

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C. | DOCKET NO. 110021-WS
ORDER NO. PSC-11-0583-PAA-WS
ISSUED: December 20, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER SETTING INITIAL RATES AND CHARGES

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 (F.A.C.).

BACKGROUND

COL Utility Systems, L.L.C. (COL Utility or Utility) has been providing potable water and wastewater service to the Grand Island Resort Mobile Home Park (Grand Island MHP), located south of County Road 44 on Lake Eustis near the town of Grand Island, since approximately 1973. Grand Island MHP is in the St. Johns River Water Management District (SJRWMD) in a Water Resource Caution Area. COL Utility currently serves approximately 362 residential connections in addition to a clubhouse, billiards room, laundry room, and pool, and its facilities are at designed capacity. Based on projected revenues, the Utility is a Class C water and wastewater utility.

COL Utility is a wholly-owned subsidiary of Equity LifeStyle Properties, Inc. (ELPI). On January 7, 2011, ELPI filed an application for original water and wastewater certificates in Lake County on behalf of the Utility. Historically, ELPI included the cost of water and wastewater service in customers' lot rental fees. As such, ELPI was exempt from our regulation, pursuant to Section 367.022(5), Florida Statutes (F.S.). However, our approval of the Utility's request for original certificates makes the Utility subject to our regulation, pursuant to Section 367.031, F.S. ELPI intends to offset the establishment of rates and charges with appropriate decreases in lot rental fees.

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FPSC-COMMISSION CLERK

On September 8, 2011, we granted the Utility Certificate Nos. 655-W and 559-S to provide service to its requested service territory.¹ Our staff conducted a customer meeting on November 8, 2011, in order to allow COL Utility's customers to provide input regarding the Utility's quality of service and to answer customers' questions about the Utility's proposed rates and charges.

ELPI has also requested certificates and initial rates and charges for three additional wholly-owned utilities, including OB Utility Systems, L.L.C. (Docket No. 110020-WS), HV Utility Systems, L.L.C. (Docket No. 110022-WU), and MFL Utility Systems, L.L.C. (Docket No. 110023-WS).

The purpose of this Order is to approve the appropriate initial rates and charges for COL Utility. We have jurisdiction pursuant to Sections 367.031, 367.045, 367.081, 367.091, and 367.101, F.S.

INITIAL RATES AND CHARGES

Rule 25-30.033(1)(t), (u), (v), and (w), F.A.C., specifies the requirements for establishing rates and charges for original certificates, including submission of a cost study, growth projections, and data related to the projected plant, capital structure, and operating and maintenance (O&M) expenses. In the instant case, the Utility's water and wastewater facilities are currently in operation and are built out. Therefore, the requested rates and charges in the application are based on the actual operating costs of the existing systems at designed capacity. This is consistent with our policy for setting initial rates and charges. The cost study provided in the application includes data related to the existing plant, capital structure, and O&M expenses and excludes customer growth projections.

Utility Facilities

COL Utility's service territory covers a 54-acre area near Grand Island. This area encompasses the Grand Island MHP, which consists of mobile homes, a clubhouse, billiards room, laundry room, and pool. COL Utility has not yet completed installation and calibration of meters in conjunction with its application for initial rates and charges. The Utility's Consumptive Use Permit, issued by the SJRWMD, authorizes the use of 1.53 million gallons per year of surface water from Lake Eustis.

The existing water treatment facilities include two interconnected plants. Each plant consists of one 6-inch water supply well and a steel hydropneumatic tank with a capacity of 5,000 gallons. The west plant has a designed capacity of 0.144 million gallons per day (mgd), which is sufficient to accommodate the current average flows of 0.075 mgd annual average daily flow (AADF). The east plant has a designed capacity of 0.180 million mgd, which is sufficient to accommodate the current average flows of 0.009 mgd AADF. The west plant's well is equipped with a 200 gallon per minute (gpm) pump while the east plant's well is equipped with a

¹ See Order No. PSC-11-0418-FOF-WS, issued September 28, 2011, in Docket No. 110021-WS, In re: Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C.

250 gpm pump, for a combined pumping capacity of 450 gpm. Both plants' treatment processes consist of hypochlorination for disinfection and a sequestering agent for iron control.

The existing wastewater treatment facilities have a capacity of 0.035 mgd AADF. The treatment process is extended aeration with land application of the treated effluent. The plant consists of flow equalization, influent screening, aeration, secondary clarification, chlorination, and aerobic digestion of residuals. The Utility's DEP permit provides for a rapid infiltration basin (RIB) system for treated effluent, which consists of 2 RIBs with a total wetted area of 0.26 acres.

Rate Base

In setting initial rates and charges for a new utility, our practice has been to set rates so that the utility will have an opportunity to earn a fair return on its investment when approximately 80 percent of its projected customers are being served. Typically, in the early years of development, the customer base of a utility is not sufficient to allow the utility to recover its O&M expenses and earn a fair return on its investment; but as growth reaches 80 percent of a utility's projected designed capacity, the initial rates become compensatory. In the instant case, COL Utility's water and wastewater facilities are in existence and serving its customers at designed capacity. Schedule Nos. 1 and 2 contain the Utility's estimated rate base and revenue requirement and the resulting proposed rates and charges for water and wastewater, respectively.

COL Utility did not have documentation to support the original costs of the water and wastewater facilities. Therefore, an original cost study was prepared by an accounting firm to estimate the costs of the assets when first dedicated to public service. The Utility's estimated costs for Utility Plant in Service (UPIS) are \$498,839 and \$422,094 for the water and wastewater facilities, respectively.

Rule 25-30.580(1)(a), F.A.C., provides that the maximum amount of contributions-in-aid-of-construction (CIAC), net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of a utility's facilities and plant when the facilities and plant are at their designed capacity. Rule 25-30.580(1)(b), F.A.C., provides that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and wastewater collection systems. Because the service territory is a mobile home park in which ELPI rents, rather than sells, lots to customers, no CIAC have been collected by the Utility. Therefore, the CIAC balances are \$0 for both the water and wastewater systems.

In addition, because the proposed service territory is a mobile home park in which ELPI rents, rather than sells, lots to customers, the Utility has not collected, and will not collect, CIAC. Should the Utility wish to extend its service territory outside of the Grand Island MHP in the future, it must request a service availability policy and charges that are consistent with the guidelines in Rule 25-30.580, F.A.C., which require that at a minimum the cost of the lines should be contributed.

The Utility's estimated accumulated depreciation balance is based on the average service life guidelines for Class C utilities, as set forth in Rule 25-30.140, F.A.C. Based on the guidelines, the water and wastewater accumulated depreciation balances are (\$232,182) and (\$203,762), respectively. Estimated working capital allowances of \$10,539 and \$11,381 for water and wastewater, respectively, are based on 12.50 percent of the estimated water and wastewater O&M expenses, pursuant to Rule 25-30.433(2), F.A.C.

We find that COL Utility's estimated rate bases of \$277,196 for water and \$229,713 for wastewater, as shown on Schedule Nos. 1 and 2, are reasonable. These rate bases are established only as a tool to aid us in setting initial rates and is not intended to formally establish rate bases. This is consistent with our practice in applications for original certificates.²

Cost of Capital

As required by Rule 25-30.033(1)(w), F.A.C., the application contained a schedule of COL Utility's capital structure, including a statement of the methods of financing the operation of the Utility. The Utility's capital structure, as shown on Schedule No. 3, consists of 40 percent equity and 60 percent debt. Equity contributions or advances from related entities will be made as required by the Utility to finance and support its operations.

The Utility's proposed cost of equity of 10.85 percent is consistent with our current leverage formula in effect at the time of our vote.³ The Utility's cost of debt of 4.25 percent is based on the prime rate in effect at the time the application was filed (3.25 percent) plus 100 basis points.⁴

We find an overall cost of capital of 6.89 percent for COL Utility based on a capital structure consisting of 40 percent equity and 60 percent debt, a cost of equity of 10.85 percent, and a cost of debt of 4.25 percent. We believe this is a reasonable overall cost of capital for calculating the revenue requirement for this original certificate case. We further find that the Utility's authorized return on equity at 10.85 percent with a range of plus or minus 100 basis points is reasonable.

² See Order No. PSC-11-0113-PAA-WS, issued February 11, 2011, in Docket No. 050192-WS, In re: Application for certificates to provide water and wastewater service in Sumter County by Central Sumter Utility Company, L.L.C.; Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC; Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide water and wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company; and Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WS, In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.

³ See Order No. PSC-11-0287-PAA-WS, issued July 5, 2011, in Docket No. 110006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. Also, see Rules 25-30.415 and 25-30.033(1)(w) and (3), F.A.C.

⁴ See Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC; and Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide water and wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company.

Net Operating Income

COL Utility's estimated net operating incomes for water and wastewater services are shown on Schedule Nos. 1 and 2, respectively, and are based on the rate base for each system and the overall estimated cost of capital of 6.89 percent, as previously discussed. The resulting net operating income figures for water and wastewater service are \$19,099 and \$15,827, respectively.

Revenue Requirement

COL Utility's proposed revenue requirements are based on O&M expenses, depreciation, taxes other than income, and net operating income, as described above. Included in O&M expenses are chemicals, purchased power, plant maintenance, laboratory testing, insurance, and contractual services. Taxes other than income include projected regulatory assessment fees of 4.50 percent of gross revenues and personal property taxes.

The Utility's proposed revenue requirement for the water system of \$126,106 includes \$84,312 for O&M, \$13,108 for depreciation expense, and \$9,587 for taxes other than income. We find that the proposed revenue requirement for the water system of \$126,106 is reasonable and shall be used to set initial rates for water service.

The Utility's proposed revenue requirement for the wastewater system of \$127,370 includes \$91,047 for O&M, \$11,588 for depreciation expense, and \$8,908 for taxes other than income. We find that the proposed revenue requirement for the wastewater system of \$127,370 is reasonable and shall be used to set initial rates for wastewater service.

Rates

COL Utility's proposed residential and general service rates are based on revenue requirements of \$126,106 and \$127,370 for water and wastewater, respectively. As shown on Schedule Nos. 1 and 2, the Utility's requested rates include a monthly base facility charge (BFC) and a single gallonage charge for all water and wastewater customers.

For water service, the Utility proposed a residential and general service BFC of \$10.92 for 5/8" x 3/4" meters. For both residential and general service water usage, the Utility proposed a gallonage charge of \$2.80 per 1,000 gallons for all levels of usage. For wastewater service, the Utility proposed a BFC of \$15.81 for all residential customers with meters of all sizes and \$15.81 for all general service customers with a 5/8" x 3/4" meter. For residential wastewater usage, the Utility proposed a gallonage charge of \$2.51 per 1,000 gallons, capped at 6,000 gallons. For general service wastewater usage, the Utility proposed a gallonage charge of \$2.51 per 1,000 gallons. We find that the Utility's proposed rates and rate structure are reasonable, consistent with our practice for setting initial water and wastewater rates, and shall be approved.

Section 723.037, F.S., requires that 90 days' written notice be provided to the affected residents when a mobile home park wishes to change its lot rental fees. In addition, the Grand Island MHP's prospectus must be amended. The Florida Department of Business and

Professional Regulation enforces this section of the statutes. Therefore, the Utility anticipates that it will begin collecting the approved rates in mid-2012. Our staff will work with the Utility to establish the effective date of its tariffs once Grand Island MHP's prospectus has been amended.

Customer Meeting

Approximately 175 COL Utility customers attended a noticed customer meeting held at the Grand Island MHP Clubhouse on November 8, 2011. The purpose of the meeting was to allow customers to ask questions and provide input regarding the Utility's quality of service. Approximately 9 customers spoke during this meeting and raised 17 specific complaints. At the customer meeting, our staff gave opening remarks, and representatives of the Utility and the Office of Public Counsel (OPC) were present.

Of the 17 specific complaints received, summarized below, staff identified plant issues as the most prevalent category.

<u>Type of Complaint</u>	<u>Total</u>
Plant Issues	4
Meters	3
Water Pressure	2
Outages	1
Other	7
Total	17

The majority of those who attended the meeting repeatedly expressed concern over the Utility's justification for charging rates and charges for specific compensation for providing water and wastewater services. Most of the comments made by the nine customers who spoke were about the Utility's aging infrastructure and whether the cost of plant improvements would be borne by the customers rather than by the Utility as a result of the Utility's certification and Commission-approved rates and charges. Customers also complained about when meter installations would be completed and whether actual or estimated readings would be used for billing. They described concerns with respect to numerous issues, including poor water pressure, main breaks, and lack of sufficient valves for shutoffs.

COL Utility filed a response to concerns raised at the customer meeting. The Utility's response indicated that both the water and wastewater plants are in compliance with and routinely inspected by the DEP. In response to water pressure concerns, the Utility stated that ELPI, a third-party operator, and the Florida Rural Water Association are reviewing a program to address pressure issues and flushing. According to the Utility, customers will begin to be billed approved rates after all meters have been installed and the appropriate noticing to customers has been completed. The Utility anticipates that this will occur in mid-2012. Meter readings will be done by radio read technology. Finally, the Utility stated in its response that ELPI site staff and a third-party plant operator are establishing an emergency preparedness plan that will be filed by the end of 2011.

Conclusion

The water and wastewater rates, as discussed herein and shown on Schedule Nos. 1 and 2, respectively, appear reasonable and shall be approved. COL Utility shall be required to file a proposed customer notice to reflect the approved rates for the water and wastewater systems. The approved rates shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. COL Utility shall be required to charge the approved rates until authorized to change them by us in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points shall also be approved.

MISCELLANEOUS SERVICE CHARGES

Pursuant to Section 367.091, F.S., COL Utility requested authority to apply certain miscellaneous service charges. Pursuant to Rule 25-30.460, F.A.C., utilities may apply for miscellaneous service charges, including initial connection, normal reconnection, violation reconnection, and premises visit charges. COL Utility's proposed miscellaneous service charges, which are based upon actual expenses, are shown on Schedule No. 3. The Utility's proposed charges are similar to or lower than charges previously approved by us for other Class C utilities.⁵ Additionally, our practice has been to place the burden of such charges on the cost causer rather than the general body of ratepayers. This is consistent with one of the fundamental principles of rate making – ensuring that the cost of providing service is recovered from the cost causer.⁶

⁵ See Order No. PSC-10-0552-PAA-WU, issued September 3, 2010, in Docket No. 090366-WU, In re: Application for certificate to operate water utility in Marion County by Arma Water Service, LLC; and Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide wastewater service and to establish new water and wastewater rates in Lee and Charlotte Counties by Town and Country Utilities Company.

⁶ See Order No. PSC-03-1119-PAA-SU, issued October 7, 2003, in Docket No. 030106-SU, In re: Application for staff-assisted rate case in Lee County by Environmental Protection Systems of Pine Island, Inc.; and Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, In re: Application for transfer of

The Utility proposed a wastewater violation reconnection charge equal to the actual cost incurred for providing that service. However, our practice has been to set this charge equal to the normal reconnection charge.⁷ Therefore, we find that the violation reconnection charge shall be set at \$15.

The Utility excluded from its proposed miscellaneous service charges a nonsufficient funds (NSF) check charge, which is a service fee authorized by Sections 68.065 and 832.08(5), F.S., based on the amount of a check that is returned for nonpayment. We note that the Utility incurs expenses in receiving and processing returned checks. Therefore, we find that a NSF check charge shall be approved. COL Utility shall be authorized to collect the following NSF check charges: \$25 if the face value of the check does not exceed \$50; \$30 if the face value is more than \$50 but does not exceed \$300; and \$40 if the face value is more than \$300.

We find that COL Utility's request for authority to apply certain miscellaneous service charges, as reflected on Schedule No. 3, is reasonable and shall be approved. In addition, we find that the changes and additions to the Utility's miscellaneous service charges contained herein are reasonable and shall be approved. COL Utility shall be required to file a proposed customer notice to reflect the approved charges for the water and wastewater systems. The approved miscellaneous service charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. COL Utility shall be required to collect the approved charges until authorized to change them by this Commission in a subsequent proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the water and wastewater rates, as shown on Schedule Nos. 1 and 2, are reasonable and are hereby approved as set forth herein. It is further

ORDERED that COL Utility shall be required to file a proposed customer notice to reflect the approved rates for the water and wastewater systems. The approved rates shall be effective for services rendered or connections made on or after the stamped approval date on the

Certificate No. 123-W in Lake County from Theodore S. Jansen d/b/a Ravenswood Water System to Crystal River Utilities, Inc.

⁷ See Order No. PSC-11-0113-PAA-WS, issued February 11, 2011, in Docket No. 050192-WS, In re: Application for certificates to provide water and wastewater service in Sumter County by Central Sumter Utility Company, L.L.C.; Order No. PSC-08-0611-PAA-WS, issued September 22, 2008, in Docket No. 080113-WS, In re: Application for certificates to provide water and wastewater service in Duval County by Regency Utilities, Inc.; Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC; and Order No. PSC-08-0435-PAA-WS, issued July 7, 2008, in Docket No. 070548-WS, In re: Application for certificates to provide water and wastewater service in Marion County by Century - Fairfield Village, Ltd.

tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The approved rates shall not be implemented until our staff has approved the proposed customer notice. It is further

ORDERED that the Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that COL Utility shall charge the approved rates until authorized to change them by us in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points is hereby approved. It is further

ORDERED that COL Utility's request for authority to apply certain miscellaneous service charges, as reflected on Schedule No. 3, is reasonable and shall be approved. It is further

ORDERED that the changes and additions to the Utility's miscellaneous service charges contained herein are reasonable and shall be approved. It is further

ORDERED that COL Utility shall be required to file a proposed customer notice to reflect the approved charges for the water and wastewater systems. The approved miscellaneous service charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The approved charges shall not be implemented until our staff has approved the proposed customer notice. It is further

ORDERED that the Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. COL Utility shall be required to collect the approved charges until authorized to change them by this Commission in a subsequent proceeding.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open to allow COL Utility to file a proposed customer notice reflecting the Commission-approved water and wastewater rates and charges and to provide proof of the date notice was given no less than ten days after the date of the notice.

By ORDER of the Florida Public Service Commission this 20th day of December, 2011.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

CMK

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 that is available under Section 120.57, 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 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.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 10, 2012.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

**COL UTILITY SYSTEMS, L.L.C.
 WATER SYSTEM**

Water Rate Base

Utility Plant in Service	\$ 498,839
Accumulated Depreciation	(232,182)
Working Capital Allowance (1/8 O&M)	<u>10,539</u>
Water Rate Base	<u>\$ 277,196</u>

Water Revenue Requirement

Operating Revenues	<u>\$ 126,106</u>
Operating and Maintenance (O&M)	84,312
Net Depreciation Expense	13,108
Taxes Other Than Income	<u>9,587</u>
Net Operating Income	<u>\$ 19,099</u>
Water Rate Base	\$ 277,196
Rate of Return	6.89%

Monthly Water Service Rates – Residential Service

Base Facility Charge	
5/8" x 3/4"	\$ 10.92
Charge per 1,000 gallons	\$ 2.80

Monthly Water Service Rates – General Service

Base Facility Charge	
5/8" x 3/4"	\$ 10.92
1"	27.30
1.5"	54.60
2"	87.36
3"	163.80
4"	273.00
6"	546.00
Charge per 1,000 gallons	\$ 2.80

Comparison of Residential Water Service Bills

3,000 gallons	\$ 19.32
5,000 gallons	\$ 24.92
10,000 gallons	\$ 38.92

**COL UTILITY SYSTEMS, L.L.C.
WASTEWATER SYSTEM**

Wastewater Rate Base

Utility Plant in Service	\$ 422,094
Accumulated Depreciation	(203,762)
Working Capital Allowance (1/8 O&M)	<u>11,381</u>
Wastewater Rate Base	<u>\$ 229,713</u>

Wastewater Revenue Requirement

Operating Revenues	<u>\$ 127,370</u>
Operating and Maintenance (O&M)	91,047
Net Depreciation Expense	11,588
Taxes Other Than Income	<u>8,908</u>
Net Operating Income	<u>\$15,827</u>
Wastewater Rate Base	\$ 229,713
Rate of Return	6.89%

Monthly Wastewater Service Rates – Residential Service

Base Facility Charge	
All meter sizes	\$ 15.81
Charge per 1,000 gallons (6,000 gallons maximum)	\$ 2.51

Monthly Wastewater Service Rates – General Service

Base Facility Charge	
5/8" x 3/4"	\$ 15.81
1"	39.53
1.5"	79.05
2"	126.48
3"	237.15
4"	395.25
6"	790.50
Charge per 1,000 gallons	\$ 2.51

Comparison of Residential Wastewater Service Bills

3,000 gallons	\$ 23.34
5,000 gallons	\$ 28.36
10,000 gallons	\$ 30.87

COL UTILITY SYSTEMS, L.L.C.

Capital Structure	<u>Cost of Capital</u>		Commission	Commission
	Balance per Filing	Percent Ratio	Approved Cost Rate	Approved Weighted Cost
Equity	\$ 202,764	40 %	10.85%	4.34%
Debt	<u>\$ 304,145</u>	<u>60 %</u>	4.25%	<u>2.55%</u>
Total	\$ 506,909	100%	--	6.89%
Return on Equity			High	Low
Range of Reasonableness			11.85%	9.85%

Miscellaneous Service Charges

Description	Commission Approved Business Hours Charges
Initial Connection Charge	\$ 15.00
Normal Reconnection Charge	\$ 15.00
Violation Reconnection Charge	\$ 15.00
Premises Visit in Lieu of Disconnection Charge	\$ 10.00
NSF Check Charge	\$25 for face value ≤ \$50 \$30 for \$300 ≤ face value > \$50 \$40 for face value > \$300