

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff- ) DOCKET NO. 960132-WS  
assisted rate case in Broward ) ORDER NO. PSC-96-1225-FOF-WS  
County by MHC-DeAnza Financing ) ISSUED: September 26, 1996  
Limited Partnership d/b/a )  
Colonies Water Company )  
\_\_\_\_\_ )

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  
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 in the event of a protest, 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

MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company (Colonies or utility) is a Class C water and wastewater utility that resells water and wastewater services to approximately 818 residential and 4 general service customers in the Colonies of Margate Mobile Home Park (Park). By Order Number 17686, issued June 10, 1987, in Docket No. 861071-WS, we issued Certificates Nos. 481-W for water and 417-S for wastewater to the utility.

On March 19, 1990, the Colonies of Margate Homeowners' Association (CMHA) filed a complaint against the Colonies Water Company (Company). On November 27, 1990 the Division of Administrative Hearings granted CHMA's Motion for Voluntary

DOCUMENT NUMBER-DATE

10364 SEP 26 96

FPSC-RECORDS/REPORTING

Dismissal, and denied the Company's motion for attorney's fees and costs.

On November 28, 1990, CHMA filed a second complaint claiming that the Company was a metering entity that charged double its costs for water. By this second complaint, CHMA petitioned for three counts of relief: (1) revoking the Company's certificate; (2) refunding all payments made to the Company; and (3) providing all other relief in the best judgment of the Commission. By Order No. 24234, dated March 12, 1991, in Docket No. 900944-WU, we dismissed the complaint, and ordered (1) that the utility file a plan within 90 days to correct its excessive unaccounted-for water problem; (2) that the Company's request for attorney's fees be denied; and (3) that the docket be closed.

On August 15, 1994, we received an application to transfer Certificates Nos. 481-W and 417-S in Broward County from the Company to Colonies. This application was a direct result of the Company entering into an acquisition agreement on May 9, 1994, with DeAnza Properties-X, Ltd. for the sale of the Park which included all utility assets. On September 12, 1994, the City of Margate (Margate) and the CMHA filed objections to the application. By Order No. PSC-95-0417-FOF-WS, issued March 27, 1995, we dismissed these objections.

On February 6, 1996, the utility applied for this staff assisted rate case (SARC) and paid the appropriate filing fee. The official filing date of this SARC is April 4, 1996. We have reviewed the utility's books and records and conducted an engineering field investigation. A review of the utility's operating expenses, maps, files, and rate application was also performed to obtain information about the physical plant and operating costs.

The test year for this case is the historical test year ending December 31, 1995. The utility's test year revenues are \$118,785 for water and \$111,142 for wastewater. Its operating expenses are \$107,915 for water and \$140,384 for wastewater. These amounts result in a test period adjusted operating income of \$10,870 for water and an adjusted net operating loss of \$29,242 for wastewater.

#### QUALITY OF SERVICE

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water or wastewater utility operations: (1) quality of the utility's product (water and wastewater compliance with regulatory

standards); (2) operational conditions of the utility's plant or facilities; and (3) customer satisfaction.

#### Quality of Utility Product

Colonies is a consecutive water and wastewater system which purchases water service and wastewater disposal from Margate. Margate is a municipality regulated by the Environmental Protection Agency (EPA) whose standards are enforced through the Department of Environmental Protection (DEP). DEP has no citations or corrective orders pending against Margate. Water served to Colonies meets or exceeds all quality standards for safe drinking water.

#### Operational Conditions

Since neither a water treatment plant nor a wastewater treatment plant is owned by the utility, the issue of operational conditions at the plants is moot.

#### Customer Concerns

We held a customer meeting on August 1, 1996 in the utility's service area. Approximately 200 customers attended. The president of CMHA submitted a list of customer concerns and schedules. The major concerns identified by the customers were: the rate increase and its impact on Canadian residents, accuracy of the utility's annual reports, ownership of the land on which the utility's assets were located, unrecorded revenue from the general service customers, income from laundry and water vending machines, bookkeeper and maintenance person salaries, Margate sales tax charges, management fees, billing costs, rate case expenses, and lack of customer notification during water shut-downs.

MHC-DeAnza Limited Partnership owns the laundry and Glacier Water Company owns the vending machines. Since we do not regulate laundry facilities or water vending machines, it is inappropriate to include this income on the utility's books. However, the water usage for the facility containing the laundry and water vending machine is included in the usage for the four general service customers in our calculation of rates.

The utility's customer base is seasonal. One customer stated that the percentage increase, especially for the base facility charge, would be higher for Canadian residents than for other customers because of the currency exchange of Canadian dollars to American dollars. Since the utility operates in the United States and pays for materials and services in U.S. dollars, rates must be set without regard to currency exchange rate differences. We find

that the approved rates are fair, reasonable and non-discriminatory. We have not set different rates for seasonal customers in the past.

We reviewed a bill from Margate for the utility's purchased water and wastewater. We have also reviewed a customer bill to determine if the utility is billing its customers correctly. Margate charges the utility \$3.41 per unit and \$1.14 per 1,000 gallons for purchased water. In addition, it charges a 10% city sales tax on both the per unit charge and the gallonage charge. The city charges \$9.81 per unit for purchased wastewater, with no gallonage charge or city tax. A review of the customer bill reveals that the utility billed customers using our approved rates. The 10% city tax on the water base and the gallonage charge was also calculated correctly. The 10% city tax is a cost for purchased water. Therefore, we have included the tax in costs for calculating rates.

We investigated customers' concerns about the lack of notification during water shut-downs. The water distribution system is divided into three major areas where the water may be shut off in case of an emergency. A shut-off causes a large number of customers to suffer water loss during repairs to a single water line. The utility's manager, Mr. Barton has obtained a closed circuit information channel that will post water outages in advance, information about emergency outages, and other park events. This service will be installed within 120 days of this Order. We find that this information channel will provide a reasonable resolution to the customers' concerns.

In consideration of the above, we find the utility's quality of service to be satisfactory.

#### RATE BASE

Our calculation of the appropriate rate base for the water and wastewater systems are depicted on Schedules Nos. 1 and 1A, respectively. Our adjustments are itemized on Schedule No. 1B. 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

As stated earlier, the utility resells water and wastewater service obtained from Margate. Based on the calculations shown on Attachments A and B to this Order, we find that the water

distribution system and the wastewater collection system shall be considered 100% used and useful. Since there is no water or wastewater treatment plant, no treatment plant used and useful percentage is applicable.

#### Utility Plant-in-Service (UPIS)

The utility has not had a prior formal rate case. We established depreciable plant of \$337,976 for water and \$386,011 for wastewater at June 30, 1994 for this utility in Order No. PSC-95-0622-FOF-WS, issued May 22, 1995. During the test year the utility recorded plant additions of \$27,116 for water and \$8,034 for wastewater. We decreased UPIS by \$15,934 for water and \$4,913 for wastewater to reflect the retirement of line costs. The utility has adjusted its books accordingly and the utility's recorded year end UPIS balances at December 31, 1995, are \$349,158 for water and \$389,132 for wastewater. Our averaging adjustment for rate setting is (\$5,591) for water and (\$1,550) for wastewater.

#### Land

The utility's assets consist of a water transmission and distribution system, a collection system and two lift stations. Because the utility resells water and wastewater service, it does not own treatment facilities. We recognize that customers are concerned over land ownership, and find that the ownership of the above assets by Snowbirdland Vistas, Inc., as nominee for MHC-De Anza Financing Limited Partnership shall be fully explored in regard to the utility's certification. Therefore, the utility shall provide us with all pertinent documentation and other information regarding the nominee relationship between the utility and Snowbirdland Vistas, Inc., so that we may determine whether a separate docket should be opened to examine land ownership.

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

We have not approved service availability charges for the utility and a review of the utility's records revealed no evidence that the utility collected or recorded CIAC charges. The utility's recorded plant balances at December 1994 agree with the depreciable assets listed in its 1994 tax return. Therefore, we did not impute any amounts for CIAC.

#### Accumulated Depreciation

The accumulated depreciation balances approved in Order No. PSC-95-0622-FOF-WS, at June 30, 1994, in the certificate transfer, were based on depreciation rates for class A and B utilities. The

utility has recalculated accumulated depreciation using Class C utility depreciation rates and has adjusted its books accordingly. The utility recorded year-end accumulated depreciation of (\$141,009) for water and (\$212,821) for wastewater. These totals are net of the retirement adjustments of \$15,934 for water and \$4,913 for wastewater. We made an averaging adjustment of (\$2,841) for water and \$3,377 for wastewater.

#### Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we utilized the one-eighth of operation and maintenance expense formula method to calculate working capital. In a later section of this Order, we find that the appropriate operation and maintenance expense is \$91,235 for water and \$122,963 for wastewater. Therefore, we have included one-eighth of that amount, \$11,404 for water and \$15,370 for wastewater, in the rate base as the utility's working capital allowance.

#### Test Year Rate Base

Based on the foregoing, we find that the average test year rate base is \$211,121 for water and \$193,508 for wastewater.

#### CAPITAL STRUCTURE

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

The utility's business operation is a partnership consisting of MHC-QRS DeAnza, Inc. and MHC Operating Limited Partnership. MHC-QRS DeAnza, Inc. owns 1% of the partnership and MHC Operating Limited Partnership owns 99% of the partnership. When needed, utility operations are financed by MHC Operating Limited Partnership, through its general partner, Manufactured Home Communities, Inc. (MHC). Therefore, the capital structure for MHC has been used to determine the utility's cost of capital.

#### Return on Equity

MHC's capital structure includes equity of \$268,859, which is 55.07% of total capital. Based upon the leverage formula approved by Order No. PSC-96-0729-FOF-WS, effective June 22, 1996, in Docket No. 960006-WS, the utility's allowable return on common equity

shall be 11.10% with a range of 10.10% - 12.10%. The return on equity and overall rate of return are shown on Schedule No. 2.

#### Cost of Debt

The total long-term debt is \$219,318. This total includes several loans with various costs. The weighted cost of total debt has been calculated based on the cost and weight of each loan and the weighted cost of debt is 7.45%.

#### Overall Rate of Return

We reconciled the utility's capital structure with its rate base for water and wastewater. By applying the cost times the weight of each capital component, we find that the overall rate of return shall be 9.46% with a range of 8.91% - 10.01%.

#### NET OPERATING INCOME

Our calculation of net operating income for the water and wastewater systems are depicted on Schedules Nos. 3 and 3A. Our adjustments are itemized on Schedule No. 3B. 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

As mentioned in the background, the utility provided water and wastewater service to approximately 818 residential customers and four general service customers. The general service customer base includes a guard house, a maintenance facility, a club house and a sports center, owned by MHC-DeAnza Financing Limited Partnership. Our audit revealed that the utility recorded revenues for the residential customers, but did not bill or record revenues for the four general service customers during the test year. The utility shall henceforth record revenues for the four general service customers.

We calculated revenues for residential customers to be \$105,951 for water and \$97,587 for wastewater. The utility recorded revenues for residential customers of \$104,657 for water and \$98,950 for wastewater. Revenues have been increased by \$1,294 for water and decreased by \$1,363 for wastewater to adjust test year revenues for residential customers to the appropriate amount.

We calculated revenues for the general service customers to be \$12,834 for water and \$13,555 for wastewater. Since the utility did not record revenues for its general service customers, we increased test year revenues by an additional \$12,834 for water and by \$13,555 for wastewater to reflect the unrecorded revenues. The total adjustment for revenues is \$14,128 for water and \$12,192 for wastewater.

#### Regulatory Assessment Fees

Pursuant to Section 367.145, Florida Statutes, and Rule 25-30.120, Florida Administrative Code, the Commission requires each water and wastewater utility to pay an annual regulatory assessment fee based upon a percentage of the utility's gross revenues. Since we adjusted the utility's revenue due to the discrepancy in revenues by \$26,320; \$14,128 for water and \$12,192 for wastewater, we find that the utility must pay an additional \$1,184 in regulatory assessment fees to correspond to that adjustment. The utility shall pay \$1,184 in regulatory assessment fees within 30 days of the effective date of this Order. The utility shall also henceforth bill all connections, at the approved tariffed rates, and record these revenues on its books.

#### Test Year Operating Income and Loss

The utility's test year revenues are \$118,785 for water and \$111,142 for wastewater. The corresponding test year operating expenses are \$107,915 for water and \$140,384 for wastewater, excluding our revenue increase and taxes. This results in a test year operating income of \$10,870 for water and a loss of \$29,242 for wastewater.

#### Operation and Maintenance (O & M) Expenses

Operation and maintenance expenses reflected in the utility's records were traced to supporting cost documentation. Our adjustments are itemized on Schedule No. 3B. 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:

- 1) Salaries and Wages - Employees (601/701) - The utility recorded \$11,586 for water and \$11,586 for wastewater in this expense. The total includes a salary of \$5,751 for a bookkeeper, \$4,363 for a maintenance person, \$720 for meter reading, and estimated payroll accruals of \$752 for water and \$752 for wastewater.

The bookkeeper coordinates, enters and adjusts meter readings, and handles monthly collections, postings, and deposits. She is also responsible for customer contacts and inquiries, mailings, and delinquent collections. We find that an annual salary of \$4,642 for the bookkeeper, allocated \$2,321 for water and \$2,321 for wastewater, is reasonable. We decreased this expense by \$3,430 for water and \$3,430 for wastewater to reflect our approved salary for the bookkeeper.

The maintenance person is responsible for handling water leaks, line repairs, meter replacements and any other general maintenance. We find that an annual salary of \$3,916 is reasonable; \$1,958 allocated to water and \$1,958 allocated to wastewater. We decreased this expense by \$2,405 for water and \$2,405 for wastewater to reflect the approved salary for the maintenance person.

The annual meter reading expense is \$1,440. The utility recorded \$720 for water and \$720 for wastewater. We increased water by \$720 and decreased wastewater by \$720 to reflect a reclassification of meter reading expense. We also decreased this expense by \$752 for water and \$752 for wastewater to remove estimated year-end payroll accruals.

- 2) Purchased Water (610) - The utility recorded \$66,514 in this expense. Margate charges the utility \$3.41 per unit and \$1.14 per 1,000 gallons for purchased water, plus a 10% city sales tax. The utility's recorded expense excludes the 10% city sales tax. Since the tax is a portion of the cost of purchased water, we have increased this expense by \$5,416 to include the 10% tax charged by Margate. The utility currently lists the 10% city tax as a separate line item on customer bills. The utility shall revise the current billing format to delete the separate line item for tax.
- 3) Sludge Removal (711) - During our engineering investigation, some grease build-up and foul odors were detected at the utility's lift stations. We find that sludge removal for the two lift stations shall be a regular maintenance item. Sludge hauling shall occur when signs such as odor and sludge build-up deem it appropriate. Since the customer base appears seasonal, one clean-out per year, per lift station, either during or after the peak season is appropriate for this utility. Typical cost for such a clean-out is \$300 per load. The

utility did not record a sludge hauling expense. Therefore, we increased this expense by \$600 for wastewater.

- 4) Purchased Power (715) - Power consumption for the wastewater system relates solely to the two lift stations. Records of purchased power were unavailable. We estimated that each lift station will require a minimum of \$50 per month in purchased power. We find an annual purchased power allowance of \$1,200 appropriate for the two lift stations, and have increased this expense by the same amount.
- 5) Chemicals (718) - The utility purchases a liquid digester - degreaser/deodorant as a chemical pretreatment to eliminate build-up of sludge/grease in the lift station wet wells. We find that the annual cost of \$1,553 for chemicals is appropriate. Since the utility did not record a chemicals expense, we have increased this expense by \$1,553 to reflect the appropriate annual allowance for wastewater.
- 6) Contractual Services (630/730) - The utility recorded contractual services expense of \$5,466 each for water and wastewater. This total includes \$376 for miscellaneous expenses and \$5,090 for a management fee. This expense has been decreased by \$376 for water and \$376 for wastewater to reflect a reclassification to miscellaneous expense.

MHC, a related company, provides management service for the utility. MHC's services include organization of accounting records in accordance with National Association of Regulatory Utility Commissioners principals, verification of budget adherence, approval of all capital expenditures, review of all legal documents and correspondences, and entry of daily activities for utility journal entries, invoices and checks. MHC also oversees the completion of the annual report, rate case audits, daily operations and the overall financial operation of the utility. MHC charges the utility \$9,861 annually for its services, \$8,021 for salaries and \$1,840 for overhead. We find that this amount is reasonable and that an annual management allowance of \$9,861, allocated equally between water and wastewater, is appropriate. The utility recorded \$5,090 for water and \$5,090 for wastewater in this expense. This expense has been

decreased by \$159 for water and \$159 for wastewater to reflect our adjustment.

We increased this expense by \$318 for wastewater to reflect a reclassification of contractual lift station maintenance expense from miscellaneous expense. We also increased this expense by \$1,590 to reflect the appropriate annual contractual lift station maintenance expense of \$1,908, or \$159 per month.

DEP considers the utility to be a consecutive system, and as such, the utility must meet the requirements of Section 62-550.540, Florida Administrative Code. This portion of the Florida Administrative Code is enforced locally by the Broward County Public Health Unit and sets forth monitoring requirements for Microbiological/Chlorine, Lead/Copper, and Asbestos. Testing and the frequency at which testing must be reported is:

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-550.518 F.A.C.	Microbiological	monthly	\$300/yr
62-551 F.A.C.	Lead & Copper	biannual/subseq annual	240/yr
62-551.511 F.A.C.	Asbestos	1/9 yrs.	<u>25/yr</u>
		TOTAL	<u>\$565/yr</u>

Accordingly, we find an annual DEP test expense of \$565 for water appropriate. Since the utility did not record a testing expense, we increased this expense by \$565 for water to reflect our adjustment.

MRI software provides billing services for the utility. The services include preparation of the customer bills, stuffing invoices, and postage. The utility did not record billing costs in the test year expenses and has requested an annual billing cost of \$4,428. The customer bills include charges for not only utility services, but also for lot rent, trash, and real estate taxes. Therefore, we find that the annual cost of these billing services shall be allocated over all services provided and that 25% of the cost shall be allowed for utility billing services. We find that a billing cost of \$1,108 (\$4,428/4) is appropriate, with an allocation of \$554 for water and \$554 for wastewater. This account has been increased by \$554 for water and \$554 for wastewater.

- 7) Transportation Expense (650/750) - The utility did not record any transportation expense in the water or wastewater account. We included a pro forma transportation expense of \$261 for water and \$261 for wastewater based on our estimate of 150 miles of travel per month which we find is reasonable and prudent for this utility.
- 8) Regulatory Commission Expense (655/755) - The utility's rate case expense includes a filing fee of \$2,000; \$3,014 for accounting services and \$5,462 for legal services for a total of \$10,476. The costs for accounting and legal services include costs for services that have already been provided and for services that will be provided through the proposed agency action process. We find that a rate case expense of \$10,476 is reasonable. The amount shall be amortized over four years with a 50% allocation each to water and wastewater. This expense has been increased by \$1,310 ( $\$10,476/4 \times .50$ ) for water and \$1,310 for wastewater.
- 9) Miscellaneous Expense (675/775) - The utility recorded \$888 in this expense for water and \$10,318 for wastewater. We decreased this expense by \$123 for water and by \$1,303 for wastewater to remove a non-utility expense. It has been decreased by \$318 for wastewater to reflect a reclassification to contractual services; and increased by \$244 for water and decreased by \$244 for wastewater to reflect reclassification of the meter repair expense to water. In addition, we increased this expense by \$376 for water and \$376 for wastewater to reflect a reclassification of repair and maintenance expense from contractual services.

The utility's recorded expenses include \$620 for repair and maintenance costs for water. We estimate that the utility will incur approximately \$5,000 in repairs and maintenance on a going forward basis and find that an annual allowance of \$5,000 for repair and maintenance is reasonable. This expense has been increased by \$4,380 for water to reflect our adjustment.

The utility is required to obtain a water operating permit at a cost of \$200 annually. The utility did not record an expense for the permit. Therefore, we have increased this expense by \$200 for water.

Depreciation Expense

The utility recorded test year depreciation expense of \$10,255 for water and \$11,669 for wastewater. We applied the prescribed depreciation rates to the appropriate test year plant-in-service account balances which result in a depreciation expense of \$10,400 for water and \$11,720 for wastewater. We made an adjustment of \$145 for water and \$51 for wastewater to reflect the appropriate test year depreciation expense.

Taxes Other than Income

The utility recorded \$9,531 for water and \$4,478 for wastewater. We increased this expense by \$610 for water and \$523 for wastewater to reflect regulatory assessment fees at 4.5% on test year revenue. We also increased this expense by \$935 for water and \$700 wastewater to reflect payroll taxes on Commission approved salaries.

Operating Revenues

We increased revenue by \$9,531 for water and \$49,789 for wastewater to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn a reasonable return on its investment.

Taxes Other Than Income Taxes

This expense has been increased by \$429 for water and by \$2,241 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in water revenue.

Operating Expenses Summary

Based on the foregoing adjustments, we find the utility's test year operating expenses to be \$108,344 for water and \$142,625 for wastewater.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$128,316 for water and \$160,931 for wastewater. This represents an annual increase in revenue of \$9,531 (8.02%) for water and \$49,789 (44.80%) for wastewater. These revenue requirements will allow the utility to recover its expenses and to have the opportunity to earn a 9.46% return on its investment.

RATES AND CHARGES AND RATE STRUCTURE

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn a 9.46% return on its investment.

Monthly Service Rates

Currently, the utility employs a base facility and gallonage charge rate structure, which is the preferred 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 upon 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 gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge). Therefore, we find it is appropriate to retain this rate structure.

We established the utility's original rates in Order No. 17686, issued June 10, 1987, in Docket No. 861071-WS. We included purchased water and wastewater expenses in the calculation of rates. However, the percentage allocation of the cost associated with the base charge and gallonage charge used in the rate calculation is unknown. In this rate case, the purchased water cost is \$3.41 per unit and \$1.14 per 1,000 gallons. The purchased wastewater cost is \$9.81 per unit with no gallonage charge. Since the cost for purchased water includes a fixed per unit charge and a gallonage charge, we included the pro rata share of the per unit cost in the base facility charge. The total cost for purchase wastewater is included in the base facility charge. This results in an adjustment in the utility's rate structure resulting in a shift in revenues required to cover fixed vs. gallonage costs. Failure to adjust the rate structure to allow for appropriate recovery of fixed and variable expenses will result in year-round customers subsidizing seasonal customers. A schedule of the utility's existing rates and our approved rates follow.

MONTHLY WATER RATES  
Residential and General Service

<u>Base Facility Charge</u> <u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Commission</u> <u>Approved Rates</u>
5/8" x 3/4"	\$ 4.80	\$ 6.31
3/4"	7.20	9.46
1"	12.00	15.77
1 1/2"	24.00	31.54
2"	38.41	50.46
3"	76.83	100.92
4"	120.04	157.68
6"	240.09	315.36
<u>Gallonge Charge</u> Per 1,000 Gallons	\$ 2.55	\$ 2.35

MONTHLY WASTEWATER RATES  
Residential Service

<u>Base Facility Charge</u> <u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Commission</u> <u>Approved Rates</u>
All Sizes	\$ 4.72	\$ 12.45
<u>Gallonge Charge</u> Per 1,000 Gallons (1,000 gal. max)	2.26	1.33

General Service

<u>Base Facility Charge</u> <u>Meter Sizes:</u>	<u>Current Rates</u>	<u>Commission</u> <u>Approved Rates</u>
5/8" x 3/4"	\$ 4.72	\$ 12.45
3/4"	7.08	18.68
1"	11.79	31.13
1 1/2"	23.58	62.26
2"	37.72	99.62

3"	75.45	199.25
4"	117.88	311.32
6"	235.76	622.65
<u>Gallonge Charge</u> Per 1,000 Gallons	\$ 2.71	\$ 1.60

Our approved rates are designed to produce revenues of \$128,316 for water and \$160,931 for wastewater. The utility shall retain its existing rate structure.

The rates approved above shall be effective pursuant to Rule 25-30.475(1), Florida Administrative Code, for service rendered on or after the stamped approval date on the tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

#### Statutory Rate Reduction and Recovery Period

The statutory recovery period for rate case expense is four years. The appropriate annual rate reduction at the end of that period is \$1,372 each for water and wastewater.

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

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 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 in the instant case is a \$2,000 filing fee, \$3,014 for accounting fees, and \$5,462 for legal services. The four-year recovery period for this fee

allows the utility to recover \$1,310 for water and \$1,310 for wastewater 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 \$1,372 for water and \$1,372 for wastewater.

At the end of four years, Colonies Water Company's rates shall be reduced by \$1,372 annually for water and \$1,372 for wastewater. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is stated on Schedule Nos. 4 and 4A.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the 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 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 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 us, adequate security for a potential refund through a bond, letter of credit in the amount of \$40,993, or an escrow account, along with 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 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 a 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.

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.

#### CUSTOMER BILL FORMAT

Rule 25-30.355(1), Florida Administrative Code, requires that customer bills indicate the billing period covered, the applicable rate schedule, beginning and ending meter readings, the amount of the bill, and the delinquent date or the date after which the bill becomes past due. The utility's current customer bill complies with Rule 25-30.355(1), Florida Administrative Code, except for the requirement indicating the delinquent date or the date after which the bill becomes past due.

A review of a customer bill shows that the utility lists the 10% city sales tax as a separate line item. This sales tax is not included in the utility's existing rates. As discussed earlier, we have included the 10% city sales tax in the cost of purchased water. Therefore, the separate line item for the 10% city sales tax shall be deleted from the customer bill.

We find that the utility shall also be required to revise its customer bills to include the delinquent date or date after which a customer bill is due. A revised tariff sheet with a revised bill attached shall be submitted along with other tariff revisions in accordance with this order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company for an increase in its 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 all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition by a substantially affected person other than MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company, in the form provided by Rule 25-222.029, Florida Administrative Code, is received by our Division of Records and Reporting at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reason therefor. The notice will be approved upon 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, MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company shall submit revised tariff sheets which shall be approved upon Staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that an appropriate customer notice has been submitted. It is further

ORDERED that, in the event of a protest by any substantially affected person other than the utility, MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company 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 MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company 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, in the event of such protest, prior to its implementation of the rates and charges approved herein, MHC-DeAnza

ORDER NO. PSC-96-1225-FOF-WS  
DOCKET NO. 960132-WS  
PAGE 21

Financing Limited Partnership d/b/a Colonies Water Company shall submit and have a bond or letter of credit in the amount of \$40,993 approved or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company shall revise its customer billing format in a manner consistent with our decision herein. It is further

ORDERED that MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company shall provide us with all pertinent documentation and other information regarding the nominee relationship between the utility and Snowbirdland Vistas, Inc., so that we may determine whether a separate docket should be opened to examine land ownership.

ORDERED that in the event that no timely protest is filed by a substantially interested person, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 26th day of September, 1996.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

RA

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 in the event of 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 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 17, 1996. 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.

ORDER NO. PSC-96-1225-FOF-WS  
DOCKET NO. 960132-WS  
PAGE 23

. . .

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.

SCHEDULE NO. 1  
 DOCKET NO. 960132-WS

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 SCHEDULE OF WATER RATE BASE

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 349,158	\$ (5,591) A	\$ 343,567
LAND/NON-DEPRECIABLE ASSETS	0	0	0
NON-USED AND USEFUL PLANT	0	0	0
CWIP	0	0	0
CIAC	0	0	0
ACCUMULATED DEPRECIATION	(141,009)	(2,841) B	(143,850)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	0	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,404 C</u>	<u>11,404</u>
WATER RATE BASE	\$ 208,149	\$ 2,972	\$ <span style="border: 1px solid black; padding: 2px;">211,121</span>

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A  
 DOCKET NO. 960132-WS

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 389,132	\$ (1,550) A	\$ 387,582
LAND/NON-DEPRECIABLE ASSETS	0	0	0
NON-USED AND USEFUL PLANT	0	0	0
CWIP	0	0	0
CIAC	0	0	0
ACCUMULATED DEPRECIATION	(212,821)	3,377 B	(209,444)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	0	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>15,370 C</u>	<u>15,370</u>
WASTEWATER RATE BASE	\$ 176,311	\$ 17,197	\$ <span style="border: 1px solid black; padding: 2px;">193,508</span>

COLONIES WATER COMPANY  
TEST YEAR ENDING DECEMBER 31, 1995  
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B  
DOCKET NO. 960132-WS

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. Averaging adjustment	<u>(5,591)</u>	<u>(1,550)</u>
	\$ <u>(5,591)</u>	\$ <u>(1,550)</u>
D. <u>ACCUMULATED DEPRECIATION</u>		
1. To reflect averaging adjustment	<u>(2,841)</u>	<u>3,377</u>
	\$ <u>(2,841)</u>	\$ <u>3,377</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses	\$ <u>11,404</u>	\$ <u>15,370</u>

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 960132-WS

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG TERM DEBT	\$ 219,318	\$ (37,518)	\$ 181,800	44.93%	7.45%	3.35%
COMMON EQUITY	268,859	(46,030)	222,829	55.07%	11.10%	6.11%
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>6.00%</u>	<u>0.00%</u>
TOTAL	\$ 488,177	\$ (83,548)	\$ 404,629	100.00%		9.46%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	10.10%	12.10%
OVERALL RATE OF RETURN	8.91%	10.01%

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3  
 DOCKET NO. 960132-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>104,657</u>	\$ <u>14,128</u> A	\$ <u>118,785</u>	\$ <u>9,531</u> F	\$ <u>128,316</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	84,454	6,781 B	91,235	0	91,235
DEPRECIATION	10,255	145 C	10,400	0	10,400
AMORTIZATION	0	0 D	0	0	0
TAXES OTHER THAN INCOME	4,735	1,545 E	6,280	429 G	6,709
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>99,444</u>	\$ <u>8,471</u>	\$ <u>107,915</u>	\$ <u>429</u>	\$ <u>108,344</u>
OPERATING INCOME/(LOSS)	\$ <u>5,213</u>		\$ <u>10,870</u>		\$ <u>19,972</u>
WASTEWATER RATE BASE	\$ <u>208,149</u>		\$ <u>211,121</u>		\$ <u>211,121</u>
RATE OF RETURN	<u>2.50%</u>		<u>5.15%</u>		<u>9.46%</u>

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A  
 DOCKET NO. 960132-WS

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>98,950</u>	\$ <u>12,192 A</u>	\$ <u>111,142</u>	\$ <u>49,789 F</u>	\$ <u>160,931</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	124,908	(1,945) B	122,963	0	122,963
DEPRECIATION	11,669	51 C	11,720	0	11,720
AMORTIZATION	0	0 D	0	0	0
TAXES OTHER THAN INCOME	4,478	1,223 E	5,701	2,241 G	7,942
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>141,055</u>	\$ <u>(671)</u>	\$ <u>140,384</u>	\$ <u>2,241</u>	\$ <u>142,625</u>
OPERATING INCOME/(LOSS)	\$ <u>(42,105)</u>		\$ <u>(29,242)</u>		\$ <u>18,306</u>
WASTEWATER RATE BASE	\$ <u>176,311</u>		\$ <u>193,508</u>		\$ <u>193,508</u>
RATE OF RETURN	<u>-23.88%</u>		<u>-15.11%</u>		<u>9.46%</u>

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B  
 DOCKET NO. 960132-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<b>A. OPERATING REVENUES</b>		
1. To reflect annualized revenue for residential customers	\$ 1,294	\$ (1,363)
2. To reflect annualized revenue for general service customers	12,834	13,555
	<u>\$ 14,128</u>	<u>\$ 12,192</u>
<b>B. OPERATION AND MAINTENANCE EXPENSES</b>		
1. <u>Salaries and Wages – Employees</u>		
a. Adjustment for bookkeeper's annual salary	\$ (3,430)	\$ (3,430)
b. Adjustment for maintenance person's annual salary	(2,405)	(2,405)
c. Reclassification of meter readin expense	720	(720)
d. To remove estimated payroll accruals	(752)	(752)
	<u>\$ (5,867)</u>	<u>\$ (7,307)</u>
2. <u>Purchased Water</u>		
a. To include 10% city sales tax	\$ 5,416	\$ 0
3. <u>Sludge Removal Expense</u>		
a. Annual Expense	\$ 0	\$ 600
4. <u>Purchased Power</u>		
a. Expense for two lift stations	\$ 0	\$ 1,200
5. <u>Chemicals</u>		
a. Annual allowance	\$ 0	\$ 1,553
6. <u>Contractual Services</u>		
a. Reclassification to miscellaneous expense	\$ (376)	\$ (376)
b. To adjust management fee to accrued total for test year	(159)	(159)
c. DEP required testing expense	565	0
d. Reclassification from miscellaneous expense	0	318
e. Annual lift station maintenance allowance	0	1,590
f. Annual billing expense	554	554
	<u>\$ 584</u>	<u>\$ 1,927</u>
7. <u>Transportation Expenses</u>		
a. Annual transportation expense	\$ 261	\$ 261

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B  
 DOCKET NO. 960132-WS

8. Regulatory Commission Expense		
a. Rate case expense amortized over four years	\$ 1,310	\$ 1,310
9. Miscellaneous Expenses		
a. To remove non-utility expense	\$ (123)	\$ (1,303)
b. Reclassification of meter repair expense	244	(244)
c. Operating permit cost	200	0
d. reclassification to contractual services	0	(318)
e. reclassification from contractual services	376	376
h. Proforma repair and maintenance expense	4,380	0
	\$ 5,077	\$ (1,489)
TOTAL O & M ADJUSTMENTS	\$ 6,781	\$ (1,945)
C. DEPRECIATION EXPENSE		
1. Test year depreciation expense	\$ 145	\$ 51
D. TAXES OTHER THAN INCOME		
1. Payroll Taxes on recommended salaries	\$ 935	\$ 700
2. Regulatory assessment fees on test year revenue	610	523
	\$ 1,545	\$ 1,223
E. OPERATING REVENUES		
1. To reflect increase in revenue to cover expenses and allow recommended return on investment	9,531	49,789
F. TAXES OTHER THAN INCOME		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement	\$ 429	\$ 2,241

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 ANALYSIS OF WATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C  
 DOCKET NO. 960132-WS

	<u>TOTAL PER UTIL</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES -- EMPLOYEES	\$ 11,586	\$ (5,867)[1]	\$ 5,719
(603) SALARIES AND WAGES -- OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	66,514	5,416 [2]	71,930
(615) PURCHASED POWER	0	0 [4]	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0 [5]	0
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES	5,466	584 [6]	6,050
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	261 [7]	261
(655) INSURANCE EXPENSE	0	0	0
(655) REGULATORY COMMISSION EXPENSE	0	1,310 [8]	1,310
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	888	5,077 [9]	5,965
	<u>\$ 84,454</u>	<u>\$ 6,781</u>	<u>\$ 91,235</u>

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995  
 ANALYSIS OF WASTEWATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D  
 DOCKET NO. 960132-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(701) SALARIES AND WAGES – EMPLOYEES	\$ 11,586	\$ (7,307)[1]	\$ 4,279
(703) SALARIES AND WAGES – OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	96,295	0	96,295
(711) SLUDGE REMOVAL EXPENSE	0	600 [3]	600
(715) PURCHASED POWER	0	1,200 [4]	1,200
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	1,553 [5]	1,553
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES	6,709	1,927 [6]	8,636
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	261 [7]	261
(755) INSURANCE EXPENSE	0	0	0
(765) REGULATORY COMMISSION EXPENSES	0	1,310 [8]	1,310
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	10,318	(1,489)[9]	8,829
	\$ 124,908	\$ (1,945)	\$ 122,963

ORDER NO. PSC-96-1225-FOF-WS  
 DOCKET NO. 960132-WS  
 PAGE 34

COMM. APPROVED RATE REDUCTION SCHEDULE

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 4  
 DOCKET NO. 960132-WS

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

MONTHLY WATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 6.31	0.07
3/4"	9.46	0.10
1"	15.77	0.17
1-1/2"	31.54	0.34
2"	50.46	0.54
3"	100.92	1.08
4"	157.68	1.69
6"	315.36	3.37
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 2.35	0.03

**COMM. APPROVED RATE REDUCTION SCHEDULE**

COLONIES WATER COMPANY  
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 4A  
 DOCKET NO. 960132-WS

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

**MONTHLY WASTEWATER RATES**

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
<b>BASE FACILITY CHARGE:</b>		
Meter Size:		
5/8"X3/4"	\$ 12.45	0.11
3/4"	18.68	0.16
1"	31.13	0.27
1-1/2"	62.26	0.53
2"	99.62	0.85
3"	199.25	1.70
4"	311.32	2.65
6"	622.65	5.31
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS (30,000 GALLON MAX. PER QUARTER)	\$ 1.33	0.01
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.60	0.01

DOCKET NO. : 960132-WS

DATE: 05/07/96

UTILITY NAME: COLONIES WATER COMPANY

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION  
 -----

	( 2 + 3 )		99.04 %
% USED AND USEFUL =	-----	=	-----
	1		
(1) Capacity of present distribution system -----			736 ERCs
(2) Average number of ERC's to the system for the year_ _ _			719 ERCs
(3) Margin Reserve (not to exceed 20% of present ERC's):			
(a) Average yearly customer growth in ERC's for most recent 5 years	0		
(b) Construction time for additional capacity (in months)	24		
	3b		
Margin Reserve = 3a x -----		=	0 ERCs
	12 mths		-----

  
 \_\_\_\_\_  
 signature

Engineer assigned

ORDER NO. PSC-96-1225-FOF-WS  
DOCKET NO. 960132-WS  
PAGE 37

ATTACHMENT B

DOCKET NO. : 960132-WS

DATE: 05/07/96

UTILITY NAME: COLONIES WATER COMPANY

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION  
-----

	( 2 ÷ 3 )		
% USED AND USEFUL =	-----	=	99.04 %
	1		-----
.) Capacity of present collection system - - - - - 716 ERC's			
-----			
.) Average number of connections to the system for the year- - 719 ERC's			
-----			
.) Margin Reserve (not to exceed 20% of present ERC's):			
(a) Average yearly customer growth in			
ERC's for most recent 4 years	-----	0	
(b) Construction time for additional			
capacity (in months)	-----	24	
3b			
Margin Reserve =	3a X -----	=	0 ERC's
	12 mths	-----	

  
\_\_\_\_\_

Engineer assigned