

## BEFORE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a	)	DOCKET NO. 900501-WS
staff-assisted rate case in	)	ORDER NO. 24206
Volusia County by TYMBER CREEK	)	ISSUED: 03-07-91
UTILITIES	)	
_____	)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 GERALD L. GUNTER  
 MICHAEL MCK. WILSON  
 BETTY EASLEY  
 J. TERRY DEASON

FINAL ORDER GRANTING TEMPORARY  
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
 ORDER APPROVING INCREASED RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, and as such, 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.

CASE BACKGROUND

TyMBER Creek Utilities (TCU or utility) is a class "C" water and wastewater utility serving the TyMBER Creek residential community in Ormond Beach, Florida. TCU is a partnership. Although TCU was certificated in the late 1970s, it has never had a rate case. The only rate relief TCU has obtained since its certification has been price index rate adjustments in 1984, 1987, 1988, 1989 and 1990. Presently, the utility is faced with making major capital improvements to its wastewater facilities because of a Department of Environmental Regulation (DER) Consent Order.

The official filing date for the instant staff-assisted rate case is July 17, 1990, and the utility paid the appropriate filing fee. As the test year for the purpose of setting rates in this

DOCUMENT NUMBER-DATE

02316 MAR -7 1991

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proceeding, we selected the twelve months ending June 30, 1990. The utility served 340 customers at the end of the test year.

#### QUALITY OF SERVICE

In the course of our investigation of the utility's quality of service, our staff conducted a customer meeting on January 23, 1991. Only two of the utility's 340 customers attended the meeting. Neither of the customers in attendance made negative comments concerning quality of service. The customers remarked favorably about how well the utility responds to service problems.

The utility has had operational problems with its wastewater treatment plant and percolation pond for the past several years. The utility was cited by DER in late 1989 and early 1990 for violating its plant operating permit. DER assessed penalties against the utility, and the utility entered into a consent agreement in November, 1989, whereby it agreed to make the necessary plant improvements. Thereafter, DER issued the utility a construction permit to install a new wastewater treatment plant and to add four percolation ponds.

In consideration of the positive customer response and the apparent willingness of the utility to come into full compliance with its wastewater operating permit, we find that the utility's quality of service is satisfactory as to both its water and wastewater systems.

#### RATE BASE

Our calculation of the appropriate rate bases for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Plant-in-Service

Rate base has never been established for this utility; this is its first rate case. Consequently, we had to examine each depreciable plant item recorded by the utility since its inception in order to identify those plant items which we were to allow and

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those which we were to disallow. The utility's books showed end-of-test year depreciable plant amounts to be \$195,437 for the water system and \$398,744 for the wastewater system. Both systems were, for the most part, constructed prior to 1980. Minor plant additions were made from 1980 through the end of the test period.

The vast majority of depreciable plant items recorded by the utility are reasonable, and we have, therefore, included those items in rate base. However, we made several minor adjustments to the depreciable plant accounts to reflect proper classifications of equipment, to remove disallowed items, and to remove proforma plant costs incorrectly recorded in the wastewater plant account. The sum total of these adjustments was a \$21,314 reduction to water plant and a \$29,905 reduction to wastewater plant.

The utility made \$1,032 in water plant additions and \$3,300 in wastewater plant additions during the test period. After making the averaging adjustments necessary because of the additions, we find that the proper average depreciable plant account balances at the end of the test period are \$173,607 for the water system and \$367,188 for the wastewater system.

#### Used and Useful

The water pumping and water treatment facilities consist of two six inch wells, each powered by a 7.5 horsepower submersible pump rated at 230 gallons per minute. The utility also utilizes two prefabricated steel tanks. One tank is compartmentalized into a high service pump room, a 5,000 gallon hydropneumatic tank and a 35,000 gallon reservoir with an attached aeration device. The second steel tank serves as a 100,000 gallon reservoir. The gas chlorination units are housed in a recently constructed frame building. Auxiliary power is provided by a gas-powered generator. The primary treatment methods used are aeration and gas chlorination.

To arrive at the used and useful percentage of the water pumping and treatment facilities, we divided the sum of the 139,600 gallon per day (gpd) maximum daily flow, the 11,016 gpd margin reserve, and the 120,000 gpd fire flow capacity by the 248,400 gpd capacity of the plant. The quotient was 1.09, or 109% used and useful; however, we do not allow utilities to be more than 100% used and useful and therefore find that the water pumping and treatment system in this case is 100% used and useful.

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To arrive at the used and useful percentage of the water transmission and distribution system, we divided the sum of the 351 equivalent residential connections (ERCs) at the end of the test year and the 27 ERCs in the margin of reserve by the 413 ERCs capacity of the system. The quotient was .92, or 92% used and useful. We therefore find that the water transmission and distribution system is 92% used and useful.

The utility proposes to build a new wastewater treatment facility. We will allow this new facility in rate base and account for it in the used and useful calculation. To arrive at the used and useful percentage of the wastewater treatment plant and disposal system, we divided the sum of the 80,000 gpd average daily flow and the 6,318 gpd margin reserve by the 131,000 gpd capacity of the plant. The quotient was .66, or 66% used and useful. Therefore, we find that the wastewater treatment plant and disposal system is 66% used and useful.

To arrive at the used and useful percentage of the wastewater collection system, we divided the sum of the 351 ERCs at the end of the test year and the 27 ERCs in the margin of reserve by the 413 ERCs capacity of the system. The quotient was .92, or 92% used and useful. We therefore find that the wastewater collection system is 92% used and useful.

#### Proforma Plant

As noted earlier, the utility entered into a consent agreement with DER whereby it agreed to take whatever action necessary to bring its wastewater facility into compliance with DER regulations. The utility will achieve compliance by installing a new wastewater treatment and disposal facility. DER approved the utility's proposal and issued a construction permit.

The utility has submitted contract bids and estimates for the cost of the new treatment facility. The total cost is \$320,115, of which the utility has already paid \$11,373. We have examined all of the components of the total and find the costs to be reasonable. However, since the utility plans to retire its existing wastewater treatment facility, we will subtract the book value of the retired plant, less accumulated depreciation, from the estimated cost of the proforma improvements. Therefore, we find that the net amount of proforma plant to be included as test year depreciable plant in service is \$259,348.



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Presently, the utility has not obtained contracts for this work. Therefore, the utility shall file signed contracts for the aforementioned improvements within six months of the date of this Order. We shall keep this docket open pending receipt and review of said documents.

In addition to replacing the wastewater plant, the utility plans to construct four additional percolation ponds to increase its capacity for effluent disposal. However, the utility must first acquire an additional three acres of land needed for these ponds as it has no extra land of its own. The land which the utility seeks to purchase for the ponds is owned by J. K. Shirah and Sons, a company owned by the utility's partners, the Shirah brothers. J. K. Shirah and Sons originally purchased the land in question in the early 1970's for approximately \$2,000 per acre. According to an estimate performed by an appraiser and submitted to us by the utility, the land's present value is between \$26,971 and \$32,988 per acre. In reliance on the estimate, the utility proposes that \$32,000 per acre, a total of \$96,000 for the three acres, be used as the appropriate value to be included in rate base.

In a similar case involving Orange-Osceola Utilities, Inc., Order No. 17366, this Commission found it reasonable to adjust the value of land purchased by the utility from a related party at a significant margin above the original purchase price. In that case, the Commission used the Consumer Price Index (CPI) to adjust the original purchase price for inflation, and thus arrived at a reasonable valuation.

We do not believe that the CPI would be an accurate indicator of the change in land value in Volusia County. As a reasonable alternative, however, we have used a land-value index derived from the changes in assessed property values in Volusia County from 1973 to 1991. Upon applying this index to the \$2,000 per acre price paid in 1973, we find that the appropriate value of land to include in rate base as proforma plant is \$16,477 per acre, or a total of \$49,432 for three acres.

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### Accumulated Depreciation

When a utility is involved in a rate case for the first time, we normally do not question the depreciation rate used and accrued reserve recorded by the utility in the years prior to the test year. As a matter of practice, we use the utility's recorded position at the beginning of the test year as a starting point, adjust test year depreciation expense using the depreciation rates set forth in Rule 25.30-140, Florida Administrative Code, and then calculate the appropriate amount of accumulated depreciation.

The utility recorded end-of-test-year accumulated depreciation balances of \$61,554 for water and \$121,139 for wastewater. In this case, to arrive at the proper beginning-of-test-year balance, we must first remove recorded test year depreciation expense, \$3,310 for water and \$4,027 for wastewater, and that portion of depreciation associated with disallowed and misclassified plant from the ending balance. Upon making these adjustments, we find that the proper beginning balances are \$48,629 for water and \$107,522 for wastewater.

We have applied the appropriate depreciation rates to the corresponding end-of-test-year plant account balances to find that the proper amounts of test year depreciation expense are \$5,845 for water and \$12,491 for wastewater. Upon adding the proper amount of test year depreciation expense to the beginning balance of accumulated depreciation, we calculated that the proper balances for accumulated depreciation at the end of the test year are \$54,474 for water and \$120,013 for wastewater.

As was stated earlier, we are recognizing proforma plant additions and certain plant retirements in the rate base calculation. As is our practice, we have imputed one year of accumulated depreciation associated with the proforma plant additions to the rate base and have removed accumulated depreciation associated with the retired plant. We then reduced the water and wastewater depreciation balances by \$2,922 and \$6,246 respectively to reflect an averaging adjustment. In consideration of the above, we find that the appropriate average amount of accumulated depreciation to include in rate base for each system is \$51,552 for the water system and \$114,907 for the wastewater system.

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#### Plant Held For Future Use

To determine the proper amount of plant held for future use, we first applied the appropriate nonused and useful percentages to the respective average plant account balances to arrive at nonused and useful plant amounts of \$10,722 for water and \$102,687 for wastewater. We then applied the nonused and useful percentages to the average accumulated depreciation balances. Upon so doing, we calculated that \$2,842 of the water system's and \$20,116 of the wastewater system's accumulated depreciation is attributable to nonused and useful plant. Next, we subtracted the above accumulated depreciation amounts from the above nonused and useful amounts to arrive at a final figure. Therefore, the average net amount of plant held for future use is \$7,880 for the water system and \$82,571 for the wastewater system.

#### Contributions-In-Aid-Of-Construction (CIAC)

According to its books, TCU treated much of the costs of building its water and wastewater systems as part of the cost of developing lots, and, thus, it recovered much of the cost of the systems through the sale of the lots. In addition, TCU collected Commission-authorized plant capacity charges for both water and wastewater systems. The CIAC balances at the end of the test year were \$145,397 for water and \$316,556 for wastewater. We have reduced the CIAC balance for each system by \$600 to account for proper averaging. We have also imputed CIAC associated with the wastewater system's margin reserve. In consideration of the above, we find that the proper CIAC balances are \$144,797 for water and \$344,306 for wastewater.

#### Accumulated Amortization of CIAC

Based upon the composite accumulated depreciation for the respective systems, the water system has depreciated approximately 30%, and the wastewater system has depreciated approximately 31%. Upon applying these composite rates to the average CIAC balances for each system, we find that average accumulated amortization at the end of the test year is \$42,997 for the water system and \$97,894 for the wastewater system. Additionally, we have increased the amount of accumulated amortization of CIAC for the wastewater system to account for the amortization of the CIAC imputed on the margin of reserve. Upon making this adjustment, we find that the

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appropriate balance of accumulated CIAC amortization for the wastewater system is \$99,074.

#### Land

TCU provided this Commission with satisfactory evidence that it owns the land on which its facilities are located during the certification process. Currently, the water system utilizes approximately 0.5 acres, and the wastewater system utilizes approximately 2.0 acres. Given the land's 1973 purchase price of \$2,000 per acre, we calculate the appropriate original land values are \$1,000 for the water system and \$4,000 for the wastewater system. However, since the land was purchased by J. K. Shirah & Sons in 1973 and was not dedicated to utility use until 1976, we have applied the land-values index mentioned earlier to the land's original purchase price in order to approximate the value of the land when it was dedicated to public service. Therefore, we find that the appropriate values for land in the rate base calculation are \$1,131 for the water system and \$4,524 for the wastewater system.

#### Working Capital

We have used the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirements of this utility. As we have found in a later section of this Order, the appropriate amounts for operating and maintenance expense are \$33,449 for the water system and \$55,914 for the wastewater system. Therefore, the appropriate amounts of working capital to be included in rate base are \$4,181 for the water system and \$6,989 for the wastewater system.

#### Test Year Rate Base

In consideration of the foregoing, we find that the appropriate test year rate bases are \$17,712 for the water system and \$244,796 for the wastewater system.

#### COST OF CAPITAL

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



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nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

#### Rate of Return on Equity

The equity portion of the utility's capital structure consists of two components: the partner's capital account, where there is a \$50,292 negative balance, and noninterest bearing loans from a related company, which we normally treat as equity, totalling \$149,095. The net equity balance is \$98,803.

The adjusted balance of TCU's overall capital structure is \$314,487, which is \$52,329 more than the approved total rate bases of \$262,158. In cases such as this, it is our practice to reduce each component of the capital structure by the product of that component's weight multiplied by the amount of the excess capital. Accordingly, we have reduced the equity component in this case by \$16,713. Therefore, in consideration of the above, we find that the proper balance of equity in the test year capital structure is \$82,090. With this adjustment, the utility's capital structure is less than 40% equity. Therefore, according to the leverage formula contained in Order No. 23318, the proper return on equity for this utility is capped at 13.51%.

#### Amount of and Cost of Debt

In its capital structure, the utility lists \$13,370 in debt, at a cost rate of 10.51%. However, since \$2,810 of that balance consists of a loan for the purchase of a vehicle which we have disallowed, we have reduced the debt balance by that amount so that the proper balance is \$10,560.

Since we have included TCU's proposed new wastewater facility in rate base as a proforma item, the financing associated with the new facility should be included in the capital structure for ratemaking purposes. The utility proposes to finance the majority of the facility through a bank loan. It provided us with an unexecuted loan agreement which identified a tentative loan amount of \$200,000, bearing an interest rate of 11.50%. We will accept the amount and cost set forth in this tentative loan agreement in order to make our calculations and therefore include it in the utility's capital structure.



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Again, because the sum of the two rate bases is less than the total adjusted balance of TCU's capital structure components, we have adjusted the existing and proforma portions of debt in the utility's capital structure using the same formula used to adjust the equity portion. Accordingly, we have reduced the existing debt component by \$1,786, and we have reduced the proforma debt component by \$33,830.

In consideration of the above, we find that the appropriate balance of existing debt is \$8,774 at a cost of 10.51%, and the appropriate balance of proforma debt is \$166,170 at a cost of 11.50%.

#### Overall Rate of Return

The utility's capital structure is comprised of 31.31% equity at a cost of 13.51%, 3.35% existing debt at a cost of 10.51%, 63.39% proforma debt at a cost of 11.5%, and 1.95% customer deposits at a cost of 8.00%. In consideration of the foregoing, we find that the appropriate overall rate of return for TCU is 12.03%.

#### NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedules Nos. 3-A and 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Test Year Revenue

The utility's test year operating revenues were \$38,385 for the water system and \$59,398 for the wastewater system. We have made no adjustments to these amounts.

#### Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances.

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The utility charged \$30,681 to the water system and \$59,531 to the wastewater system during the test year. We originally considered allowing only \$30,650 in O & M expenses for the water system, but found this amount to be insufficient. We have therefore imputed additional O & M expenses to the water system resulting in total water system O & M expenses of \$33,449. A summary of our adjustments follows.

1) Salaries and Wages--Officers. TCU's partners each draw \$150 per week for managing the utility, for a total annual expense of \$7,800 per system. We believe that an overlap of duties and expenses exists in this area and have therefore based our allowance on the hours dedicated by only one manager.

Based on a survey of salaries paid to other water and wastewater utility managers in Florida, we find that an hourly rate of \$17.86 is reasonable. At this rate and with one manager working eight hours per week per system, we find that \$7,430 per system is the appropriate allowance for this item.

2) Sludge Removal Expense. The utility recorded \$6,529 in this account during the test period. In addition, the utility incurred \$1,912 in additional sludge removal expenses that were not recorded on the utility's books and that did not appear in our audit. The total expended by the utility during the test year for this item, then, is \$8,441. As we believe this amount to be reasonable, we allow the full amount.

3) Purchased Power. The utility charged \$7,116 to the water system and \$8,633 to the wastewater system for this item during the test period. A common meter measures utility power use with nonutility power use. We requested that the utility install a submeter so that the percentage of TCU's purchased power not associated with providing utility service could be determined. The utility installed the submeter, and based on the submeter readings, it appears that nonutility services account for approximately 18% of TCU's total purchased power. We think it reasonable to allocate the 18% disallowance 6% to the water system and 12% to the wastewater system and, therefore, have reduced purchased power by \$426 for the water system and \$1,036 for the wastewater system. Our final major adjustment concerns the utility's improperly charging \$841 to the water system for purchased power associated with wastewater lift stations. We have reduced the water system account and increased the wastewater system account by \$841 to

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reflect the proper allocation. In consideration of the foregoing, we find that the appropriate amounts for purchased power for the test year are \$5,848 for the water system and \$8,439 for the wastewater system.

4) Chemicals. The utility recorded \$1,587 in the water system account and \$1,778 in the wastewater system account during the test year. In addition, the utility incurred additional chemical expenses that were not recorded on the utility's books and that did not appear in the audit. As we believe that these amounts are reasonable, we have increased the utility's recorded amounts for this expense by \$200 for the water system and by \$133 for the wastewater system. We find that the appropriate balances for chemical expenses for the test year are \$1,786 for the water system and \$1,911 for the wastewater system.

5) Materials and Supplies. The utility charged \$4,052 to the water system and \$4,436 to the wastewater system during the test period. In addition, the utility incurred additional expenses not recorded during the test year. As we believe these amounts to be reasonable, we have increased the water system's balance by \$243 and the wastewater system's balance by \$201. We have also made adjustments to correct misclassifications of materials and supplies items. Furthermore, we have imputed an additional \$250 in water system expense for the reasons stated earlier. Therefore, we find that the appropriate amounts for test year materials and supplies expense are \$4,710 for the water system and \$4,709 for the wastewater system.

6) Contractual Services. The utility charged \$9,504 to the water system and \$21,897 to the wastewater system during the test period. Because there were expenses incurred but not recorded during the test year and because there were expenses recorded for but not occurring in the test year, we made certain corrective adjustments. In addition, we have imputed additional expenses for bookkeeping and billing services. Therefore, in consideration of the above, we find that the appropriate amounts for test year contractual services are \$11,328 for the water system and \$23,333 for the wastewater system.

7) Rents. The utility recorded no expenses in this account during the test period. We think that annual allowances of \$1,200 for the water system and \$300 for the wastewater system are reasonable.

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8) Transportation Expense. The utility recorded \$260 for each system for this expense. We have adjusted this expense to reflect a reasonable annual allowance of \$360 for the water system and \$480 for the wastewater system.

9) Insurance Expense. The utility recorded \$612 for this expense for each system during the test year. The majority of this expense is for insurance on a vehicle that we have disallowed for ratemaking purposes, so we shall remove that portion of the insurance expense associated with that vehicle. We have also removed that portion of the expense associated with certain late payment charges. In consideration of the above, we find that the appropriate amounts for this expense are \$198 per system.

10) Regulatory Commission Expense. The utility recorded \$16 in the water system account and \$31 in the wastewater system account for this expense during the test period. We have reduced these accounts to zero balances because the recorded amounts represent misclassified regulatory assessment fees. The only item that should appear in this account is amortized rate case expense. The only rate case expense incurred in this case is the filing fee, \$1,800. The proper amortization period is four years; therefore, the appropriate annual balances for this expense are \$225 per system.

11) Bad Debt Expense. The utility charged \$87 to the water system and \$130 to the wastewater system for this expense during the test year. As it is our practice not to allow utilities to recover bad debt expense, we have reduced the water and wastewater balances for this expense to \$0.

12) Miscellaneous Expense. The utility recorded \$398 in the water system account and \$373 in the wastewater system account for this expense during the test period. We have reduced the water account by \$75 and have increased the wastewater account by \$75 to reflect proper classification of a permitting fee for percolation ponds. Also, we have imputed expenditures to the water system account, for the reasons stated earlier. In consideration of the above, we find that the proper annual allowances for this expense are \$364 for the water system and \$448 for the wastewater system.



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Depreciation Expense Net of Amortization

We have calculated test year depreciation expense using the water and wastewater system guideline average service lives listed in Rule 25-30.140, Florida Administrative Code. By applying the prescribed depreciation service lives to the used and useful year-end balances of the various plant accounts, we find that the proper amounts of test year depreciation expense are \$5,560 for the water system and \$20,521 for the wastewater system. By applying the composite depreciation rates to the year-end CIAC balances approved herein, we find that test year amortization of CIAC is \$4,880 for the water system and \$14,323 for the wastewater system. We find that upon netting the above depreciation and amortization expense calculations, the proper amounts of test year depreciation expense, net of amortization, are \$680 for the water system and \$6,198 for the wastewater system.

Amortization of Extraordinary Loss

The utility will retire the wastewater treatment facility currently in use since it is installing a new facility. Our normal accounting treatment for this type of transaction is to remove the plant item from the books at its original cost and concomitantly remove an equal amount from accumulated depreciation, provided the amount of the retirement is immaterial and the adjusted accumulated depreciation balance is not distorted. In the instant case, the amount of the retirement is substantial, and removing the entire original cost of the wastewater treatment facility would distort the depreciation reserve account, so an alternative accounting treatment is needed.

In similar cases, we have removed the plant item from the books at its original cost and removed only recorded accumulated depreciation associated with the plant item from the accumulated depreciation account. The difference between the original plant cost and the recorded accumulated depreciation is the extraordinary loss incurred by the utility. The extraordinary loss in this case is \$44,276. We find that the proper amortization period for this loss is four years; therefore, the annual amortization of the extraordinary loss is \$11,069 per year over a four year period.

Additionally, the water and wastewater accounts have amortizable plant balances of \$36 per system. The amortization



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expense associated with this plant item is less than \$1 per system; therefore, we have not included this expense in our calculations.

Based on the foregoing, we find that the appropriate amount of test year amortization expense is \$0 for the water system and \$11,069 for the wastewater system.

#### Taxes Other Than Income

The utility recorded \$590 per system in taxes other than income taxes, excluding regulatory assessment fees (RAFTs), during the test period. We believe that the proper annual allowance for this expense, exclusive of RAFTs, is \$397 per system and we have so adjusted the accounts. The RAFTs associated with the test year operating revenues are \$1,727 for the water system and \$4,855 for the wastewater system. Therefore, in consideration of the above, we find that the appropriate amounts for taxes other than income taxes are \$2,125 for the water system and \$5,252 for the wastewater system.

#### Income Taxes

The utility is a partnership, and is not subject to income taxes. Therefore, the appropriate amount of income tax expense is \$0 per system.

#### Test Year Operating Income (Loss)

The test year operating revenue for the water system is \$38,385; the corresponding operating expenses are \$36,254. Test year operating income for the water system is therefore \$2,131.

Test year operating revenue for the wastewater system is \$59,398; the corresponding operating expenses are \$76,251. Therefore, there is a test year operating loss of \$16,853 for the wastewater system.

#### Revenue Requirement

Based upon our review of the utility's books and records and the adjustments discussed above, we find that the appropriate annual revenue requirements for this utility are \$38,385 for the water system and \$107,882 for the wastewater system. This revenue requirement represents no annual increase in revenue for the water

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system and an increase of \$48,484 (81.63%) for the wastewater system. These revenue requirements will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 12.03% return on its investment.

### RATES AND CHARGES

#### Monthly Service Rates

Currently, the utility uses a nonconventional rate structure. Our preferred rate structure, however, is the base facility (BFC) rate structure for water and wastewater monthly charges because it allows the utility to track costs and, at the same time, it allows the customers to have some control over their bills. The customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge.

The rates set forth below are designed to allow the utility to recover its operating expenses and to have the opportunity to earn a 12.03% return on its investment. We find that these rates are fair, just, reasonable, and we hereby approve them. The utility's existing rates and those approved herein are set forth below for the purpose of comparison.

### MONTHLY RATES - WATER

#### Current Rates

<u>Meter Sizes</u>	<u>General</u>	<u>Residential</u>
5/8" x 3/4"	\$ 3.93 <sup>(1)</sup>	\$ 3.93 <sup>(1)</sup>
3/4"	N/A	N/A
1"	12.39 <sup>(2)</sup>	N/A
1 1/2"	24.75 <sup>(3)</sup>	N/A
2"	39.40 <sup>(4)</sup>	N/A
3"	N/A	N/A
4"	N/A	N/A
6"	N/A	N/A

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Consumption Charge:

Per 1,000 Gallons

5/8" x 3/4" Meters	\$ 0.84	\$ 0.84
Other Meter Sizes	1.07	0.84

- (1) Includes 2,000 gallons of consumption.  
(2) Includes 5,000 gallons of consumption.  
(3) Includes 10,000 gallons of consumption.  
(4) Includes 16,000 gallons of consumption.

Approved RatesGeneral and Residential ServiceBase Facility ChargeMeter Sizes

5/8" x 3/4"	\$ 4.63
3/4"	6.94
1"	11.57
1 1/2"	23.13
2"	37.01
3"	74.03
4"	115.67
6"	231.34

Consumption Charge:

Per 1,000 Gallons

5/8" x 3/4" Meters	\$ 0.57
Other Meter Sizes	0.57

MONTHLY RATES - WASTEWATERCurrent RatesResidential and General Service

<u>Flat Rate</u>	\$ 14.49
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Approved Rates

Residential and General Service

Base Facility Charge:

Meter Sizes

5/8" x 3/4"	\$ 8.29
3/4"	12.43
1"	20.72
1 1/2"	41.44
2"	66.30
3"	132.60
4"	207.19
6"	414.38

Consumption Charge

Per 1,000 Gallons

Residential	\$ 2.71
General Service	3.25

The approved rates shall be effective for meter readings taken on or after thirty days from the stamped approval date on the revised tariff sheets. Tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decision herein, that the proper security for any potential refund has been provided, and that the proposed customer notice is adequate.

We have ordered the utility to submit signed contracts for the improvements to the wastewater system which we have included in rate base as proforma plant additions. We ordered the utility to submit these contracts within six months of the date of this Order, and we are keeping the docket open pending receipt and review of these contracts. Because of this, we hereby require the utility to escrow the differential in the monthly rates caused by the inclusion of the proforma plant additions. Thus, the utility shall charge, for example, a base facility charge of \$8.29 for a 5/8 inch meter, but shall use only \$5.93 for its operations and place the balance in an escrow account established with an independent financial institution pursuant to a written agreement.

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Any withdrawals of funds from the aforementioned escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting. This escrow account is established by the direction of the Florida Public Service Commission for the purposes set forth above; pursuant to Consentino v. Elson, 263 So.2d 253, (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

Below are listed the wastewater rates exclusive of the proforma plant additions to assist the utility in calculating the amounts it will escrow monthly.

MONTHLY RATES - WASTEWATER

Residential and General Service

	<u>Rates Exclusive of Proforma Plant</u>
Base Facility Charge:	
<u>Meter Sizes</u>	
5/8" x 3/4"	\$ 5.93
3/4"	8.90
1"	14.84
1 1/2"	29.67
2"	47.48
3"	94.95
4"	148.36
6"	296.72
 <u>Consumption Charge</u>	
Per 1,000 Gallons	
Residential	\$ 1.35
General Service	1.62

The utility must keep an accurate account, in detail, of all monies received subject to this provision, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month, showing the amount of revenues collected as a result of the rates which include the proforma plant additions and the amount of revenues that would have been collected under the rates which exclude the proforma plant additions. Should a refund be required,



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the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

If the utility submits acceptable, signed contracts for the plant improvements within the six month period, the funds in the escrow account may be released and the above escrow requirement will be terminated.

#### Service Availability Charges

The utility is currently authorized to charge a water system plant capacity charge of \$200. Rule 25-30.580, Florida Administrative Code, states that a utility's service availability policy shall be designed such that the maximum amount of CIAC, net of amortization, should not exceed 75% of total facilities and plant, net of accumulated depreciation, when facilities and plant are at designed capacity. According to our analysis, the water system is over 80% contributed. Under the instant circumstances, we find that the proper water system plant capacity charge should be \$0. We therefore eliminate the utility's current \$200 charge. However, we find it appropriate for the utility to collect a \$100 meter installation charge for 5/8 inch by 3/4 inch meters.

Currently the utility is authorized to collect a \$300 wastewater system plant capacity charge, and according to our analysis, the wastewater system is approximately 39% contributed. In order for the utility to meet the guideline 75% CIAC level set forth in Rule 25-30.580, Florida Administrative Code, we find that the appropriate service availability charge should be \$1,050. As the average cost of collection lines per customer is approximately \$600, we will separate the total \$1,050 service availability charge into a \$600 main extension charge and a \$450 plant capacity charge.

The charges set forth above are hereby approved and will be effective for connections made on or after the stamped approval date on the revised tariff sheets. Tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with the our decision herein and that the proposed customer notice is adequate.

#### Miscellaneous Service Charges

The utility is authorized under its current tariff to collect only one type of miscellaneous service charge: a violation

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reconnection charge for water and wastewater. The charges set forth below, which we hereby approve, are designed to more accurately defray the costs associated with each type of service rendered, which is also described below.

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

The following is a description of each type of miscellaneous service.

- 1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.
- 3) Violation Reconnection: This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), 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 makes satisfactory arrangements to pay the bill.

A tariff containing an actual cost charge for a wastewater only violation reconnection will not be approved unless the utility also files a breakdown of the actual components, the corresponding

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unit costs, and the typical man-hours required for the discontinuance and subsequent reinstatement of service.

The approved charges will be effective for service rendered on or after the stamped approval date on the revised tariff sheets. Tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

#### AMORTIZATION OF RATE CASE EXPENSE

Section 367.0816, Florida Statutes, states,

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The only rate case expense incurred by the utility for this case was a \$900 per system filing fee. With a four-year recovery period for this expense, the utility will recover approximately \$225 per year per system through its rates. After grossing up this revenue to account for regulatory assessment fees, we calculate the appropriate annual recovery of rate case expense is \$235 per system. Therefore, at the end of four years the utility's rates for water and wastewater should be reduced to reflect the \$235 reduction in its revenue requirements. Based on the existing circumstances, the effect of this revenue reduction will be a \$.03 reduction in both the water and wastewater base facility charges for 5/8 inch by 3/4 inch meters. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for each.

#### RATES IN THE EVENT OF PROTEST

This Order proposes an increase in monthly wastewater rates. A timely protest could delay what may be a justified rate increase

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pending the formal hearing and final order, thus resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the above-approved monthly wastewater service rates, which take proforma additions into account, on a temporary basis, subject to refund, provided that it establishes an escrow account with an independent financial institution pursuant to a written agreement. The utility shall escrow the difference between its current rates and the approved rates which include the proforma additions. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting. This escrow account is established by the direction of the Florida Public Service Commission for the purposes set forth above; pursuant to Consentino v. Elson, 263 So.2d 253, (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments. This escrow account is supplemental to the one discussed in the Monthly Service Rate section of this Order.

The utility must keep an accurate account, in detail of all monies received by said increase, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month, showing that the temporary rates are in effect and the amount of revenues collected as a result of the temporary rates. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

#### UTILITY 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 Commissioner's (NARUC) Uniform System Of Accounts (USOA). TCU's books and records are only in partial compliance with the 1984 NARUC USOA. Several areas of deficiency stand out: the lack of supporting expenses documentation, the maintenance of books on a semi-accrual basis, and the inconsistent method of allocating expenses. We believe that the utility has access to persons with expertise in the area of utility accounting, and we, therefore,



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order the utility to henceforth comply with Rule 25-30.115, Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Tymber Creek Utilities for an increase in its Tymber Creek Utilities rates in Volusia County is denied as to water and is approved as to wastewater 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 the provisions of this Order issued as proposed agency action shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, 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 Tymber Creek Utilities 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 meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. 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 approved herein, Tymber Creek Utilities shall submit and have approved a



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proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates approved herein, Tymber Creek Utilities shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that Tymber Creek Utilities is authorized to collect the wastewater rates approved herein which take into account proforma plant additions subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Tymber Creek Utilities has established an escrow account as set forth in the body of this Order. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Tymber Creek Utilities is authorized to collect the rates approved herein which take into account proforma plant additions on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Tymber Creek Utilities has established an escrow account as set forth in the body of this Order and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

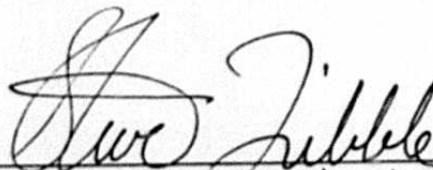
ORDERED that Tymber Creek Utilities shall submit signed contracts for the wastewater plant improvements as set forth in the body of this Order within six (6) months of the date of this Order. It is further

ORDERED that the docket shall remain open pending receipt and review of the aforementioned contracts.

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By ORDER of the Florida Public Service Commission this 7th  
day of MARCH, 1991.



STEVE TRIBBLE, Director,  
Division of Records and Reporting

( S E A L )

M F

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 granting of temporary rates 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 March 28, 1991. 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.

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

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

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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TYMBER CREEK UTILITIES  
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 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1  
 RATE BASE  
 PAGE 1 OF 2  
 WATER

Account Title *****	Balance per Utility *****	Commission Adjustments to Utility Balance *****		Balance per Commission *****
Depreciable Plant in Service	\$195,437	(\$21,830)	A	\$173,607
Land/Nondepreciable Assets	5,000	(3,869)	B	1,131
Amortizable Plant (Organization)	0	36	C	36
Plant Held for Future Use	0	(7,880)	D	(7,880)
Contributions in Aid of Construction	(145,397)	600	E	(144,797)
Accumulated Depreciation	(61,554)	10,002	F	(51,552)
Accumulated Amortization (Organization)	0	(11)	G	(11)
Accumulated Amortization of CIAC	0	42,997	H	42,997
Working Capital Allowance	0	4,181	I	4,181
	-----	-----		-----
RATE BASE	(\$6,514)	\$24,226		\$17,712
	*****	*****		*****

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TYMBER CREEK UTILITIES  
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SCHEDULE NO. 1  
RATE BASE  
PAGE 2 OF 2  
WASTEWATER

Account Title *****	Balance per Utility *****	Commission Adjustments to Utility Balance *****		Balance per Commission *****	Proforma Adjustments *****		Proforma Test Year *****
Depreciable Plant in Service	\$398,744	(\$31,556)	A	\$367,188	\$259,348	J	\$626,536
Land/Nondepreciable Assets	5,000	(476)	B	4,524	49,432	K	53,956
Amortizable Plant (Organization)	0	36	C	36	0		36
Plant Held for Future Use	0	(28,442)	D	(28,442)	(54,129)	L	(82,571)
Contributions in Aid of Construction	(316,556)	600	E	(315,956)	(28,350)	M	(344,306)
Accumulated Depreciation	(121,139)	7,371	F	(113,768)	(1,139)	N	(114,907)
Accumulated Amortization (Organization)	0	(11)	G	(11)	0		(11)
Accumulated Amortization of CIAC	0	97,894	H	97,894	1,179	O	99,074
Working Capital Allowance	0	6,989	I	6,989	0		6,989
RATE BASE	(\$33,951)	\$52,405		\$18,455	\$226,342		\$244,796



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TYMBER CREEK UTILITIES  
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SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 1 OF 4

	WATER -----	WASTEWATER -----
<b>A. DEPRECIABLE PLANT IN SERVICE:</b>		
-----		
1. To remove disallowed plant	(18,693)	(16,771)
2. To reflect proper classification of high service pump	735	(735)
3. To reflect proper classification of meter boxes	170	(170)
4. To include plant addition misclassified as an expense		549
5. To remove proforma plant misclassified as plant in service		(11,373)
6. To remove proforma plant that was recorded twice		(3,973)
7. Adjustment to reflect Commission's approved balance	(3,526)	2,568
8. Averaging adjustment	(516)	(1,650)
	-----	-----
Subtotal	(21,830)	(31,555)
<b>B. LAND/NONDEPRECIABLE ASSETS:</b>		
-----		
1. Adjustment to reflect Commission's approved balance	(3,869)	(476)
<b>C. AMORTIZABLE PLANT (ORGANIZATION):</b>		
-----		
1. Adjustment to reflect Commission's approved balance	36	36
<b>D. PLANT HELD FOR FUTURE USE (PHFU):</b>		
-----		
1. To record average PHFU	(10,722)	(45,073)
2. To reflect accumulated depreciation associated with average PHFU	2,842	16,631
	-----	-----
Subtotal	(7,880)	(28,442)

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TYMBER CREEK UTILITIES  
 DOCKET NO. 900501-WS  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1A  
 ADJUSTMENTS TO  
 RATE BASE  
 PAGE 2 OF 4

	WATER -----	WASTEWATER -----
E. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC):		
-----		
1. Averaging adjustment	600	600
F. ACCUMULATED DEPRECIATION:		
-----		
1. To remove test year depreciation expense per books	3,310	4,027
2. To remove accumulated depreciation associated with disallowed plant	9,654	9,558
3. To reflect accumulated depreciation associated with misclassified plant	(39)	32
4. To reflect test year depreciation expense per Commission	(5,845)	(12,491)
5. Averaging adjustment	2,922	6,245
	-----	-----
Subtotal	10,002	7,371
G. ACCUMULATED AMORTIZATION (ORGANIZATION):		
-----		
1. Adjustment to reflect Commission's approved balance	(11)	(11)
H. ACCUMULATED AMORTIZATION OF CIAC:		
-----		
1. Adjustment to reflect Commission's approved balance	42,997	97,894
I. WORKING CAPITAL ALLOWANCE:		
-----		
1. To reflect working capital allowance based on one-eighth of O&M expenses	4,181	6,989

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TYMBER CREEK UTILITIES  
DOCKET NO. 900501-WS  
TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 3 OF 4

	WATER -----	WASTEWATER -----
J. DEPRECIABLE PLANT IN SERVICE: -----		
1. To reflect proforma plant additions		320,115
2. To reflect plant retirement associated with proforma plant additions		(60,767)
		-----
Subtotal		259,348
K. LAND/NONDEPRECIABLE ASSETS: -----		
1. To reflect proforma addition at Commission's approved value		49,432
L. PLANT HELD FOR FUTURE USE: -----		
1. To reflect increase in net plant held for future use as a result of proforma plant additions		(54,129)
M. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC): -----		
1. To reflect imputation of CIAC on the margin of reserve		(28,350)
N. ACCUMULATED DEPRECIATION: -----		
1. To reflect one year of accumulated depreciation associated with proforma plant additions		(17,630)
2. To remove accumulated depreciation associated with plant retirement		16,491
		-----
Subtotal		(1,139)

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TYMBER CREEK UTILITIES  
DOCKET NO. 900501-WS  
TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 3 OF 4

	WATER -----	WASTEWATER -----
J. DEPRECIABLE PLANT IN SERVICE: -----		
1. To reflect proforma plant additions		320,115
2. To reflect plant retirement associated with proforma plant additions		(60,767)
		-----
Subtotal		259,348
K. LAND/NONDEPRECIABLE ASSETS: -----		
1. To reflect proforma addition at Commission's approved value		49,432
L. PLANT HELD FOR FUTURE USE: -----		
1. To reflect increase in net plant held for future use as a result of proforma plant additions		(54,129)
M. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC): -----		
1. To reflect imputation of CIAC on the margin of reserve		(28,350)
N. ACCUMULATED DEPRECIATION: -----		
1. To reflect one year of accumulated depreciation associated with proforma plant additions		(17,630)
2. To remove accumulated depreciation associated with plant retirement		16,491
		-----
Subtotal		(1,139)



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TYMBER CREEK UTILITIES  
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SCHEDULE NO. 1A  
 ADJUSTMENTS TO  
 RATE BASE  
 PAGE 4 OF 4

	WATER -----	WASTEWATER -----
O. ACCUMULATED AMORTIZATION OF CIAC: -----		
1. To reflect amortization of CIAC associated with the margin of reserve		1,179
	-----	-----
TOTAL ADJUSTMENTS:	24,226	278,747
	=====	=====



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TYMBER CREEK UTILITIES  
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SCHEDULE NO. 2  
COST OF CAPITAL

Component	Balance Per Utility	Commission Adjustments to Utility Balance	Adjusted Balance	Pro Rata Adjustments	Balance per Commission	Percent of Total	Weighted Cost	Weighted Cost
*****	*****	*****	*****	*****	*****	*****	*****	*****
Equity	\$98,803	\$0	\$98,803	(\$16,713)	\$82,090	31.31%	13.51%	4.23%
Long Term Debt:								
Notes Payable	13,370	(2,810)	10,560	(1,786)	8,774	3.35%	10.51%	0.35%
Notes Payable (Proforma)	0	200,000	200,000	(33,830)	166,170	63.39%	11.50%	7.29%
Customer Deposits	5,124	0	5,124	0	5,124	1.95%	8.00%	0.16%
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	\$117,298	\$197,190	\$314,487	(\$52,329)	\$262,158	100.00%		12.03%
								*****

Zones of Reasonableness:

*****	Low	High
*****	*****	*****
Equity	12.51%	14.51%
Long Term Debt	11.71%	12.34%

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SCHEDULE NO. 3  
OPERATING INCOME  
PAGE 1 OF 2  
WATER

	Balance Per Utility *****	Commission Adjustments to Utility Balance *****	Test Year Balance per Commission *****	Commission Adjustments for Increase *****	Balance per Commission *****
Operating Revenues	\$38,385	\$0	\$38,385	\$0	\$38,385
Operating Expenses:					
Operation and Maintenance	\$30,681	\$2,768 A	\$33,449	\$0	\$33,449
Depreciation	3,310	(2,630) B	680	0	680
Amortization	0	0	0	0	0
Taxes Other Than Income	1,477	648 D	2,125	0	2,125
Income Taxes	0	0	0	0	0
Total Operating Expenses	\$35,468	\$786	\$36,254	\$0	\$36,254
Operating Income (Loss)	\$2,917	(\$786)	\$2,131	\$0	\$2,131
Rate Base	(\$6,514)		\$17,712		\$17,712
Rate of Return	N/A *****		12.03% *****		12.03% *****

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SCHEDULE NO. 3  
OPERATING INCOME  
PAGE 2 OF 2  
WASTEWATER

	Balance Per Utility *****	Commission Adjustments to Utility Balance *****		Test Year Balance per Commission *****	Commission Adjustments for Increase *****		Balance per Commission *****
Operating Revenues	\$59,398	\$0		\$59,398	\$48,484	E	\$107,882
Operating Expenses:							
Operation and Maintenance	\$59,531	(\$3,617)	A	\$55,914	\$0		\$55,914
Depreciation	4,027	2,171	B	6,198	0		6,198
Amortization	0	11,069	C	11,069	0		11,069
Taxes Other Than Income	1,999	1,071	D	3,070	2,182	F	5,252
Income Taxes	0	0		0	0		0
Total Operating Expenses	\$65,557	\$10,694		\$76,251	\$2,182		\$78,433
Operating Income (Loss)	(\$6,159)	(\$10,694)		(\$16,853)	\$46,302		\$29,449
Rate Base	(\$33,951)			\$244,796			\$244,796
Rate of Return	N/A			-6.88%			12.03%

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SCHEDULE NO. 3A  
 ADJUSTMENTS TO  
 OPERATING INCOME  
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	WATER -----	WASTEWATER -----
A. OPERATION AND MAINTENANCE EXPENSES: -----		
1. Salaries and Wages Expense - Officers:		
1. Adjustment to reflect Commission's approved balance	380	(7,420)
2. Sludge Removal Expense:		
1. To reflect additional expenses not recorded during test period		1,912
3. Purchased Power Expense:		
1. To remove purchased power expense associated with the provision of nonutility services	(427)	(1,036)
2. To reflect the proper classification of purchased power expense associated with lift stations	(841)	841
	-----	-----
Subtotal	(1,268)	(195)
4. Chemicals Expense:		
1. To reflect additional expenses not recorded during test period	200	133
5. Materials and Supplies Expense:		
1. To reflect additional expenses not recorded during test period	243	201
2. To remove an entry associated with a prior period	21	
3. To remove tag decal expense associated with disallowed vehicle	(16)	
4. To reflect proper classification of materials and supplies expense from contractual services expense	160	72
5. To reflect additional (imputed) expense	250	
	-----	-----
Subtotal	658	273



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TYMBER CREEK UTILITIES  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
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	WATER -----	WASTEWATER -----
6. Contractual Services Expense:		
1. To reflect proper classification of materials and supplies expense from contractual services expense	(160)	(72)
2. To remove expenses incurred during a prior period	(2,367)	(2,499)
3. To reflect additional expenses not recorded during test period	1,608	3,831
4. To reflect proper classification of expense associated with the water system but recorded on the books of the wastewater system	205	(205)
5. To reflect additional allowance (disallowance) for bookkeeping expense	600	(600)
6. To reflect allowance for billing expenses	1,938	1,530
7. To reflect proper classification of plant addition that was recorded as an expense		(549)
	-----	-----
Subtotal	1,824	1,436
		10
7. Rents Expense:		
1. To reflect Commission's approved balance	1,200	300
8. Transportation Expense:		
1. Adjustment to reflect Commission's approved balance	100	220
9. Insurance Expense:		
1. To remove expense associated with disallowed vehicle	(217)	(217)
2. To remove late payment charges	(27)	(27)
3. To reflect insurance expense on an accrual basis	(171)	(171)
	-----	-----
Subtotal	(414)	(414)



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TYMBER CREEK UTILITIES  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
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	WATER -----	WASTEWATER -----
10. Regulatory Commission Expense:		
1. To remove regulatory assessment fees	(16)	(31)
2. To reflect amortization of rate case filing fee in the instant case	225	225
	-----	-----
Subtotal	209	194
11. Bad Debt Expense:		
1. To remove disallowed expense	(87)	(130)
12. Miscellaneous Expense:		
1. To reflect proper classification of fee associated with permitting of percolation ponds	(75)	75
2. To reflect imputed expense	41	
	-----	-----
Subtotal	(34)	75
	-----	-----
TOTAL O&M ADJUSTMENTS:	\$2,768	(\$3,617)
	=====	=====
 B. DEPRECIATION EXPENSE:		
-----		
1. To remove test year depreciation expense recorded by the utility	(3,310)	(4,027)
2. To reflect Commission's approved used and useful depreciation expense	5,560	20,521
3. To reflect Commission's approved used and useful test year amortization of CIAC	(4,880)	(14,323)
	-----	-----
Subtotal	(2,630)	2,171

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 ADJUSTMENTS TO  
 OPERATING INCOME  
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	WATER -----	WASTEWATER -----
C. AMORTIZATION EXPENSE: -----		
1. To reflect amortization of extraordinary loss associated with retirement of plant		11,069
D. TAXES OTHER THAN INCOME TAXES: -----		
1. Adjustment to reflect Commission's approved balance	648	1,071
E. OPERATING REVENUES: -----		
1. To reflect Commission's approved increase in revenue requirement		48,404
F. TAXES OTHER THAN INCOME TAXES: -----		
1. To reflect increase in regulatory assessment fees associated with Commission's approved increase in revenue requirement		2,182

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TYMBER CREEK UTILITIES, INC.  
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SCHEDULE NO. 38  
DETAIL OF OPERATION AND  
MAINTENANCE EXPENSES  
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--- WATER SYSTEM ---

---- Account ----		Balance	Commission		Balance per
No. Description		per Utility	Adjustments		Commission
===	=====	=====	=====		=====
601	Salaries and Wages - Employees	\$0	\$0		\$0
603	Salaries and Wages - Officers	7,050	380	1	7,430
604	Employee Pensions and Benefits	0	0		0
610	Purchased Water	0	0		0
615	Purchased Power	7,116	(1,268)	3	5,848
616	Fuel for Power Production	0	0		0
618	Chemicals	1,587	200	4	1,786
620	Materials and Supplies	4,052	658	5	4,710
630	Contractual Services	9,504	1,824	6	11,328
640	Rents	0	1,200	7	1,200
650	Transportation Expenses	260	100	8	360
655	Insurance Expense	612	(414)	9	198
665	Regulatory Commission Expense	16	209	10	225
670	Bad Debt Expense	87	(87)	11	0
675	Miscellaneous Expenses	398	(34)	12	364
	TOTAL OPERATION AND MAINTENANCE EXPENSES	\$30,681	\$2,768		\$33,449
		=====	=====		=====

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TYMBER CREEK UTILITIES, INC.  
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SCHEDULE NO. 3B  
DETAIL OF OPERATION AND  
MAINTENANCE EXPENSES  
PAGE 2 OF 2

--- WASTEWATER SYSTEM ---

---- Account ---- No. Description ---	Balance per Utility -----	Commission Adjustments -----		Balance per Commission -----
701 Salaries and Wages - Employees	\$0	\$0		\$0
703 Salaries and Wages - Officers	14,850	(7,420)	1	7,430
704 Employee Pensions and Benefits	0	0		0
710 Purchased Sewage Treatment	0	0		0
711 Sludge Removal Expense	6,529	1,912	2	8,441
715 Purchased Power	8,633	(195)	3	8,439
716 Fuel for Power Production	0	0		0
718 Chemicals	1,778	133	4	1,911
720 Materials and Supplies	4,436	273	5	4,709
730 Contractual Services	21,897	1,436	6	23,333
740 Rents	0	300	7	300
750 Transportation Expenses	260	220	8	480
755 Insurance Expense	612	(414)	9	198
765 Regulatory Commission Expense	31	194	10	225
770 Bad Debt Expense	130	(130)	11	0
775 Miscellaneous Expenses	373	75	12	448
	-----	-----		-----
TOTAL OPERATION AND MAINTENANCE EXPENSES	\$59,531	(\$3,617)		\$55,914
	-----	-----		-----