

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of possible overearnings by J. Swiderski Utilities, Inc. (Kings Cove) in Lake County.

DOCKET NO. 970645-WS  
ORDER NO. PSC-97-1506-FOF-WS  
ISSUED: November 25, 1997

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER DETERMINING NO  
OVEREARNINGS, CANCELLING REQUIREMENT FOR LETTER OF CREDIT,  
AND CLOSING DOCKET

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein 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

J. Swiderski Utilities, Inc. is a Class C utility operating the Kings Cove water and wastewater systems (Kings Cove) in Lake County. The Kings Cove systems serve approximately 182 water and 177 wastewater customers.

Kings Cove received a staff assisted rate case in Docket No. 940496-WS. By issuance of Order No. PSC-95-0129-FOF-WS in that docket on January 26, 1995, we granted Kings Cove increased rates.

However, upon our staff's review of the 1996 annual report of Kings Cove, there was an indication of overearnings. Therefore, by Order No. PSC-97-0815-FOF-WS, issued July 7, 1997, we initiated an overearnings investigation and ordered the utility to hold \$18,991

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of annual revenue subject to refund, pending a staff audit of the utility books. This Order addresses the results of the staff audit.

#### OVEREARNINGS INVESTIGATION

The annual report of Kings Cove for 1996 showed unaudited operating revenues of \$53,630 for water and \$60,650 for wastewater, which resulted in net operating income of \$20,848 for water and \$13,082 for wastewater. The calendar year 1996 was selected as the test year, and a staff audit was performed. The results of that audit are as follows.

#### RATE BASE

Since the Staff Assisted Rate Case mentioned above, the utility added new water distribution and wastewater collection lines to provide service to a new seventh addition of the Kings Cove subdivision, but failed to include the utility plant in the utility's annual report. This gave an initial indication of overearnings.

Our corrected calculations of rate base for the purpose of this proceeding are depicted on Schedules Nos. 1 and 1A, and 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.

#### Utility Plant

The utility's books showed a utility plant-in-service balance of \$97,782 for water and \$184,630 for wastewater. We have made an adjustment of \$123,477 to water and \$155,948 to wastewater to include the new utility plant and reconcile the utility balance to our last order. Based on this adjustment, utility plant-in-service is calculated to be \$221,259 for water and \$340,578 for wastewater.

Our staff engineer reviewed the plant to determine if a non-used and useful adjustment was necessary, and determined the water treatment plant, wastewater treatment plant, water distribution

system, and wastewater collection systems should all be considered 100 percent used and useful. Therefore, we have made no used and useful adjustment to plant (See Attachments A, B, C, and D).

#### Land

The utility did not record any land value for the test year. Land values of \$1,901 for water and \$13,314 for wastewater were established by Order No. PSC-95-0129-FOF-WS and no changes have occurred since the Order; therefore, we have adjusted land to be \$1,901 for water, and \$13,314 for wastewater.

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

The utility books reflected no CIAC balance at the end of the test year. Order No. PSC-95-0129-FOF-WS, issued January 26, 1995, established CIAC of \$62,062 for water and \$116,281 for wastewater. The utility has added a number of new customers since the last staff assisted rate case, but made a developer related decision not to charge the approved service availability charges, which include a \$100 meter installation charge, a \$300 water plant capacity charge, a \$500 water main extension charge, a \$300 wastewater plant capacity charge and a \$1,000 wastewater main extension charge, all of which were approved in Order 24941, issued August 20, 1991. Therefore, we have imputed \$92,213 for water and \$158,530 for wastewater as CIAC which should have been charged to the new customers.

#### Accumulated Depreciation

The utility books reflected an accumulated depreciation balance of (\$23,610) for water and (\$43,063) for wastewater at the end of the test year. However, pursuant to Rule 25-30.140, Florida Administrative Code, and starting with the balances established by Order No. PSC-95-0129-FOF-WS, issued January 26, 1995, the correct balances should have been (\$59,335) for water and (\$107,803) for wastewater. Therefore, we have adjusted the utility's balances by (\$35,725) for water and (\$64,740) for wastewater to correct the utility's figures.

Accumulated Amortization

The utility books reflected no accumulated amortization balance at the end of the test year. However, pursuant to Order No. PSC-95-0129-FOF-WS, issued January 26, 1995, the balances were \$18,606 for water and \$43,865 for wastewater. Using a yearly composite rate to determine annual CIAC amortization, and starting with the balances in the above-noted Order, we have calculated the accumulated amortization balances to be \$27,368 for water and \$62,422 for wastewater.

Working Capital Allowance

We have calculated working capital allowance using the one-eighth of operation and maintenance (O&M) expense formula approach. With O&M expenses of \$27,493 for water and \$38,071 for wastewater, and applying that formula, the working capital allowance is \$3,437 for water and \$4,759 for wastewater.

Test Year Rate Base Summary

Based on the foregoing, we find that the test year rate base is \$102,417 for water and \$154,740 for wastewater.

OPERATING REVENUES AND EXPENSES

We have made no adjustments to the utility's operating revenues. However, based on our adjustments to operation and maintenance expenses, depreciation expenses, and taxes other than income, we have increased operating expenses by \$3,437 for water and \$3,612 for wastewater. These adjustments are detailed on Schedules Nos. 3, 3A, and 3B.

COST OF CAPITAL

Order No. PSC-95-0129-FOF-WS established a rate of return on equity of 11.34 percent, with a range of 10.34 percent to 12.34 percent. For purposes of this overearnings investigation, we used the maximum allowable rate of return on equity of 12.34 percent to determine if the utility overearned in 1996. We have determined that the utility's return on equity (ROE) for the systems as a whole and for each individual system to be as follows:

Overall Utility ROE

Actual ROE	\$14,584	11.68%
Maximum Allowable ROE	\$15,401	12.34%
(Deficiency) of Maximum ROE	\$ (818)	-0.66%

Water System ROE

Actual ROE	\$12,513	25.17%
Maximum Allowable ROE	\$ 6,134	12.34%
Excess of Maximum ROE	\$ 6,380	12.83%

Wastewater System ROE

Actual ROE	\$ 2,070	2.76%
Maximum Allowable ROE	\$ 9,267	12.34%
(Deficiency) of Maximum ROE	\$ (7,197)	-9.58%

Although the utility's water system shows \$6,380 (before gross-up) over the maximum allowable rate of return, the utility's wastewater system shows \$7,197 (before gross-up) below the maximum allowable rate of return, for an offset of (\$818) before gross-up. Since the utility's water and wastewater systems have a common service area and basically common customers (182 water and 177 wastewater), we believe it is appropriate in this instance to consider the water and wastewater systems on a combined basis and net the two amounts.

We have previously allowed netting in overearnings cases. In Order No. PSC-1205-FOF-WS, issued on September 23, 1996, in Indiantown Company, Inc.'s overearnings case, we found that it was appropriate to combine the water and wastewater systems for the purpose of establishing overearnings. The effect of netting was small, and both systems had a common service area, and, for the most part, common customers. Using this netting procedure, we find

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that this utility is earning within its last authorized range of reasonableness of rate of return on equity, and is not overearning.

To protect the \$18,991 of annual revenue made subject to refund, pending a staff audit of the utility books, and estimating six months to complete the investigation, we ordered the utility to secure \$9,762 of revenues subject to refund. In compliance with this requirement, the utility made arrangements with United Southern Bank in Eustis, Florida, for an irrevocable letter of credit. Based on our determination of no overearnings, the irrevocable letter of credit shall now be canceled upon this Order becoming final.

CLOSING OF DOCKET

Upon the expiration of the protest period, if a substantially affected person does not file a timely protest to this proposed action within the 21-day protest period, this docket shall be closed.

Based on the foregoing, it is,

ORDERED by the Florida Public Service Commission that J. Swiderski Utilities, Inc., the Kings Cove systems, earned an overall 11.68 percent return on equity for the year 1996, which is within the last authorized rate of return on equity. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the schedules and attachments attached to this Order are hereby incorporated into and made a part of this Order. It is further

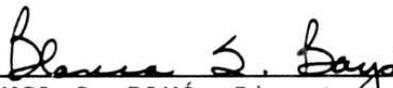
ORDERED that the irrevocable letter of credit in the amount of \$9,762 provided by United Southern Bank on behalf of J. Swiderski

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Utilities, Inc., shall be canceled upon this Order becoming final.  
It is further

ORDERED that in the event this Order becomes final, this  
Docket shall be closed.

By ORDER of the Florida Public Service Commission this 25th  
Day of November, 1997.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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The action proposed herein 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 December 16, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party substantially 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.

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SCHEDULE NO. 1

DOCKET NO. 970645-WS

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)

TEST YEAR ENDING DECEMBER 31, 1996

SCHEDULE OF WATER RATE BASE

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$ 97,782	\$ 123,477 A	\$ 221,259
LAND/NON-DEPRECIABLE ASSETS	0	1,901 B	1,901
NON-USED AND USEFUL PLANT	0	0	0
CIAC	0	(92,213) C	(92,213)
ACCUMULATED DEPRECIATION	(23,610)	(35,725) D	(59,335)
AMORTIZATION OF CIAC	0	27,368 E	27,368
WORKING CAPITAL ALLOWANCE	0	3,437 F	3,437
<b>WATER RATE BASE</b>	<b>\$ 74,172</b>	<b>\$ 28,245</b>	<b>\$ 102,417</b>

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J. SWIDERSKI UTILITIES, INC. (KINGS COVE) SCHEDULE NO. 1A

TEST YEAR ENDING DECEMBER 31, 1996

DOCKET NO. 970645-WS

SCHEDULE OF WASTEWATER RATE BASE

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$ 184,630	\$ 155,948 A	\$ 340,578
LAND/NON-DEPRECIABLE ASSETS	0	13,314 B	13,314
NON-USED AND USEFUL PLANT	0	0	0
CIAC	0	(158,530) C	(158,530)
ACCUMULATED DEPRECIATION	(43,063)	(64,740) D	(107,803)
AMORTIZATION OF CIAC	0	62,422 E	62,422
WORKING CAPITAL ALLOWANCE	0	4,759 F	4,759
WASTEWATER RATE BASE	\$ 141,567	\$ 13,173	\$ 154,740

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
 TEST YEAR ENDING DECEMBER 31, 1996  
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B  
 DOCKET NO. 970645-WS

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To bring utility balance to staff's recommended amount.	\$ <u>123,477</u>	\$ <u>155,948</u>
B. <u>LAND</u>		
1. To include land cost allowed in Order No. PSC-93-0930-FOF-WS.	\$ <u>1,901</u>	\$ <u>13,314</u>
C. <u>CIAC</u>		
1. To bring utility balance to staff's recommended amount.	\$ <u>(92,213)</u>	\$ <u>(158,530)</u>
D. <u>ACCUMULATED DEPRECIATION</u>		
1. To bring utility balance to staff's recommended amount.	\$ <u>(35,725)</u>	\$ <u>(64,740)</u>
E. <u>AMORTIZATION OF CIAC</u>		
1. To bring utility balance to staff's recommended amount.	\$ <u>27,368</u>	\$ <u>62,422</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses.	\$ <u>3,437</u>	\$ <u>4,759</u>

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J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
 TEST YEAR ENDING DECEMBER 31, 1996  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 970645-WS

	PER	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	\$ 156,487	\$ 0	\$ 124,807	48.53*	12.34*	5.99*
NOTES PAYABLE (UNITED SOUTHERN)	127,895	0	102,003	39.67*	9.25*	3.67*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	5,000	0	3,988	1.55*	7.25*	0.11*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	3,000	0	2,393	0.93*	11.00*	0.10*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,000	0	1,595	0.62*	11.00*	0.07*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	5,000	0	3,988	1.55*	11.00*	0.17*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	6,300	0	5,025	1.95*	10.00*	0.20*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	10,000	0	7,976	3.10*	9.50*	0.29*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,000	0	1,595	0.62*	8.50*	0.05*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,000	0	1,595	0.62*	8.50*	0.05*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	250	0	199	0.08*	7.50*	0.01*
NOTES PAYABLE (SWIDERSKI ENTERPRISES)	2,500	0	1,994	0.78*	7.50*	0.06*
CUSTOMER DEPOSITS	0	0	0	0.00*	0.00*	0.00*
TOTAL	\$ 322,432	\$ 0	\$ 257,157	100.00*		16.77*

\* High end of range of reasonableness was used to determine possible 1996 overearnings.

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.34*	12.34*
OVERALL RATE OF RETURN	9.80*	10.77*

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
 TEST YEAR ENDING DECEMBER 31, 1996  
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3  
 DOCKET NO. 970645-WS

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 53,630	\$ 0	\$ 53,630	\$ (6,680) D	\$ 46,950
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	27,841	(348) A	27,493	0	27,493
DEPRECIATION (NET)	3,433	1,252 B	4,685	0	4,685
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,508	2,533 C	4,041	(301) E	3,740
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 32,782	\$ 3,437	\$ 36,219	\$ (301)	\$ 35,918
OPERATING INCOME/(LOSS)	\$ 20,848		\$ 17,411		\$ 11,032
WATER SYSTEM RATE BASE			\$ 102,417		\$ 102,417
RATE OF RETURN ON RATE BASE			17.00%		10.77%
RATE OF RETURN ON EQUITY			25.17%		12.34%

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
 TEST YEAR ENDING DECEMBER 31, 1996  
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A  
 DOCKET NO. 970645-WS

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	<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>60,650</u>	\$ <u>0</u>	\$ <u>60,650</u>	\$ <u>7,536</u> D	\$ <u>68,186</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	40,061	(1,990) A	38,071	0	38,071
DEPRECIATION (NET)	5,982	2,283 B	8,265	0	8,265
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,525	3,319 C	4,844	339 E	5,183
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>47,568</u>	\$ <u>3,612</u>	\$ <u>51,180</u>	\$ <u>339</u>	\$ <u>51,519</u>
OPERATING INCOME/(LOSS)	\$ <u><u>13,082</u></u>		\$ <u><u>9,470</u></u>		\$ <u><u>16,667</u></u>
WASTEWATER RATE BASE			\$ <u><u>154,740</u></u>		\$ <u><u>154,740</u></u>
RATE OF RETURN ON RATE BASE			<u><u>6.12%</u></u>		<u><u>10.77%</u></u>
RATE OF RETURN ON EQUITY			<u><u>2.76%</u></u>		<u><u>12.34%</u></u>

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
 TEST YEAR ENDING DECEMBER 31, 1996  
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 1 of 2)  
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	<u>WATER</u>	<u>WASTEWATER</u>
<b>A. OPERATION AND MAINTENANCE EXPENSES</b>		
1. Sludge Removal Expense		
a. To reflect test year sludge expense.	\$ <u>0</u>	\$ <u>4,134</u>
2. Purchased Power		
a. To adjust to audited purchased power expense.	\$ <u>408</u>	\$ <u>611</u>
3. Fuel for Power Production		
a. To include fuel for diesel generator.	\$ <u>63</u>	\$ <u>0</u>
4. Chemicals		
a. To include test year chemical expense.	\$ <u>742</u>	\$ <u>502</u>
5. Contractual Services		
a. To remove balance recorded on annual report.	\$ (7,115)	\$ (15,594)
b. To include operator cost for test year.	3,102	4,651
c. To include accounting cost.	300	300
d. To include test year R & M expense.	2,997	3,428
e. To include test year DEP testing.	1,099	1,833
f. To include test year meter reading expense.	480	0
g. To include amortized expense from last SARC.	0	501
h. To include test year consultant expense.	43	43
	\$ <u>906</u>	\$ <u>14,838</u>
6. Rent		
a. To adjust to test year rent expense.	\$ <u>93</u>	\$ <u>0</u>
7. Transportation Expenses		
a. To reflect audited transportation expense.	\$ <u>76</u>	\$ <u>0</u>
8. Regulatory Commission Expense		
a. To reclassify regulatory assessment fees.	\$ (1,937)	\$ (2,184)
b. To include amortized rate case expense.	125	125
	\$ <u>(1,812)</u>	\$ <u>(2,059)</u>
9. Miscellaneous Expenses		
a. To adjust to audited test year amount.	\$ <u>(774)</u>	\$ <u>(340)</u>
<b>TOTAL O &amp; M ADJUSTMENTS</b>	<b>\$ <u>(348)</u></b>	<b>\$ <u>(1,990)</u></b>

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
TEST YEAR ENDING DECEMBER 31, 1996  
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 2 of 2)  
DOCKET NO. 970645-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<b>B. <u>DEPRECIATION EXPENSE</u></b>		
1. To adjust utility balance to match depreciation rates set forth in Rule 25-30.140.	\$ 4,600	\$ 9,533
2. To include staff calculated amortization	<u>(3,348)</u>	<u>(7,250)</u>
	\$ <u><u>1,252</u></u>	\$ <u><u>2,283</u></u>
<b>C. <u>TAXES OTHER THAN INCOME</u></b>		
1. To adjust regulatory assessment fees on test year revenue.	\$ 905	\$ 1,204
2. To include payroll tax on test year salaries.	955	955
3. To include annual state corporate tax.	50	50
4. To include personal property tax.	568	926
5. To include occupational license.	30	30
6. To include miscellaneous tax.	2	2
7. To include real estate tax.	<u>23</u>	<u>152</u>
	\$ <u><u>2,533</u></u>	\$ <u><u>3,319</u></u>
<b>D. <u>OPERATING REVENUES</u></b>		
1. To reflect staff's recommended decrease in revenue.	\$ <u><u>(6,680)</u></u>	\$ <u><u>7,536</u></u>
<b>E. <u>TAXES OTHER THAN INCOME</u></b>		
1. To reflect regulatory assessment fee associated with recommended revenue requirement.	\$ <u><u>(761)</u></u>	\$ <u><u>(318)</u></u>

J. SWIDERSKI UTILITIES, INC. (KINGS  
 TEST YEAR ENDING DECEMBER 31, 1996  
 ANALYSIS OF WATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C  
 DOCKET NO. 970645-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$ 2,460	\$ 0	\$ 2,460
(603) SALARIES AND WAGES - OFFICERS	7,200	0	7,200
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,194	408	4,602
(616) FUEL FOR POWER PRODUCTION	0	63	63
(618) CHEMICALS	0	742	742
(620) MATERIALS AND SUPPLIES	733	0	733
(630) CONTRACTUAL SERVICES	7,115	906	8,021
(640) RENTS	1,456	93	1,549
(650) TRANSPORTATION EXPENSE	275	26	301
(655) INSURANCE EXPENSE	765	0	765
(665) REGULATORY COMMISSION EXPENSE	1,937	(1,812)	125
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	1,706	(774)	932
	\$ 27,841	\$ (348)	\$ 27,493

J. SWIDERSKI UTILITIES, INC. (KINGS COVE)  
 TEST YEAR ENDING DECEMBER 31, 1996  
 ANALYSIS OF WASTEWATER OPERATION AND  
 MAINTENANCE EXPENSE

SCHEDULE NO. 3D  
 DOCKET NO. 970645-WS

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(701) SALARIES AND WAGES - EMPLOYEES	\$ 2,460	\$ 0	\$ 2,460
(703) SALARIES AND WAGES - OFFICERS	7,200	0	7,200
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	4,134	4,134
(715) PURCHASED POWER	7,057	611	7,668
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	502	502
(720) MATERIALS AND SUPPLIES	826	0	826
(730) CONTRACTUAL SERVICES	15,594	(4,838)	10,756
(740) RENTS	1,642	0	1,642
(750) TRANSPORTATION EXPENSE	311	0	311
(755) INSURANCE EXPENSE	863	0	863
(765) REGULATORY COMMISSION EXPENSES	2,184	(2,059)	125
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	1,924	(340)	1,584
	\$ 40,061	\$ (1,990)	\$ 38,071

WATER TREATMENT PLANT

Docket No. 970645-WS Utility J, SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity of Plant 378,000 gallons per day
- 2) Maximum Daily Flow 232,000 gallons per day
- 3) Average Daily Flow 206,200 gallons per day
- 4) Fire Flow Capacity 120,000 gallons per day
  - a) Needed Fire Flow 120,000 gallons per day
- 5) Margin Reserve 17,811 gallons per day
  - \*Not to exceed 20% of present customers
  - a) Test Year Customers in ERC's - Begin 169 End 182 Av. 176
  - b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 9 ERC's
  - c) Construction Time for Additional Capacity 1.5 Years
- (b)  $x \odot x \left[ \frac{2}{(a)} \right] = \underline{17,811}$  gallons per day Margin Reserve
- 6) Excessive Unaccounted for Water N/A gallons per day
  - a) Total Amount \_\_\_\_\_ gallons per day \_\_\_\_\_% of Av. Daily Flow
  - b) Reasonable Amount \_\_\_\_\_ gallons per day \_\_\_\_\_% of Av. Daily Flow
  - c) Excessive Amount \_\_\_\_\_ gallons per day \_\_\_\_\_% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\left[ \frac{(2 + 5) + 4a - 6}{1} \right] = \underline{(98)} \text{ 100**\% Used and Useful}$$

\*\* The number has been rounded.

Gerald D. Edwards Engineer

WATER DISTRIBUTION SYSTEM

Docket No. 970645-WS Utility J, SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity 200 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 176 ERC's day
  - a) Begin Test Year 169 ERC's
  - b) End Test Year 182 ERC's
  - c) Average Test Year 176 ERC's
- 3) Margin Reserve 13.5 ERC's  
\*Not to exceed 20% of present customers
  - a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 9 ERC's
  - c) Construction Time for Additional Capacity 1.5 Years  
(a) x (b) = 13.5 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \frac{(95)}{100} \text{**\% Used and Useful}$$

\*\* The number has been rounded.

Gerald D. Edwards Engineer

WASTEWATER TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 970645-WS Utility J.SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity of Plant 55,000 gallons per day
- 2) Maximum Daily Flow 23,400 gallons per day
- 3) Average Daily Flow 20,400 gallons per day
- 4) Fire Flow Requirements NOT APPLICABLE gallons per day
- 5) Margin Reserve 1,795 gallons per day  
\*Not to exceed 20% of present customers

a) Test Year Customers in ERC's - Begin 169 End 182 Av. 176

b) Customer Growth Using Regression Analysis in ERC's  
for Most Recent 5 Years Including Test Year 9 ERC's

c) Construction Time for Additional Capacity 1.5 Years

$$(b) \times \frac{2}{(a)} = \underline{1795} \text{ gallons per day}$$

6) Excessive Infiltration gallons per day

a) Total Amount \_\_\_\_\_ gallons per day \_\_\_\_\_% of Av. Daily Flow

b) Reasonable Amount \_\_\_\_\_ gallons per day \_\_\_\_\_% of Av. Daily Flow

c) Excessive Amount \_\_\_\_\_ gallons per day \_\_\_\_\_% of Av. Daily Flow

PERCENT USED

AND USEFUL FORMULA

$$\frac{[(3) + (5)] - 6}{1} = \underline{40\% \text{ USE (*97) } 100^{**}\% \text{ Used and Useful}}$$

\*97% is recommended because the plant is built to accommodate the development of 195 build out connections, using design flow criteria rather than actual. Using 176 avg. test year connection plus 13.5 for margin reserve divided by 195 buildout connections= 97%

\*\* The number has been rounded.

Gerald D. Edwards Engineer

WASTEWATER COLLECTION SYSTEM

USED AND USEFUL DATA

Docket No. 970645-WS Utility J.SWIDERSKI UTILITIES, INC. Date JULY 1997

- 1) Capacity 195 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 171 ERC's day
  - a) Begin Test Year 165 ERC's
  - b) End Test Year 177 ERC's
  - c) Average Test Year 171 ERC's
- 3) Margin Reserve 13.5 ERC's

Customer Growth Using Regression Analysis in ERC's for Most Recent  
5 Years Including Test Year 9 ERC's

- c) Construction Time for Additional Capacity 1.5 Years
- (a) x (b) = 13.5 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \frac{(95)}{100} \times 100^{**} \% \text{ Used and Useful}$$

\*\* The number has been rounded.