the approved formula as a starting point for determining useful plant, the distribution system was calculated to be 79.78% used and useful. Therefore, we find that the distribution system is 79.78% used and useful with the exception of account no. 334 (Meters and Meter Installations) which is 100% used and useful.

Wastewater Treatment Plant

The rated capacity of the concrete Marolf plant operating in the extended aeration mode of treatment is 45,000 gpd. After reviewing the utility's records, we found that the highest five-day average of daily flows occurred during October 1994, at an average of 38,200 gpd. The result of the used and useful formula for the wastewater plant was 88.49%. Therefore, we find that the wastewater plant accounts is 88.49% used and useful.

Wastewater Collection System

The network of wastewater collection mains was also engineered and constructed to adequately serve the potential customer base of 267 ERCs. No further customers could be served by this collection system without the construction of additional lines. By using the approved formula approach, we find that the utility's collection system accounts is 82.77% used and useful. The one exception to this is account no. 363 (Services) which is 100% used and useful.

Test Year Rate Base

The appropriate components of the utility's rate base include depreciable plant in service, land, plant held for future use, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC and 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. A discussion of each component follows.

Depreciable Plant in Service

The utility recorded no balance for both the water and wastewater systems' plant in service accounts at the beginning of the test year. These amounts have been adjusted by $145,413 and $173,980, respectively, to reflect the appropriate balances in the water and wastewater systems at the end of the test period.

In the absence of extraordinary or emergency conditions, an average test year should be employed when calculating rate base. City of Miami v. Florida Public Service Commission, 208 So. 2d 249 (Fla. 1968). This holding was reaffirmed in Citizens of the State of Florida v. Hawkins, 365 So. 2d 254 (Fla. 1978). The court noted in Hawkins that the average rate base method can produce a "distorted picture" if the company is experiencing rapid growth, or "when other factors are forcing investment costs upward without a concomitant increment in revenues." Id. at 256. In this instance, we believe that the mismanagement of a prior owner has forced costs upward. Therefore, the water plant in service shall be recognized based on the year end balance rather than the average balance. We believe the test year additions to the water system should have been made prior to the test period. These necessary additions were not timely made due to the poor management of the prior owner and receiver. Therefore, to calculate rate base for the water system based on an average (rather than year-end) balance would unduly penalize the current owner for the mismanagement of the prior owner. We find that this situation is an extraordinary circumstance which warrants the use of the year-end balance method to calculate plant in service.

An averaging adjustment to the wastewater plant resulted in a $13,618 reduction to the test year plant balance. Therefore, the appropriate amounts of test year plant in service shall be $145,413 for the water system and $160,363 for the wastewater system.

In addition to the plant balances above, $29,302 for the water system and $604 for the wastewater system shall be allowed as pro forma plant. Included in the pro forma amount for the water system are two r/o pumps, two r/o modules, a new roof, and meters. Several pro forma items were installed or completed subsequent to the test year. We allowed these items as pro forma plant along with other improvements to plant deemed necessary to maintain the quality of water. A reasonable cost for these additions is $29,302, which was based on invoices and bids obtained by the utility.

We also included $604 as pro forma plant for the wastewater system. This amount includes electrical upgrades and a motor. We

allowed these items along with other test year additions which were necessary to bring the wastewater plant back it its full potential. It is our opinion that these improvements and additions give the plant sufficient reserve to handle the proposed phases of development. Therefore, the total adjustments for depreciable plant in service are $174,715 for the water system and $160,967 for the wastewater system.

Land

The utility recorded no amount for land in its application. We made adjustments of $2,590 for the water system and $4,421 for the wastewater system to reflect the appropriate balance in the respective accounts.

Plant Held for Futute Use (PHFU)

To determine the average amount of PHFU, the non-used and useful percentages are applied to the average balances of plant in service, accumulated depreciation, CIAC, and accumulated amortization of CIAC. This results in a net average PHFU balance of $14,207 for the water system and $10,735 for the wastewater system.

We calculated the additional amount of PHFU associated with the pro forma plant additions by applying the corresponding non-used and useful percentages to those additions. These additions result in ratesetting PHFU balances of $17,330 for the water system and $10,907 for the wastewater system.

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

The utility filing does not contain any provision for CIAC, nor was our audit able to discern any value for this account due to incomplete records. Rule 25-30.570, Florida Administrative Code, provides in part:

> (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 sewage collection system.

Although it is our practice to impute CIAC consistent with the above-referenced rule, we believe a more appropriate method of imputing CIAC in this instance is to impute based on number of connections multiplied by the tariffed service availability charges. Based on our conversations with representatives of the utility, the customers paid the approved service availability charges at the time the customers connected to the system. Although no CIAC has been recorded, it has nevertheless been paid and will be recognized in the rate base calculation. This method of imputing CIAC is consistent with our decision in Order No. 6891, issued September 9, 1975.

There were no new connections during the test period. Therefore, we decreased CIAC by $115,624 and $112,970 for the water and the wastewater systems, respectively.

Accumulated Depreciation

The utility did not record any test year accumulated depreciation in its application. 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 retired plant and averaging adjustments, are $44,133 for the water system and $60,924 for the wastewater system. The additional accumulated depreciation associated with the pro forma plant additions increases the balance by $1,684 for the water system and $40 for the wastewater system. Therefore, we made adjustments of $45,817 and $60,964 for the water and wastewater systems, respectively.

Accumulated Amortization of CIAC

As with all plant accounts, the utility did not make a showing in its application for the amount of amortization of CIAC. Therefore, we recalculated the appropriate respective balances resulting in an increase of $34,603 for the water system and $32,533 for the wastewater system.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, the working capital shall be calculated using the one-eighth of operation and maintenance expense formula. Applying that formula, the working capital allowance is $9,851 for the water system and $5,009 for the wastewater system.

Test Year Rate Base Summary

Applying all of the above adjustments, we find that the appropriate test year rate base is $42,988 for the water system and $18,089 for the wastewater system.

COST OF CAPITAL

Our calculation of the appropriate cost of capital and our adjustments are contained in Schedule No. 2. 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.

Return on Equity

The utility's reconstructed balances in the capital structure accounts include a long term debt balance (consisting of three separate debt instruments) of $140,439 and an equity balance (consisting of common stock and retained earnings) of $23,926 for the test year, for ratios of 85.44% long-term debt and 14.56% equity. Therefore, the appropriate cost of debt is 10.05%.

Overall Rate of Return

In instances when the 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 rate base. As a result, we reduced the long-term debt balance by $88,253 and the equity balance by $15,035 to reconcile the utility's capital structure components to the rate base balances. The weighted costs of 8.59% for debt and 1.65% for equity result in the appropriate overall rate of return of 10.24%.

NET OPERATING INCOME

Our calculation of net operating income for the water system is depicted on Schedule No. 3. Our adjustments are itemized on Schedule No. 3-A and Schedule No. 3-B. 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 Operating Revenues

The utility recorded water system revenues of $50,054 and wastewater system revenues of $32,561 during the test period. We recalculated test year revenues for each system based on the actual lot occupancy during the test year. Based on this analysis, we increased operating revenues by $23,196 and $14,804, respectively. Therefore, the appropriate test year operating revenues for the water system are $73,250 and $47,364 for the wastewater system.

Test Year Operating Expenses

The appropriate amount of test year operating expenses during the test year are $87,938 for the water system and $46,338 for the wastewater system.

OPERATION AND MAINTENANCE EXPENSE

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year cancelled checks for verification of the appropriate account, amount, and reasonableness.

1) Salaries and Wages - Employees - The utility did not record wages for utility employees, therefore, we made the appropriate adjustments for employee compensation. We reconstructed the utility's books to determine appropriate expense levels based on the size of the utility, standard hourly wages, and duties associated with the office manager, secretary/receptionist, and outside maintenance personnel. We adjusted the $0 balance to reflect salaries expenses of $16,728 for the water system and $13,981 for the wastewater system.

The salaries associated with the water system include an annual allowance of $8,490 for a manager, and $4,805 for an operation and maintenance assistant. We recorded $3,432 in this account to allow annual salaries associated with the secretary/receptionist.

Similar adjustments were made to reflect salaries associated with the wastewater system. An annual allowance of $8,490 was calculated for an office manager, and an allowance of $2,059 for an operation and maintenance assistant. Further, we increased the account by $3,432 to reflect an allowance for the secretary/receptionist.

Therefore, the resulting allowance for employee salaries and wages is $16,728 for the water system and $13,981 for wastewater system.

2) Sludge Removal Expense - The utility recorded no sludge removal expense in the test year. The utility has a signed residuals agreement with a local sludge hauling company to haul 6,000 gallons at $300 when needed. We estimated that this volume of sludge removal will occur every two months. Therefore, we increased the account by $1,800.

3) Purchased Power - The utility recorded no purchased power expense during the test year. We reviewed invoices to reconstruct test year expense for purchased power. We increased the account by $7,536 for the water system and $5,844 for the wastewater system.

4) Chemicals - The utility recorded no chemical expense during the test year. Upon reviewing the utility's invoices, we increased the account by $33,764 for the water system and $2,160 for the wastewater system.

5) Materials and Supplies - The utility recorded no material and supply expense in the test year. We increased this amount by $1,742 for the water and $1,237 for the wastewater system to reflect allowances for office supplies, printing expense and other materials.

6) Contractual Services - The utility recorded no contractual service expense during the test year. We adjusted this amount to reflect expense associated with the contract operator, repairs and maintenance to the utility, DEP required water and wastewater testing, and accounting and legal fees.

The utility utilizes a contract operator for its water and wastewater systems. However, there was no disclosure on the utility's books for the contract operator. We are making an adjustment of $6,300 for the water system and $4,500 for the wastewater system to reflect the cost associated with the contract operator. Further, we are also making an adjustment of $920 and $2,180 for groundskeeping.

The utility made no allowance for DEP laboratory testing expenses. We are making an adjustment of $2,364, which represents water testing for primary and secondary inorganics, total suspended solids, unregulated organic chemicals, volatile organic chemicals, nitrite and nitrate, radionuclides, and lead and copper. For the wastewater system, we are making an adjustment of $874 which reflects costs associated with DEP-required sampling and chemical

analysis, fecal coliform testing, and biochemical oxygen demand testing.

An adjustment of $5,544 shall be made to represent contractual costs associated with water repairs and maintenance expense along with accounting and legal fees allocated to the water system.

A similar analysis for the wastewater system yields an adjustment of $3,000 for wastewater repairs and maintenance expense along with accounting and legal fees allocated to the wastewater system.

Therefore, based on the above discussion, we increased the contractual services account by $15,128 for the water system and $10,554 for the wastewater system.

7) Rents - The utility recorded no rent expense in the test year. We increased this account by $1,800 for each system to reflect a reasonable allowance for office space overhead.

8) Transportation Expenses - The utility recorded no transportation expense in the test year. Based on the mileage allowance, we increased this account by $500 for each system.

9) Insurance Expense - The utility recorded no insurance expense during the test year. We increased this account amount by $186 for the water system and $120 for the wastewater system.

10) Regulatory Commission Expense - The utility recorded no regulatory commission expense for the test year. We increased this account by $470 for the water system and $470 for the wastewater system, representing the utility's rate case filing fee of $1,000 amortized over four years along with other prudent accounting and legal expenses associated with filing and processing this case.

11) Miscellaneous Expense - The utility recorded no miscellaneous expense during the test year. We increased this account by $954 for the water system and $1,606 for the wastewater system. These amounts reflect costs associated with a emergency telephone service, postage expense, permits and fees, along with printing and copying expenses and other miscellaneous costs.

Depreciation Expense

The utility recorded no depreciation expense. However, applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances results in an increase

in this account by $2,877 for the water system and $2,502 for the wastewater system.

Taxes Other than Income

The utility recorded no taxes other than income. We increased this account by $5,394 for the water system and $3,727 for the wastewater system to reflect property taxes, payroll taxes and regulatory assessment fees.

Increases in Operating Expenses for Ratesetting Purposes

This expense has been increased by an additional $859 for the water system and $37 for the wastewater system to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary

Based on the foregoing, the appropriate amount for the utility's test year operating expenses are $87,938 for the water system and $46,339 for the wastewater system.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is $92,340 for the water system and $48,191 for the wastewater system. This represents an annual increase in revenue of $19,090 or 26.06% for the water system and $827 or 1.75% for the wastewater system. These revenue requirements will allow the utility to recover its expenses and the opportunity to earn a 10.24% return on its investment.

RATES AND RATE STRUCTURE

The utility's current tariff provides for a base facility and gallonage charge rate structure along with a flat rate for those customers who are wastewater-only customers. The base facility and gallonage charge rate structure is the preferred rate structure, because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that rate payers pay their share of the fixed costs of providing service (through the base facility charge) and also pay their share of the variable costs of providing service (through the consumption or gallonage charge). In addition, the base facility

charge rate structure is an appropriate rate structure for this utility for conservation purposes.

The utility is under the jurisdiction of the St. John's River Water Management District. Currently, the utility does not have a consumptive use permit because permits are not required for those utilities whose consumptive demands are less than 100,000 gpd. Flows for this utility average between 20,000 and 25,000 gpd.

The utility's current and approved rates are shown below:

MONTHLY WATER RATES

Residential and General Service

	Current Rates	Commission Approved Rates
Base Facility Charge		
Meter sizes: 5/8" x 3/4"	$ 15.80	$ 16.49
1"	39.50	41.22
1 1/2"	79.00	82.43
2"	126.40	131.89
Gallonage Charge		
Per 1,000 Gallons	$ 5.88	9.62

MONTHLY WASTEWATER RATES

Residential and General Service

	Current Rates	Commission Approved Rates
Base Facility Charge		
Meter Sizes: 5/8" x 3/4"	$ 9.88	$ 9.94
1"	24.70	24.85
1 1/2"	49.40	49.70
2"	79.04	79.52
Gallonage Charge		
Per 1,000 Gallons		
Residential	$ 3.88	$ 4.14
General Service	3.88	4.97
Residential Flat Rate	$ 15.88	$ 15.96

The metered rates shall be effective for service rendered as of the stamped approval date on the revised tariff sheets in accordance with Rule 25.30.475, Florida Administrative Code, provided customers have received notice. The service availability charges and miscellaneous service charges shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets provided customers have received notice. Tariff sheets shall be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision, that the proposed customer notice is adequate, and that any required security has been provided. In no event shall the rates be effective for services rendered prior to the stamped approval date. The utility shall provide proof that the customers have received notice within 10 days of the date of the notice.

Miscellaneous Charges

The utility's current tariff contains no provision for miscellaneous service charges. We authorize the following charges:

Water

Initial Connection	$15.00
Normal Reconnection	$15.00
Violation Reconnection	$15.00
Premises Visit (in lieu of disconnect.)	$10.00

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 rather than on the entire ratepaying body. Following is a description of each service:

1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

3) Violation Reconnection: This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-

30.320(2), Florida Administrative Code, including a delinquency in bill payment.

4) Premises Visit (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages.

However, there shall be no tariff charge of actual cost for a wastewater-only violation reconnection unless it also files with the Commission for prior approval a breakdown of the actual components, the corresponding unit costs and the typical man hours required for the discontinuance and subsequent reinstatement of service.

Customer Deposits

The utility's current water and wastewater tariffs contain no provisions for customer deposits. However, the utility requested approval of customer deposits. When designing the appropriate amount for customer deposits, Rule 25.30.311, Florida Administrative Code, provides, in part:

(7) A utility may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of required deposit should not exceed an amount equal to the average actual charge for water and/or sewer service for two billing periods for the 12-month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the utility shall base its new or additional deposit upon the average monthly billing available.

We believe that requiring customer deposits from both new customers and existing customers who have demonstrated consistent

delinquency in paying the utility for service will help secure payment of current bills.

In conformity with the Rule 25-30.311, Florida Administrative Code, the deposit shall not exceed an amount equal to twice the average monthly charge for service. Therefore, the customer deposit shall be in the amount of $63.00 for water service and $32.00 for wastewater service.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

The statutory recovery period for rate case expense is four years. The appropriate annual reduction at the end of that period is $492 for the water system and $492 for the wastewa er system..

Section 367.0816, Florida Statutes, provides 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 four years. At the conclusion of the recovery period, the rate of 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 $1,881 for the water system and $1,881 for the wastewater system. Based on the above mentioned statute, the appropriate recovery period for these expenses is four years which allows the utility to recover approximately $470 for each system per year through its rates. Once the annual rate case expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to $492 for both the water and wastewater systems.

At the end of four years the utility's rates shall be reduced by $492 annually for each system. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction for the water system is $.17 and for the wastewater system is $.08 in the base facility charge for a 5/8" x 3/4" meter. The rate reduction in the gallonage charge is $.01 for the water system, a $.05 reduction for the residential wastewater gallonage charge and a $.07 reduction for the general service wastewater 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 shall also 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.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water and wasteater 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 refund provided that the utility first furnish and have approved by Commission staff, adequate security for a potential refund through a bond, letter of credit in the amount of $13,817, or an escrow account, a proposed customer notice, and revised tariff sheets.

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 security, it shall contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect.

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

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

1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.

2) The escrow account shall be an interest bearing account.

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

8) The Director of Records and Reporting must be a signatory to the escrow account.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom an 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.

In addition, 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.

BOOKS AND RECORDS

During the test year, the utility's books were not maintained in conformity with the Uniform Systems of Accounts. 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 this rule. Therefore, the utility shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

If a protest is not received within 21 days of issuance of this Order, this Order will become final. The docket shall be closed upon the utility's filing of and staff's approval of revised tariff sheets. Further, in the event of no protest, the escrow account may be released.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Terra Mar Village's application for increased water and wastewater rates 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 Terra Mar Village is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Terra Mar Village's rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

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

ORDERED that Terra Mar Village shall provide proof that the customers have received notice within 10 days of the date of the notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Terra Mar Village shall submit and have approved a proposed customer notice to its customers of the increased rates and charges and 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, Terra Mar Village shall submit and have approved a bond or letter of credit in the amount of $13,817 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Terra Mar Village is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30-360, Florida Administrative Code, provided that Terra Mar Village has furnished satisfactory security 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, prior to its implementation of the rates and charges approved herein, Terra Mar Village shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that Terra Mar Village shall submit monthly reports as set forth in the body of this Order. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that the provision of this Order, regarding our granting of increased rates and charges is issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Terra Mar Village shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that, if no timely protest is received from a substantially affected person, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 19th day of June, 1995.

Blanca S. Bayó

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

MSN

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 granting the increased rates and charges 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 10, 1995. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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

TERRA MAR VILLAGE
DOCKET NO.941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 1
WATER RATE BASE
PAGE 1 OF 2

Account Title	Balance per Utility	Commission Adjustments to Utility Balance		Balance per Commission	Pro Forma Additions		Ratesetting Balance
Depreciable Plant in Service	0	145,413	A	145,413	29,302	H	174,715
Land/Nondepreciable Assets	0	2,590	B	2,590	0		2,590
Plant Held for Future Use	0	(14,207)	C	(14,207)	(3,123)	I	(17,330)
Acquisition Adjustment	0	0		0	0		0
C.W.I.P.	0	0		0	0		0
Contributions in Aid of Construction	0	(115,624)	D	(115,624)	0		(115,624)
Accumulated Depreciation	0	(44,133)	E	(44,133)	(1,684)	J	(45,817)
Amortization of Acquisition Adjustment	0	0		0	0		0
Accumulated Amortization of CIAC	0	34,603	F	34,603	0		34,603
Working Capital Allowance	0	9,851	G	9,851	0		9,851
WATER RATE BASE	$0	$18,493		$18,493	$24,495		$42,988

TERRA MAR VILLAGE
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 1
WASTEWATER RATE BASE
PAGE 2 OF 2

Account Title	Balance per Utility	Commission Adjustments to Utility Balance		Balance per Commission	Pro Forma Additions		Ratesetting Balance
Depreciable Plant in Service	0	160,363	A	160,363	604	H	160,967
Land/Nondepreciable Assets	0	4,421	B	4,421	0		4,421
Plant Held for Future Use	0	(10,842)	C	(10,842)	(65)	I	(10,907)
Acquisition Adjustment	0	0		0	0		0
C.W.I.P	0	0		0	0		0
Contributions in Aid of Construction	0	(112,970)	D	(112,970)	0		(112,970)
Accumulated Depreciation	0	(60,924)	E	(60,924)	(40)	J	(60,964)
Amortization of Acquisition Adjustment	0	0		0	0		0
Accumulated Amortization of C.I.A.C.	0	32,533	F	32,533	0		32,533
Working Capital Allowance	0	5,009	G	5,009	0		5,009
WASTEWATER RATE BASE	$0	$17,590		$17,590	$499		$18,089

TERRA MAR VILLAGE
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO 1A
ADJUSTMENTS TO
RATE BASE
PAGE 1 OF 2

		WATER	WASTEWATER
A. UTILITY PLANT IN SERVICE:			
1. To reflect UPIS balance per Order No. 11267		85,042	131,243
2. To reflect plant additions subsequent to Order No. 11267 and prior to the test year		29,654	15,502
3. To reflect test year additions to UPIS for the water and wastewater systems		30,717	27,236
4. To reflect test year averaging adjustment		0	(13,618)
	Subtotal	145,413	160,363
B. LAND/NON-DEPRECIABLE PLANT			
1. To reflect the value of land associated with the utility		2,590	4,421
C. PLANT HELD FOR FUTURE USE (PHFU):			
1. To reflect the appropriate amount of non-used and useful plant		(20,641)	(18,796)
2. To reflect the proper amount of accumulated depreciation associated with PHFU		6,434	8,061
3. To reflect PHFU portion of retired plant			(108)
	Subtotal	(14,207)	(10,843)
D. CONTRIBUTIONS IN AID OF CONSTRUCTION			
1. To reflect balance per Order NO. 11267		(17,644)	(21,769)
2. To reflect CIAC subsequent to Order No. 11267 based on connections prior to test year		(97,980)	(91,200)
	Subtotal	(115,624)	(112,969)
E. ACCUMULATED DEPRECIATION:			
1. To reflect balance per Order No. 11267		(11,652)	(15,733)
2. To reflect accumulated depreciation subsequent to Order No. 11267 and prior to test year		(26,867)	(42,105)
3. Test year depreciation expense		(6,504)	(7,107)
4. To reflect retired plant		890	935
5. Test year averaging adjustment		0	3,086
	Subtotal	(44,133)	(60,924)
F. ACCUMULATED AMORTIZATION OF CIAC:			
1. To reflect the apprpriate balance per Order NO. 11267		728	1,979
2. Additions subsequent to Order No. 11267 and prior to test year		31,758	28,594
3. Test year additions		4,234	3,919
4. Test year averaging adjustment		(2,117)	(1,959)
	Subtotal	34,603	32,533

TERRA MAR UTILITY
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 1A
ADJUSTMENTS TO
RATE BASE
PAGE 2 OF 2

		WATER	WASTEWATER
G. WORKING CAPITAL ALLOWANCE:			
1. Working capital allowance based on one-eighth of O&M expenses		9,851	5,009
H. UTILITY PLANT IN SERVICE:			
1. To reflect pro forma additions		29,302	604
I. PLANT HELD FOR FUTURE USE (PHFU):			
1. To reflect the appropriate amount of non-used and useful pro forma plant		(3,349)	(70)
2. To reflect the proper amount of accumulated depreciation associated with non-used and useful pro forma plant		226	5
	Subtotal	(3,123)	(65)
J. ACCUMULATED DEPRECIATION:			
1. To reflect depreciation expense associated with pro forma plant		(1,684)	(40)
TOTAL RATE BASE ADJUSTMENTS:		42,988	18,089

TERRA MAR VILLAGE
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 3
OPERATING INCOME
WATER
Page 1 of 2

	Balance Per Utility	Commission Adjustments to Utility Balance		Test Year Balance per Commission	Commission Adjustments for Increase		Balance per Commission
Operating Revenues	$50,054	$23,196	A	$73,250	$19,090	E	$92,340
Operating Expenses:							
Operation and Maintenance	$0	$78,808	B	$78,808	$0		$78,808
Depreciation	0	2,877	C	2,877	0		2,877
Amortization	0	0		0	0		0
Taxes Other Than Income	0	5,394	D	5,394	859	F	6,253
Income Taxes	0	0		0	0		0
Total Operating Expenses	$0	$87,079		$87,079	$859		$87,938
Operating Income (Loss)	$50,054	($63,883)		($13,829)	$18,231		$4,402
Rate Base	$0			$42,988			$42,988
Rate of Return	N/A			-32.17%			10.24%

TERRA MAR VILLAGE
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 3
OPERATING INCOME
WASTEWATER
Page 2 of 2

	Balance Per Utility	Commission Adjustments to Utility Balance		Test Year Balance per Commission	Commission Adjustments for Increase		Balance per Commission
Operating Revenues	$32,561	$14,803	A	$47,364	$827	E	$48,191
Operating Expenses:							
Operation and Maintenance	$0	$40,072	B	$40,072	$0		$40,072
Depreciation	0	2,502	C	2,502	0		2,502
Amortization	0	0		0	0		0
Taxes Other Than Income	0	3,727	D	3,727	37	F	3,764
Income Taxes	0	0		0	0		0
Total Operating Expenses	$0	$46,301		$46,301	$37		$46,338
Operating Income (Loss)	$32,561	($31,498)		$1,063	$790		$1,853
Rate Base	$0			$18,089			$18,089
Rate of Return	N/A			5.88%			10.24%

TERRA MAR VILLAGE
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
Page 1 of 2

			WATER	WASTEWATER
A.	OPERATING REVENUES:			
	1. To reflect the appropriate level of test year revenues based on billing analysis		23,196	14,803
B.	OPERATION AND MAINTENANCE EXPENSES:			
	1. Salaries and Wages Expense - Employees:			
	1. To reflect allowance for manager		8,490	8,490
	2. To reflect allowance for operations assistant		4,805	2,799
	3. To reflect allowance for secretary/receptionist		3,432	3,432
		Subtotal	16,727	13,981
	2. Sludge Removal Expense:			
	1. To reflect appropriate costs associated with sludge hauling		0	1,800
	3. Purchased Power Expense:			
	1. To record appropriate amount of purchased power for each system		7,536	5,844
	4. Chemicals Expense:			
	1. To reflect appropriate costs associated with chemicals		33,764	2,160
	5. Materials and Supplies Expense:			
	1. To reflect allowance for materials and supplies		1,742	1,237
	6. Contractual Services Expense:			
	1. Reflect expense associated with contract operator		6,300	4,500
	2. To reflect testing expense		2,364	874
	3. To reflect allowance for groundskeeping per Staff engineer		920	2,180
	4. To reflect allowance for repairs, accounting and legal expenses		5,544	3,000
		Subtotal	15,128	10,554
	7. Rents Expense:			
	1. To reflect an allowance for rent expense		1,800	1,800
	8. Transportation Expense:			
	1. To reflect the appropriate transportation allowance for the water and wastewater systems		500	500
	9. Insurance Expense:			
	1. To reflect appropriate amount of insurance expense associated with each system		186	120
	10. Regulatory Commission Expense:			
	1. To reflect rate case expense		470	470
	11. Miscellaneous Expense:			
	1. Reflect appropriate miscellaneous expense between the two systems		954	1,606
		TOTAL O & M ADJUSTMENTS:	78,808	40,072

TERRA MAR VILLAGE
DOCKET NO. 941084-WS
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
Page 2 of 2

		WATER	WASTEWATER
C.	DEPRECIATION EXPENSE (NET OF CIAC AMORTIZATION):		
1.	To reflect used and useful test year depreciation expense (net of CIAC amort)	(2,877)	(2,502)
D.	TAXES OTHER THAN FEDERAL INCOME TAXES:		
1.	Regulatory assessment fees based on Commission approved balance of test year revenues	3,296	2,131
2.	Payroll taxes associated with Commission approved salaries and wages allowance	1,865	1,559
3.	Property taxes associated with used and useful plant	233	37
	Subtotal	5,394	3,727
E.	OPERATING REVENUES:		
1.	Commission approved revenue increase	19,090	627
F.	TAXES OTHER THAN INCOME TAXES:		
1.	To reflect increase in regulatory assessment fees associated with Commission approved revenue increase	859	37

TERRA MAR VILLAGE
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SCHEDULE NO. 3B
DETAIL OF OPERATION AND MAINTENANCE EXPENSES

WATER

Account No.	Description	Balance per Utility	Commission Adjustments		Balance per Commission
601	Salaries and Wages - Employees	$0	$16,728	1	$16,728
603	Salaries and Wages - Officers	0	0		0
604	Employee Pensions and Benefits	0	0		0
610	Purchased Water	0	0		0
615	Purchased Power	0	7,536	3	7,536
616	Fuel for Power Production	0	0		0
618	Chemicals	0	33,764	4	33,764
620	Materials and Supplies	0	1,742	5	1,742
630	Contractual Services	0	15,128	6	15,128
640	Rents	0	1,800	7	1,800
650	Transportation Expenses	0	500	8	500
655	Insurance Expense	0	186	9	186
665	Regulatory Commission Expense	0	470	10	470
670	Bad Debt Expense	0	0		0
675	Miscellaneous Expenses	0	954	11	954
	TOTAL OPERATION AND MAINTENANCE EXPENSES	$0	$78,808		$78,808

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SCHEDULE NO. 3C
DETAIL OF OPERATION AND MAINTENANCE EXPENSES

WASTEWATER

Account No.	Description	Balance per Utility	Commission Adjustments		Balance per Commission
701	Salaries and Wages – Employees	$0	$13,981	1	$13,981
703	Salaries and Wages – Officers	0	0		0
704	Employee Pensions and Benefits	0	0		0
710	Purchased Sewage Treatment	0	0		0
711	Sludge Removal Expense	0	1,800	2	1,800
715	Purchased Power	0	5,844	3	5,844
716	Fuel for Power Production	0	0		0
718	Chemicals	0	2,160	4	2,160
720	Materials and Supplies	0	1,237	5	1,237
730	Contractual Services	0	10,554	6	10,554
740	Rents	0	1,800	7	1,800
750	Transportation Expenses	0	500	8	500
755	Insurance Expense	0	120	9	120
765	Regulatory Commission Expense	0	470	10	470
770	Bad Debt Expense	0	0		0
775	Miscellaneous Expenses	0	1,606	11	1,606
	TOTAL OPERATION AND MAINTENANCE EXPENSES	$0	$40,072		$40,072