

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for Staff ) DOCKET NO. 910998-SU  
Assistance for a Rate Increase ) ORDER NO. PSC-92-0539-FOF-SU  
in Lee County by S-W DISPOSAL ) ISSUED: 06/23/92  
SYSTEM, INC. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK  
J. TERRY DEASON  
BETTY EASLEY  
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES  
IN THE EVENT OF PROTEST  
AND  
NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

S-W Disposal System, Inc. (S-W or utility) is a class "C" wastewater facility located in Bonita Springs, Florida. The utility provides wastewater service to approximately 241 residential and five general service customers. The formation of this utility was for the primary purpose of providing wastewater service to a development known as Spanish Wells. The utility and the development company for Spanish Wells (Spanish Wells Properties, Inc.) are both subsidiaries of McArdle, Ltd.

On November 23, 1981, S-W applied to this Commission for a certificate to operate a wastewater facility. In Order No. 11064, issued August 6, 1982, this Commission granted the utility an original certificate and set initial rates.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTS

Prior to the aforementioned Order being issued, the utility was collecting a service availability charge of \$550 per equivalent residential connection (ERC). We reduced these charges because we believed the utility had over-collected, and we ordered a refund to customers for portions of the fees that had been paid.

On August 23, 1982, the utility filed with this Commission a petition for a formal hearing on Order No. 11064. Specifically, the utility protested our determination of the level of initial rates and service availability fees, as well as the proposed refund of those fees.

We modified our original position in several areas and made new proposals which were acceptable to this Commission and the utility. Subsequently, the utility filed a motion to withdraw its request for a hearing and the hearing was canceled. By Order No. 11444, issued December 23, 1982, we established rates and service availability fees and granted S-W an original certificate.

On September 27, 1991, S-W applied for the instant staff-assisted rate case and it has paid the appropriate filing fee. The test year is the twelve-month period ending June 30, 1991.

The utility's books reflect operating revenues of \$48,199 during the test year and \$100,125 in operating expenses, resulting in a recorded net operating loss of \$51,926.

We have also addressed water conservation because the South Florida Water Management District has designated Lee County as a critical use area. As a result, water users in critical use areas are required to initiate methods of conservation. The steps the utility has taken to implement a treated wastewater reuse program are discussed herein.

#### QUALITY OF SERVICE

On April 16, 1992, a customer meeting was held at the Spanish Wells Country Club, in Bonita Springs, Florida. Approximately 22 customers attended this meeting, and thirteen customers testified. Seven of the thirteen customers commented about the quality of service provided by the utility. Most of the customers who complained reside near the wastewater treatment plant site. At the meeting, many customers complained about noise and odor emanating from the wastewater treatment facility.

One customer stated that the odor had gotten worse in the last four to five months and believes that the utility's service has degraded. Another customer, by letter, informed us that he believes that the excessive noise has deterred possible buyers from purchasing his house. In addition, one customer commented that there have been periods of disagreeable odors, as well as chronic problems with noise and recalls that approximately ten years ago there was a petition circulated among the utility's residents about the noise problem.

As a result of these customers' comments, we conducted a further investigation in an attempt to ascertain the severity of the problems. With the help of a noise level detection device, readings were taken at several different locations around the plant site and at customer property lines that border the area.

With unsafe levels starting at 90 decibels, possible health risks resulting from excessive noise levels are not likely in this case. Although there appears to be no health threat, treatment plant noise can still be heard inside the neighboring homes. This problem can best be categorized as a nuisance.

To deflect noise away from the residential area, a concrete block barrier was constructed at the plant several years ago. Because we believed that this earlier action had not entirely solved the noise problem we suggested to the utility that additional corrective action should be taken. The development company has agreed to make the necessary improvements at no cost to the wastewater system ratepayers, and we have received a commitment letter to this effect.

In addition to the plant noise, two customers commented about tank truck activity at the plant area causing excessive noise. Our review of sludge hauling records shows that sludge is hauled away from the plant site every two to three weeks. We find that this does not constitute excessive sludge hauling. Since the property that the plant is located on is also used as a storage area for the development and for local residents to park recreational vehicles, the additional traffic may be the result of these vehicles entering the area.

In reference to the odor situation, we are unable to identify any specific problems. The utility's operating records indicate that the plant is managed properly. The odor that is present appears normal for a facility of this size; therefore, we find no adjustment is appropriate at this time.

In another odor related problem, one customer complained about odor coming from a lift station which is located near his home. We inspected this site and found no significant operational problems. After some discussion with utility representatives, it was decided that corrective action should be taken by installing a block of deodorant inside the wet well area of the lift station. With this installation, odor reduction should be evident.

Another customer stated that the red warning light to that unit comes on frequently. A warning light usually indicates mechanical problems causing pumps to fail. Although there were pumping problems which were corrected a year ago, the utility has assured us that the lift station is checked daily and that there are no current problems. For record keeping purposes, the utility has indicated that a maintenance log of the lift station will be kept at that site.

Another customer brought up the possibility of a future interconnection with Bonita Springs Utilities (BSU), a newly formed regional, jurisdictionally exempt utility. We discussed this possibility with a Bonita Springs Utilities representative and were informed that while there are other developments near Spanish Wells in the process of interconnecting with BSU, S-W Disposal System, Inc. has neither entered into a contract nor expressed a desire with BSU to interconnect. Therefore, we find that this proceeding will not be affected by the interconnect possibility.

Overall, we find that the utility's quality of service is satisfactory. The utility has expressed a willingness to work with this Commission in an attempt to correct odor and noise originating from its facilities. Therefore, based on the foregoing, we find no adjustments shall be made.

#### RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and the related adjustments are shown on Schedule No. 1A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those attachments without further discussion in the body of this Order.

#### Depreciable Plant-in-Service

The utility's books reflected a balance of \$351,936 at the beginning of the test period, with no changes to the account recorded during the test year.

We have increased plant-in-service by the following amounts: 1) \$381,399 associated with unrecorded contributed plant (gravity lines); and 2) \$5,617 associated with capital items that had been incorrectly expensed by the utility. We have decreased plant-in-service by \$57,243, as the utility had incorrectly recorded land in this account. We have also decreased this account by \$4,871 to remove capital items of a nonutility nature. Finally, we find it appropriate to reduce the account by \$373 to reflect the test year averaging adjustment. Thus, we find the appropriate amount of depreciable plant-in-service is \$676,465.

#### Used and Useful

##### Wastewater Treatment Plant

The maximum daily flow during the test year was 46,000 gallons per day (gpd). The wastewater treatment plant has a treatment capacity of 95,000 gallons per day. With no adjustments for excessive infiltration, and 4,200 gallons per day allowed for margin reserve considerations, we find that the treatment plant is 53.7 percent used and useful.

##### Wastewater Collection System

The wastewater collection system has a connection capacity of 553 equivalent residential connections (ERCs). The utility currently serves approximately 259 ERCs. When 33 ERCs are added for margin reserve considerations, we find that the collection system is 52.8 percent used and useful.

#### Land

The utility's books reflected a balance of \$0 at the beginning of the test period. However, as previously discussed, land had been misclassified in the depreciable plant account. Accordingly, an adjustment of \$57,243 was made to properly classify land.

In 1978, 430 acres of land associated with the utility and the related development was purchased for \$1,449,400, or \$3,371 per acre. We determined the land utilized by the utility is 8.75 acres. Therefore, we find the appropriate value of land to include in rate base is \$29,494.

#### Plant Held for Future Use

We have determined that the wastewater treatment plant is 53.7 percent used and useful and the wastewater collection system is

52.8 percent used and useful. To determine the average amount of plant held for future use (PHFU), the nonused and useful percentages of 46.3 percent and 47.2 percent, respectively, are applied to the average balances of plant-in-service, accumulated depreciation, contributions-in-aid-of-construction (CIAC), and accumulated amortization of CIAC.

Applying the nonused and useful percentages to the average plant-in-service balance results in average PHFU of \$318,092. Both accumulated depreciation and CIAC associated with PHFU reduce the balance by \$82,584 and \$180,020, respectively. Finally, the accumulated amortization of CIAC associated with PHFU increases the balance by \$39,638. Therefore, we find the net average PHFU balance is \$95,125.

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

The utility's books reflected a balance of CIAC of \$167,200 at the beginning of the test period. We made an adjustment of \$3,300 to reduce the balance on the utility's books in order to reconcile the books to the utility's general ledger.

As previously mentioned, the utility failed to record \$381,399 of contributed plant. Thus, we have made an adjustment to reflect the appropriate level of contributed plant. During the test period, \$3,300 in additional cash contributions were recorded. As a result of these additional contributions, we have made an averaging adjustment which decreased the CIAC balance by \$1,650. Therefore, we find the appropriate average test year CIAC balance is \$550,249.

#### Accumulated Depreciation

The balance on the utility's books at the beginning of the test period was \$81,250. We made an adjustment of \$67,167 in order to increase the balance to the appropriate amount at the beginning of the test period.

We calculated test year depreciation expense pursuant to Rule 25-30.140, Florida Administrative Code. We applied the appropriate average service lives as stated in the Rule to the corresponding plant balances, resulting in test year depreciation expense of \$27,296. Finally, as a result of the averaging adjustment, we reduced the end of period balance by \$13,648. Therefore, we find the appropriate balance at the end of the test period is \$162,065.

Accumulated Amortization of CIAC

The utility had no recorded balance in this account at the beginning of the test period. We have made adjustments to this account of \$74,442 and \$36,704, respectively, to reflect the increased amortization associated with the two components of this account -- the unrecorded contributed gravity lines and the cash contributions.

We have calculated test year amortization of CIAC for the contributed plant based on the corresponding depreciation rate. To calculate the test year amortization of cash contributions, we used a composite depreciation rate of 4.04 percent. The combined total of the test year amortization associated with these two components increases the account balance by \$16,348; however, this amount was reduced by \$8,174 as a result of the averaging adjustment. Therefore, we find the appropriate average balance for the test year in this account is \$119,320.

Working Capital Allowance

We find it appropriate to use the formula method in calculating the working capital requirement of this utility, that is, one-eighth of operation and maintenance (O & M) expenses. In a later section of this Order, we find that \$49,789 is the appropriate amount for O & M expense. Therefore, we find the appropriate amount of working capital to include in rate base is \$6,224.

Test Year Rate Base Summary

Based on the foregoing, we find the appropriate test year rate base for this utility to be \$24,064.

COST OF CAPITAL

S-W's parent company (McArdle, Ltd.) is responsible for obtaining debt from financial institutions for use by the utility. In instances when the capital structure of a utility is comprised entirely of capital from its parent company, we find it appropriate to use the capital structure of the parent company in establishing the appropriate return on equity and overall rate of return.

Further, in instances when the rate base balance is less than the sum of the balances in the utility's capital structure, we reduce each component in the capital structure by its weighted

share of the excess capital. These pro rata adjustments are necessary in this instance.

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. 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 major adjustments are discussed below.

#### Return on Equity

The equity portion of the parent's capital structure is \$10,230,224, representing approximately 28.6 percent of the parent's overall capital. Using the current leverage graph formula approved in Order No. 24246, we find the parent's allowable return on equity is 13.11 percent. As discussed above, pro rata adjustments to each component of the capital structure are necessary. Therefore, we have reduced the balance in the common equity account by \$10,223,352.

#### Cost of Debt

The debt portion of McArdle's capital structure is \$25,591,491, representing approximately 71.4 percent of its overall capital. We calculated the appropriate cost of debt by using the average year end balances of the various debt instruments. In consideration of the above, we find that the cost of existing debt is 9.84 percent. Further, we find that the pro rata adjustment reduces the debt balance by \$25,574,299.

#### Overall Rate of Return

As a result of the pro rata adjustments discussed above, the capital structure was reconciled to the average rate base balance. The weighted costs of the equity and debt are 3.74 percent and 7.03 percent, respectively. Therefore, in consideration of the foregoing, we find that the appropriate rate of return for this utility is 10.77 percent.

#### NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedule No. 3A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules

without further discussion in the body of this Order. The major adjustments are discussed below.

#### Test Year Operating Revenues

The utility recorded operating revenues of \$48,199 during the test period. As a result of our audit, an adjustment of \$15 was made to increase the amount of test year operating revenues to \$48,214. In addition, we imputed revenues of \$1,154 associated with the underbilling of the Spanish Wells clubhouse. Therefore, we find test year operating revenues to be \$49,368.

#### Operating Expenses

The components of the utility's operating expenses include O & M expenses, depreciation expense (net of related amortization of CIAC) and taxes other than income taxes. A discussion of each component follows.

##### O & M Expenses

The utility charged \$80,556 to the various O&M accounts during the test year. A summary of the utility's recorded expenses and our allowances follows.

1) Salaries and Wages - Officers - The utility recorded \$6,480 in this account during the test year. This expense is referred to as an asset management fee, which is based on an allocation of the parent company's annual consolidated corporate overhead. The parent company has indicated that the fee is to cover time spent by corporate officials concerning budgeting, financing, planning, regulatory issues, and other matters of a corporate nature. These tasks all relate to the overall managing of the utility.

We believe this allocation is excessive. Based upon a study of utility managers' salaries for similar size utilities, the average hourly rate of utility managers is \$18.59. This salary comparison was used in determining an appropriate salary allowance. Based on an allowance of four hours per week, we find that \$3,867 is the appropriate amount for this item.

2) Sludge Removal - The utility recorded \$2,650 in this account during the test period. As we believe this amount to be reasonable, we allow the full amount.

3) Purchased Power - The utility recorded purchase power expense of \$13,048 during the test period. The majority of the adjustments made to this account relate to removing \$456 of nonutility charges, reclassifying certain items totalling \$2,389, and removing \$1,051 associated with a twice-paid item.

We find that an increase of \$210 shall be allowed to reflect the annualized cost of the newest lift station placed in service, as well as a decrease of \$736 related to the repair and resulting increased efficiency of a pump at the main lift station. In consideration of the foregoing, we find that the appropriate amount for purchased power is \$8,627.

4) Chemicals - The utility recorded chemical expenses of \$2,284 during the test period. We have reclassified \$746 for a chemical feeder to utility plant in service. We believe the remaining expense is reasonable. Thus, we find the appropriate balance for chemical expenses is \$1,537.

5) Materials and Supplies - The utility charged \$923 to this account during the test year. This amount represents allocations charged to the utility by a related company (Spanish Wells Country Club) for materials and supplies, as well as for actual purchases of supplies required by the utility. We have made an adjustment of \$576 to reclassify postage expense from contractual services expense.

We estimate that the annual cost of postage, envelopes, and billing statements is approximately \$950. Based on our estimates, we believe an additional annual allowance of \$250 is necessary to cover the costs of checks, stationery and other office supplies. Therefore, we find that the appropriate amount for test year materials and supplies is \$1,200. Therefore, an adjustment of \$298 is required to reduce the balance to this amount.

6) Contractual Services - The utility charged \$45,771 to this account during the test period. However, as a result of discussions with the utility, we have disallowed \$8,179 after determining it was nonutility related, and that \$79 was associated with late or prior period charges.

Further, we have reclassified several items including \$4,871 to plant-in-service; \$576 to materials and supplies expense; and \$91 from purchased power expense. Other adjustments to this account include disallowing \$3,000 associated with allocations of legal fees from a related company, an additional \$489 allowance resulting from unrecorded contract operator expense, and a pro

forma allowance of \$283 to reflect an increase in the contract operator's fee.

A related company performs the accounting for the utility, which was allocated \$1,930 for off-site accounting services and \$1,200 for computer use fees. After comparing the allocation for accounting services to what charges for accounting services have typically been allowed in other staff-assisted rate cases, we find that \$1,930 is reasonable and we hereby accept it. We have disallowed \$1,200 because computer costs are typically already included in the cost associated with the accounting services.

The utility also incurred \$16,108 in repair costs during the test period. We believe it is reasonable to expect this level of costs to be incurred over a two-year period. The utility has acknowledged that the level of repairs during the test year is atypical. Therefore, the repair costs are to be recovered over a two-year period, which results in an annual allowance of \$8,054. The remaining \$8,054 represents the unamortized portion of the test year repairs expense that should be removed for ratemaking purposes.

Finally, there are unrecorded expenses associated with utility grounds maintenance that is performed by a related company. We reviewed the duties performed by the grounds maintenance personnel. The number of hours required for grounds maintenance, the hourly wages and equipment charges were also reviewed for reasonableness. As a result of this review, we find an annual allowance of \$8,500 for this account is appropriate.

7) Rents - The utility charged \$1,100 to this account during the test year. This represents an allocation of the shared office space used by the utility. We find the allocation of \$100 per month is appropriate. However, because the utility failed to record all twelve months of expenses on its books an adjustment of \$100 increases this balance to \$1,200.

8) Transportation - The utility charged \$800 to this account during the test year. However, these expenses are nonutility related and are therefore disallowed. Therefore, we have reduced the balance in this account to \$0.

9) Insurance - The utility recorded \$263 in this account during the test year. We find that this amount is reasonable and, therefore, no adjustment is necessary.

10) Regulatory Commission Expense - The utility charged \$2,131 to this account during the test period. Diesel fuel expense totalling \$180 has been determined to be nonutility related and we have, therefore, disallowed it. In addition, the utility had \$4,584 in unrecorded expenses during the test year. However, these expenses represent those incurred as a result of the utility's application for a file and suspend rate case. A docket was opened in that case, but the utility subsequently withdrew its request for test year approval. The \$6,535 of expenses associated with the terminated file and suspend rate case are of no benefit to the utility's customers and are therefore disallowed.

The expenses incurred by the utility in the instant case are the \$150 filing fee and a consultant's fee of \$3,058. The majority of the consultant's fee is based on 47.5 hours of work; the remaining expense (\$300) was categorized as miscellaneous and phone expenses. We reviewed the time spent by the consultant, and found that 21.0 hours were billed for the preparation of the staff-assisted rate case (SARC) application and related work, and 26.5 hours represent the time spent by the consultant in conferences with our Staff members and performing other related work.

Therefore, based on the foregoing we find the number of hours billed by the consultant is excessive. The consultant spent approximately four hours with our auditor. However, the preparation time required for a SARC application is minimal, and our staff's remaining contact with the consultant was less than the amount of time that was billed to the utility. Therefore, we find an allowance of \$1,500 is reasonable for this proceeding. We have included the \$300 of miscellaneous and phone expense into that allowance. Therefore, based on a four year amortization period, we find the appropriate balance in this account is \$413.

11) Miscellaneous Expense - The utility charged \$5,108 to this account during the test period. An adjustment of \$2,298 was made to reclassify purchased power expense to the purchase of potable water. The utility purchased \$7,213 of potable water to use as the medium for chlorine in the wastewater treatment process.

We encourage the utility to initiate the use of effluent as the chlorine medium in its treatment process. We estimate that the utility would save approximately \$600 annually by using effluent, rather than chlorine in its wastewater treatment process. Therefore, we find it appropriate to disallow \$6,613 of the potable water purchase.

Other adjustments we have made to this account include an allowance for an unrecorded expense and an annualization for ponds maintenance. In consideration of the above, we find that the appropriate balance for this expense is \$856.

O & M Expense Summary

The appropriate operating and maintenance expense is \$49,789. These expenses are shown on Schedule No. 3B and the related adjustments are shown on Schedule No. 3A.

Depreciation Expense (Net of Amortization of CIAC)

During the test year we made an adjustment of \$6,969 to remove the utility's recorded depreciation expense. Applying the prescribed depreciation rates to the appropriate used and useful plant in service balances results in depreciation expense of \$14,485. Applying the appropriate amortization rates to the corresponding used and useful CIAC balances offsets depreciation expense by \$11,848 during the test year. Therefore, we find the annual net depreciation expense is \$2,637.

Taxes Other Than Income Taxes The utility recorded \$12,600 in this account during the test year. However, we have disallowed \$425 of that expense which relates to the discount not taken for the early payment of property taxes, and have also disallowed \$4,809 of that expense which relates to the property taxes associated with the nonused and useful portion of the wastewater system.

Regulatory assessment fees associated with imputed test year revenues are \$52, resulting in the appropriate level of regulatory assessment fees during the test period of \$2,222. An \$183 adjustment increased the balance in the taxes other than income taxes account to \$7,601.

Adjustments for Revenue Requirement Increase

Operating Revenues

Revenues have been adjusted by \$13,875 to reflect the increase required to cover expenses and allow our approved rate of return on investment. The revenue requirement is discussed in detail in a subsequent section of this Order.

Taxes Other Than Income Taxes

This expense has been increased by an additional \$624 to reflect the regulatory assessment fee of 4.5 percent on the increase in revenue.

Operating and Revenue Expenses Summary

The appropriate test year operating revenue for S-W Disposal System, Inc. is \$49,368. The appropriate test year operating expense is \$60,027. This results in a test year operating loss of \$10,659. As discussed later in the Order, the appropriate revenue requirement for this utility is \$63,243, and the appropriate level of operating expense is \$60,651.

Operating income, operating expenses and the related adjustments are shown on Schedules Nos. 3 and 3A attached hereto.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement for this utility is \$63,243. Accordingly, we find it appropriate to approve an annual increase in revenue of \$13,875. This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 10.77 percent return on its investment.

The revenue requirement and resulting annual increase is shown on Schedules Nos. 3 and 3-A.

RATES AND CHARGES

Monthly Rates

Currently, the utility utilizes a flat rate schedule. Our preferred rate structure, however, is the base facility/gallongage charge (BFC) rate structure for wastewater monthly charges 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 (BFC) 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 gallongage charge, but also pay their

share of the fixed costs of providing service through the base facility charge. The BFC/gallonage charge rate structure for wastewater utilities is typically used when the utility is its customers' water provider.

However, in the instant case all customers of the utility purchase their water from Bonita Springs Utilities. If the utility were to convert to the BFC/gallonage charge rate structure, it would incur additional annual expenses of approximately \$2,700. These expenses are associated with obtaining the water consumption data, and the additional labor required to process the data and calculate the appropriate wastewater charge for each customer. Therefore, because of these additional expenses, we find it appropriate to retain the current flat rate structure.

The appropriate rates are those that allow the utility the opportunity to recover its annual operating expenses and to have the opportunity to earn a 10.77 percent return on its investment. We find that the rates set forth below are fair, just, reasonable, and we hereby approve them.

In designing the flat rate structure for this utility, we calculated the number of factored ERCs that the utility provided service to during the test period. The total revenue requirement was then divided by the number of factored ERCs to obtain the monthly flat rate for a 5/8" x 3/4" meter. The charges for the general service customers were obtained by multiplying the rate for the 5/8" x 3/4" meter by the number of meter equivalents associated with each meter size. The utility's existing rates and those approved herein are set forth below for the purpose of comparison.

MONTHLY RATES - WASTEWATER

Residential

<u>Meter Sizes</u>	<u>Current Flat Rate</u>	<u>Commission Approved Flat Rate</u>
5/8" x 3/4"	\$ 14.80	\$ 20.91

MONTHLY RATES - WASTEWATER

General Service

<u>Meter Sizes</u>	<u>Current Flat Rate</u>	<u>Commission Approved Flat Rate</u>
5/8" x 3/4"	\$ 14.80	\$ 20.91
3/4"	Varies	31.36
1"	Varies	52.27
1 1/2"	Varies	104.53
2"	Varies	167.25
3"	Varies	334.51
4"	Varies	522.67
6"	Varies	1,045.34

Note: The current charges for customers using larger than a 5/8" x 3/4" meter are based on a residential equivalent amount based upon meter size and water use. These rates may be adjusted annually.

Service Availability Charges

As discussed earlier in this Order, by Order No. 11064 we granted the utility an original certificate and set initial rates. The utility had been collecting a service availability (plant capacity) charge of \$550 per ERC. Because we believed the utility had overcollected, we reduced the utility's service availability charge in that Order to \$241. However, the utility protested in part our determination of the appropriate level of service availability fees.

In response to information provided by the utility, we modified our original position. Pursuant to Order No. 11444, issued December 23, 1982, this Commission found the revised charge of \$550 to be reasonable and the charge was approved. There has been no change in the utility's authorized plant capacity charge since that time.

When designing the appropriate level of service availability charges, we use Rule 25-30.580, Florida Administrative Code, as a guideline. The Rule states that a utility's service availability policy must be such that the maximum amount of CIAC net of amortization, does not exceed 75 percent of the total original cost, net of accumulated depreciation, of the utility's facilities

and plant when the facilities and plant are at their designed capacity.

The 75 percent contribution cap was designed in order for utilities to maintain at least a minimum level of investment in the system. This enables the utility to charge rates that provide the opportunity to earn a return on that level of investment, rather than charge break-even rates that are designed to recover expenses only.

The utility's current plant capacity charge, coupled with the existing lines that were contributed by the developer, has resulted in a contribution level of 84 percent, which exceeds the 75 percent maximum guideline as set forth in Rule 25-30.580, Florida Administrative Code. Thus, we find it appropriate to revise the utility's current service availability charges.

In revising these charges, we have considered reducing the plant capacity charge. However, because of high levels of both contribution and plant held for future use, we have determined that if the utility's investment in land of \$29,494 is removed from the rate base calculation, the utility would have negative rate base. If the utility were allowed to continue collecting a service availability charge, even at a reduced amount, the utility's investment in the system would be further eroded. Therefore, we find that the utility's service availability charge must be discontinued.

Although it is preferable to have all customers pay some portion of the costs associated with plant capacity, we believe it is more important in this instance to adhere to the guidelines set forth in Rule 25-30.580, Florida Administrative Code. However, we believe it is appropriate to continue the requirement that all lines installed in the future be donated by the developer.

The utility has collected over \$170,000 in cash CIAC to date. This amount is substantial, and may be viewed as a ready funding source for the utility. Therefore, we find that discontinuing the plant capacity charge will cause no unusual hardship on the utility. If capital improvements are needed in the future, the utility may request that its authority to implement service availability charges be re-examined at that time.

#### Miscellaneous Service Charges

The utility's current tariff does not contain a provision for miscellaneous service charges. We hereby authorize the utility to

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

Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00

A definition of each charge is provided for clarification:

- 1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.
- 3) Violation Reconnection: This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), F.A.C., including a delinquency in bill payment.
- 4) Premises Visit (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise make satisfactory arrangements to pay the bill.

The miscellaneous service charges approved above will be effective for service rendered on or after the stamped approval date on the revised tariff sheets. However, a tariff charge of actual cost for a wastewater only violation reconnection shall not be approved unless the utility also files with this Commission, for prior approval, a breakdown of the actual components, the corresponding unit costs and the typical manhours required for the discontinuance and subsequent reinstatement of service.

#### BOOKS AND RECORDS

Rule 25-30.115(1), Florida Administrative Code, requires water and wastewater utilities to maintain their accounts and records in conformity with the 1984 National Association of Regulatory Utility Commissions (NARUC) Uniform System of Accounts (USOA). S-W's books and records are only in partial compliance with the 1984 NARUC USOA. We discovered several areas of deficiency in the utility's recordkeeping, including charging nonutility items to utility accounts and lack of supporting documentation for adjustments that had been made.

The utility's accounting is computerized, and is handled by a related company that is owned by McArdle, Ltd., the parent company of the utility. We believe the personnel handling these accounting functions for the utility have the expertise necessary to maintain the utility's records in conformity with the aforementioned Rule, and we, therefore, order the utility to henceforth comply with Rule 25-30.115, Florida Administrative Code.

#### AMORTIZATION OF RATE CASE EXPENSE

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately after the four year period by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

As discussed in an earlier section of this Order, we find the expenses to be recovered by the utility in this proceeding are a \$150 filing fee and \$1,500 in consulting fees. With a four-year recovery period for this expense, the utility will recover \$413 annually. After grossing up this revenue to account for regulatory assessment fees, we calculate the appropriate annual recovery of rate case expense is \$432 per year. Therefore, at the end of four years the utility's rates shall be reduced by \$432 annually. Based on the existing circumstances, the effect of this will be a reduction in the utility's flat rate charge of \$0.15 for a 5/8" x 3/4" meter.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Also, at the same time, the utility shall file a proposed customer notice setting forth 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 each.

#### REUSE OF TREATED WASTEWATER

Water use in the utility's service area is under the jurisdiction of the South Florida Water Management District (SFWMD). The district has designated the region where the utility is located as a critical use area, thereby requiring water conservation methods to be implemented.

Being a wastewater only provider, the utility has not received active pressure from SFWMD to implement a reuse program. Because of past drought conditions, the golf course at the Spanish Wells subdivision has experienced water supply problems for irrigation purposes. Surface water from nearby lakes has traditionally been the source for irrigation. To supplement its surface supply, and to indicate to SFWMD its willingness to cooperate, treated wastewater is planned to be reused at the golf course. At no cost to the utility's customers, a well designed to draw water from the utility's percolation ponds has been constructed and will be put into operation later this year. Once in service, a one year monitoring period is necessary to determine if it has accomplished what it was originally designed to do. If results are favorable, the treated wastewater will be used as an important source for irrigation.

We find that wastewater reuse is adequately being addressed in this proceeding. We will monitor this utility's progress in implementing its reuse program. Reports shall be submitted every six months to this Commission until such time as a reuse program is permanently implemented. The reports shall include results of monitoring tests showing quality and quantity of the water being reused, plus any additional reports submitted to other agencies associated with this project.

Since there has been no investment made by the utility, we find that it is not appropriate at this time to implement a charge for the reuse at the golf course. Therefore, no rate shall be established for wastewater reuse in this case.

#### TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase, resulting in an unrecoverable loss of revenue to the utility.

Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein on a temporary basis, subject to refund, provided that the utility first furnish and have approved by Commission Staff, adequate security for a potential refund through a bond or letter of credit in the amount of \$9,511, or an escrow account, a copy of the proposed customer notice, and revised tariff sheets.

If the utility chooses a bond as security, the bond should 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.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. 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.

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.

- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

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 are paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The approved wastewater rates and miscellaneous service charges will be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets. The discontinued service availability charge shall be effective for connections made on or after the stamped approval date on the revised tariff sheets. Tariff sheets will not be approved until our Staff verifies that the tariff sheets are consistent with our decision herein, that the proper security for refund (if necessary) has been provided, and that the proposed customer notice is adequate.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of S-W Disposal System, Inc., for an increase in its wastewater rates in Lee County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the body of this Order and in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that S-W Disposal System, Inc., is authorized to charge the new rates and charges set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

ORDERED that the utility shall discontinue its service availability charges for connections made on or after the stamped approval date on the revised tariff pages consistent with our decision herein. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for services rendered 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, S-W Disposal System, Inc. shall submit and have approved a proposed notice to its customers of the increased rates and charges and reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that the provisions of this Order are issued as proposed agency action, except for the provision for temporary rates, subject to refund, in the event of a protest, and shall become final, unless an appropriate petition in the form provided by Rule 25-022.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, S-W Disposal System, Inc. is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that S-W Disposal System, Inc. has furnished satisfactory security for any potential refund and

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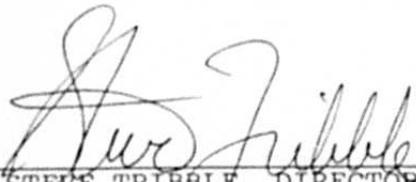
provided that it has submitted, and Staff has approved, revised tariff sheets, a proposed customer notice, and satisfactory security for any potential refund. The temporary rates portion of this Order is not issued as proposed agency action. It is further

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

ORDERED that S-W Disposal System, Inc. shall submit a report updating this Commission on progress made towards reusing treated wastewater. This report shall be submitted every six months until such time as a reuse program is permanently implemented. The report shall include results of monitoring tests showing quality and quantity of the water being reused, plus any additional reports made to other agencies associated with this program. It is further

ORDERED that in the event no timely protest is received, and Staff has approved both the revised tariff sheets, and the proposed customer notice, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 23rd day of June, 1992.

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

( S E A L )

RG

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 actions taken herein except for the provision for temporary rates, subject to refund, in the event of a protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 14, 1992. In the absence of such a petition this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and

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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.

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S-W DISPOSAL SYSTEM, INC.  
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 TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 1  
 RATE BASE

Account Title -----	Balance per Utility -----	Commission Adjustments to Utility Balance -----		Balance per Commission -----
Depreciable Plant in Service	\$351,936	\$324,529	A	\$676,465
Land/Nondepreciable Assets	0	29,494	B	29,494
Plant Held for Future Use	0	(95,125)	C	(95,125)
Contributions in Aid of Construction	(170,500)	(379,749)	D	(550,249)
Accumulated Depreciation	(81,250)	(80,815)	E	(162,065)
Accumulated Amortization of CIAC	0	119,320	F	119,320
Working Capital Allowance	0	6,224	G	6,224
RATE BASE	----- \$100,186 -----	----- (\$76,122) -----		----- \$24,064 -----

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 1 OF 2

A. DEPRECIABLE PLANT IN SERVICE:  
-----

1. Record unbooked contribution of gravity lines	381,399
2. Reclassified land to nondepreciable asset	(57,243)
3. Reclassified palm trees, irrigation system and chemical feeder from contractual services expense	5,617
4. Disallowed expenses associated with nonutility operations	(4,871)
4. Test year averaging adjustment	(373)
	-----
Subtotal	324,529

B. LAND/NONDEPRECIABLE ASSETS:  
-----

1. Reclassified from depreciable plant in service	57,243
2. Nonused and useful as determined by the Commission	(27,749)
	-----
Subtotal	29,494

C. PLANT HELD FOR FUTURE USE (PHFU):  
-----

1. Average PHFU	(318,092)
2. Accumulated depreciation associated with PHFU	82,584
3. CIAC associated with PHFU	180,020
4. Accumulated amortization of CIAC associated with PHFU	(39,638)
	-----
Subtotal	(95,126)

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 2 OF 2

WASTEWATER  
-----

D. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC):  
-----

1. Record unbooked contribution of gravity lines	(381,399)
2. Reconciliation of books to general ledger	3,300
3. Test year additions	(3,300)
4. Test year averaging adjustment	1,650
	-----
Subtotal	(379,749)

E. ACCUMULATED DEPRECIATION:  
-----

1. Adjustment that results in the appropriate balance at the beginning of the test year	(67,167)
2. Test year depreciation expense	(27,296)
3. Test year averaging adjustment	13,648
	-----
Subtotal	(80,815)

F. ACCUMULATED AMORTIZATION OF CIAC:  
-----

1. Record unbooked amounts associated with contributed gravity lines	74,442
2. Record unbooked amounts associated with cash contributions	36,704
3. Test year amortization	16,348
4. Test year averaging adjustment	(8,174)
	-----
Subtotal	119,320

G. WORKING CAPITAL ALLOWANCE:  
-----

1. Working capital allowance based on one-eighth of O&M expenses	6,224
	-----
TOTAL ADJUSTMENTS:	(76,123)
	-----

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 2  
COST OF CAPITAL

Component	Average Balance Per Parent	Commission Adjustments to Parent Balance	Adjusted Balance	Pro Rata Adjustments	Balance per Commission	Percent of Total	Weighted Cost	Weighted Cost
=====	=====	=====	=====	=====	=====	=====	=====	=====
Equity	\$10,230,224	\$0	\$10,230,224	(\$10,223,352)	\$6,872	28.56%	13.11%	3.74%
Debt	25,591,491	0	25,591,491	(\$25,574,299)	17,192	71.44%	9.84%	7.03%
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	\$35,821,715	\$0	\$35,821,715	(\$35,797,651)	\$24,064	100.00%		10.77%
								=====

Zones of Reasonableness:

	Low	High
=====	=====	=====
Equity	12.11%	14.11%
Rate of Return	10.49%	11.06%

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S-W DISPOSAL SYSTEM, INC.  
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 TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 3  
 OPERATING INCOME

	Balance Per Utility -----	Commission Adjustments to Utility Balance -----		Test Year Balance per Commission -----	Commission Adjustments for Increase -----		Balance per Commission -----
Operating Revenues	\$48,199	\$1,169	A	\$49,368	\$13,875	E	\$63,243
Operating Expenses:							
-----							
Operation and Maintenance	\$80,556	(\$30,767)	B	\$49,789	\$0		\$49,789
Depreciation	6,969	(4,332)	C	2,637	0		2,637
Amortization	0	0		0	0		0
Taxes Other Than Income	12,600	(4,999)	D	7,601	624	F	8,225
Income Taxes	0	0		0	0		0
-----							
Total Operating Expenses	\$100,125	(\$40,098)		\$60,027	\$624		\$60,651
-----							
Operating Income (Loss)	(\$51,926)	\$41,267		(\$10,659)	\$13,251		\$2,592
-----							
Rate Base	\$100,187			\$24,064			\$24,064
-----							
Rate of Return	-51.83%			-44.29%			10.77%
-----							

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S-W DISPOSAL SYSTEM, INC.  
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TEST YEAR ENDED JUNE 30, 1991

SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 1 OF 4

A. OPERATING REVENUES:

1. Imputation of revenues associated with Spanish Wells clubhouse	1,154
2. Adjustment that results in the Commission-approved test year balance	15
	-----
	1,169

B. OPERATION AND MAINTENANCE EXPENSES:

1. Salaries and Wages Expense - Officers:		
1. Disallowed portion of management fee		(2,613)
2. Purchased Power Expense:		
1. Disallowed expenses associated with nonutility operations:		
a) Diesel fuel expense	(164)	
b) Highgate Drive pump expense	(292)	
	-----	
	(456)	(456)
2. Reclassify purchased water expense to miscellaneous expense		(2,298)
3. Disallowed expense associated with twice-paid invoice		(1,051)
4. Reclassified to contractual services expense		(91)
5. Lift station annualization adjustment		(736)
6. Lift station annualization adjustment		210
		-----
	Subtotal	(4,422)
3. Chemicals Expense:		
1. Reclassified to utility plant in service		(746)

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 2 OF 4

4. Materials and Supplies Expense:		
1. Postage expense reclassified as materials and supplies expense		576
2. Disallowed portion of allocation from Spanish Wells Country Club		(298)
		-----
Subtotal		277
5. Contractual Services Expense:		
1. Reclassify postage expense to materials and supplies expense		(576)
2. Reclassified to utility plant in service		(4,871)
3. Disallowed nonutility expenses:		
a) Drain line repair	(8,079)	
b) Tree removal at nursery	(100)	
		-----
	(8,179)	(8,179)
4. Unrecorded wastewater plant operator monthly expense		489
5. Proforma allowance associated with increase in contract operator expense		283
6. Disallowed portion of legal expense		(3,000)
7. Disallowed out of period expense and late charge		(79)
8. Disallowed portion of computer fees		(1,200)
9. Reclassified repairs from purchased power expense		91
10. Allowance for grounds maintenance as determined by the Commission		8,500
11. Unamortized portion of extraordinary repairs expense as determined by the Commission		(8,054)
		-----
Subtotal		(16,595)
6. Rents Expense:		
1. Test year expense not recorded on utility's books		100

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 3 OF 4

7. Transportation Expense:  
1. Disallowed nonutility expense (diesel fuel) (800)

8. Regulatory Commission Expense:  
1. Disallowed nonutility expense (diesel fuel) (180)  
2. Unrecorded test year rate case expenses 4,584  
3. Disallowed prior rate case expenses (6,535)  
4. Amortization of filing fee in instant case 38  
5. Amortization of consultant's fee in instant case 375  
-----  
Subtotal (1,719)

9. Miscellaneous Expense:  
1. Purchased water expense reclassified from purchased power expense 2,298  
2. Disallowed imprudent expense as determined by the Commission (6,613)  
3. Annualization of Ameraquatic expense 50  
4. Test year expense not recorded on utility's books 13  
-----  
Subtotal (4,252)

TOTAL O&M ADJUSTMENTS: (\$30,769)  
-----  
\*\*\*\*\*

C. DEPRECIATION EXPENSE:  
-----

1. Remove booked test year depreciation (6,969)  
2. Commission-approved used and useful depreciation expense 14,485  
3. Commission-approved used and useful amortization of CIAC (11,848)  
-----  
Subtotal (4,332)

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 4 OF 4

D. TAXES OTHER THAN INCOME TAXES:  
-----

1. Disallowed property tax expense associated with discount not taken	(425)
2. Disallowed property tax expense associated with nonused and useful plant	(4,809)
3. Imputed regulatory assessment fees associated with imputed test year revenues	52
4. Adjustment that results in the Commission- approved test year balance	183
	-----
	(4,998)

E. OPERATING REVENUES:  
-----

1. Commission-approved revenue increase	13,875
---	--------

F. TAXES OTHER THAN INCOME TAXES:  
-----

1. To reflect increase in regulatory assessment fees associated with the Commission-approved revenue requirement increase	624
--	-----

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S-W DISPOSAL SYSTEM, INC.  
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SCHEDULE NO. 3B  
 DETAIL OF OPERATION AND  
 MAINTENANCE EXPENSES

---- Account ----				
No.	Description	Balance per Utility	Commission Adjustments	Balance per Commission
---	-----	-----	-----	-----
701	Salaries and Wages - Employees	\$0	\$0	\$0
703	Salaries and Wages - Officers	6,480	(2,613) 1	3,867
704	Employee Pensions and Benefits	0	0	0
710	Purchased Sewage Treatment	0	0	0
711	Sludge Removal Expense	2,650	0	2,650
715	Purchased Power	13,048	(4,422) 2	8,627
716	Fuel for Power Production	0	0	0
718	Chemicals	2,284	(746) 3	1,537
720	Materials and Supplies	923	277 4	1,200
730	Contractual Services	45,771	(16,594) 5	29,177
740	Rents	1,100	100 6	1,200
750	Transportation Expenses	800	(800) 7	0
755	Insurance Expense	263	0	263
765	Regulatory Commission Expense	2,131	(1,719) 8	412
770	Bad Debt Expense	0	0	0
775	Miscellaneous Expenses	5,108	(4,252) 9	856
	TOTAL OPERATION AND MAINTENANCE EXPENSES	\$80,558	(\$30,769)	\$49,789
		-----	-----	-----
		*****	*****	*****

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S-W DISPOSAL SYSTEM, INC.  
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 TEST YEAR ENDED JUNE 30, 1991

SCHEDULE 4  
 RATE REDUCTION AFTER  
 RECOVERY OF RATE CASE EXPENSE

MONTHLY RATES

RESIDENTIAL SERVICE -----	APPROVED RATES -----	RATE DECREASE -----
Flat Rate (All Meter Sizes)	\$ 20.91	\$ 0.15
GENERAL SERVICE -----		
Flat Rate by Meter Size:		
5/8" x 3/4"	\$ 20.91	\$ 0.15
3/4"	31.36	0.21
1"	52.27	0.36
1 1/2"	104.53	0.71
2"	167.25	1.14
3"	334.51	2.29
4"	522.67	3.57
6"	1,045.34	7.14