

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Water) DOCKET NO. 920650-WS
and Wastewater Certificates in) ORDER NO. PSC-93-0419-FOF-WS
Palm Beach County by W.P.) ISSUED: 03/18/93
Utilities, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

FINAL ORDER DETERMINING LETTER NOT A PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the rejection determination that a letter did not constitute a formal protest, 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

W.P. Utilities, Inc. (W.P. or utility) is an existing water and wastewater utility in Palm Beach County currently serving 189 customers in the Palm Breezes Club Mobile Home Park (Palm Breezes). The utility purchases potable water and wastewater treatment and disposal services from the City of Lake Worth and resells these services to the residents of Palm Breezes. W.P. owns the water distribution and wastewater collection lines within the mobile home park. The utility has been in existence and providing service since 1987. W.P. requested an exemption from Commission regulation as a reseller in accordance with Section 367.022(8), Florida Statutes. This exempt status was granted by the Commission by issuance of Order No. 23412, dated August 28, 1990.

DOCUMENT NUMBER-DATE

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PSC-RECORDS/REPORTING

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In order to qualify for exempt status pursuant to Section 367.022(8), F.S., a utility must resell water and/or wastewater service at a rate which recovers only the actual purchase price it is charged by the provider, in this case the City of Lake Worth. The exempt status does not authorize the recovery of the costs of administration, meter setting, meter reading, customer accounting, maintenance of the distribution and collection systems or any of the cost associated with the utility's investment in facilities used to provide service. These types of costs may only be recovered by a certificated utility with approved rates and charges. W.P. filed an application for water and wastewater certificates on June 24, 1992, seeking approval of rates to cover certain of these operating costs. This application is the subject of this docket.

ERDMAN-CARY LETTER NOT A PROTEST

Order No. PSC-92-1374-FOF-WS, issued November 11, 1992, granted W.P. Water Certificate No. 548-W and Wastewater Certificate No. 478-S. This docket was left open to allow time for analysis of the staff audit report and other information submitted by the applicant in order to establish rates and charges for the utility. However, we authorized W.P. to continue to charge its current reseller rates increased by only that amount that would allow it to recover its regulatory assessment fee (RAF) liability.

Although, the portion of Order No. PSC-92-1374-FOF-WS granting the certificates was final agency action, the portion of the order which allowed the utility to increase its rates to recover regulatory assessment fees allowed affected parties twenty-one days in which to file a protest. A letter in protest to the action taken by the Commission was received from Mr. Albert Erdman and Ms. Ethel Cary on December 22, 1992. According to Order No. PSC-92-1374-FOF-WS, a protest to the increase in rates for the RAF liability must have been filed by December 21, 1992, to be timely.

The Erdman-Cary letter makes several statements, including: (1) W.P. is charging its customers rates in excess of what W.P. is being charged by the City of Lake Worth; (2) There is no office at the office address listed in W.P.'s filings; (3) The park's developer, Homeland Development Corporation (Homeland), installed the utility facilities, not W.P., so W.P. should not be allowed to earn on the facilities; (4) Homeland should be made to pay its share of usage for the pool, clubhouse, maintenance department, model homes, and sales office; (5) W.P.'s owner does not have the

financial resources to run a utility since he could not pay the City in a timely manner even when W.P. was over-collecting from its customers.

Although Mr. Erdman and Ms. Cary do not request a hearing on the matter which they protested, they request that this Commission take the following action: (1) "Withdraw the proposed agency action that granted W.P. water and wastewater certificates, due to an improper office address in the application, as well as violating the rules of an unregulated utility prior to this action . . ."; (2) declare the existing reseller rates excessive and order W.P. to pay its past due balance to the City; (3) order a refund of the excess rates W.P. charged for 1992; (4) impose a fine on W.P.'s owner.

Mr. Erdman and Ms. Cary mention that they think the Commission should "withdraw" the Order "allowing for increases in rates to pay for the R.A.F." However, the clear thrust of the letter is not to protest the tariff which the Commission approved, but rather to protest W.P.'s certification and W.P.'s alleged over-collection, discussed later in this order.

Because the decision to certify W.P. was issued as final agency action, we find that the Erdman-Cary letter is ineffectual as a protest to that aspect of Order No. PSC-92-1374-FOF-WS. In addition, we find that it is inappropriate to treat the letter as a motion for reconsideration because it was untimely and because it alleges no mistake of law or fact relative to W.P.'s certification.

Further, we shall not consider the Erdman-Cary letter a protest to the tariff portion of Order No. PSC-92-1374-FOF-WS. It is evident from the letter that Mr. Erdman and Ms. Cary object to the reseller portion of the rate, and not strictly to the RAF augmentation thereto, which was the focus of the approved tariff. This proposed agency action order, which grants rates and charges, addresses Mr. Erdman and Ms. Cary's specific concerns regarding the over-collection controversy, the installation of utility facilities, and the reseller portion of W.P.'s rates. Consequently, we do not deem the Erdman-Cary letter to be a protest to the tariff approval in Order No. PSC-92-1374-FOF-WS. Furthermore, should Mr. Erdman and Ms. Cary be unsatisfied with this Commission's action in this proposed agency action order on final rates, they are free to file a protest as provided for hereinafter.

NO OVER-COLLECTION BY W.P. AS A RESELLER

Our staff conducted a customer meeting in the utility's service area during the certification process. At this meeting, a customer stated that the meter owned by the City of Lake Worth had been inoperable for several months. According to the customer, due to this stuck meter, the City had been billing W.P. only the minimum charges. W.P., however, had been collecting its full rates from its customers. Since W.P. had been exempt as a reseller during this period of time, it appeared that the utility may have been over-collecting.

Entities exempt as resellers are required by Rule 25-30.111, Florida Administrative Code, to file an annual report with the Commission indicating the rates charged and the amount paid to the provider of utility service (in this case the City of Lake Worth), as well as the rates charged and total revenue received from its customers. This report is due by March 31 of each year for the previous year. To resolve the question of whether W.P. had over-collected due to the stuck meter owned by the City of Lake Worth, we requested that W.P. file its annual report for 1992 by December 21, 1992. The report, filed by the utility on December 21, 1992, reflects water and wastewater service provided between January 1, 1992, and November 30, 1992.

The annual report indicates that the master meter serving the mobile home park was inoperable between February and October of 1992. This caused W.P. to collect more revenue during this period than what was paid for the water and wastewater service. But, the City of Lake Worth later estimated the amount W.P. should have paid for water and wastewater service during this period and backbilled the utility a total of \$10,208 for this water and wastewater service. Based on this backbilling, W.P.'s report indicates that the reseller under-collected in both water and wastewater revenue by \$253.32 for the water system and \$2,992.45 for the wastewater system.

Our staff discussed with a representative of the City of Lake Worth the method of calculation used by the City to estimate the amount of gallons consumed by W.P. during the time the meter was inoperable. According to the City, it determined the actual gallonage used by the utility during the same time-frame in 1991 and then applied its current rate to the estimated usage to fix the dollar amount owed by W.P. W.P. and the City of Lake Worth assert

that the utility is currently paying \$850 each month toward the total amount owed for the service between February and October 1992 plus the amount of the current bill.

Based on our discussions with the City of Lake Worth and W.P.'s annual report, we find that W.P. did not over-collect for water and wastewater service during the period January 1, 1992, through November 30, 1992. Therefore, we find no further action regarding the matter need be taken at this time.

RATE BASE

The Commission is required by Section 367.081, Florida Statutes, to allow the utility to earn a return on prudently invested plant used to serve current ratepayers. The applicant, however, did not request fully compensatory rates in this filing. W.P. has specifically stated that it is requesting rates sufficient to recover its operating expenses, but not to recover a return on its investment or depreciation of the plant in service. Therefore, the rate base established in this case will be for future filings with this Commission and for annual report monitoring purposes.

According to the application, the rate base of the system as of December 31, 1991, the time at which the system reached 80% capacity, is \$114,658 for the water system and \$151,585 for the wastewater system. Based on staff's audit of the books and records, we made adjustments to rate base to correct errors. These errors include the recording of incorrect meter costs, use of an incorrect depreciation rate, failure to record contributions-in-aid-of-construction (CIAC), and miscalculation of working capital.

Our calculation of rate base is shown on Schedules Nos. 1 and 2 for the water and wastewater systems, respectively. Adjustments to the rate base are itemized on Schedules Nos. 1-A and 2-A. Based on the adjustments set forth herein, rate base for W. P. Utilities is \$81,900 for the water system and \$134,572 for the wastewater system as of December 31, 1991.

Rule 25-30.570, Florida Administrative Code, provides that absent any substantial evidence to the contrary, the amount of CIAC shall be imputed to be the amount of the plant charged to cost of land sales for tax purposes, if available, or the proportion of the cost of the facilities and plant attributable to the distribution and collection systems. An analysis, for the period 1986 through 1991, of the federal income tax returns for Homeland Development,

the company from whom W.P. purchased the facility, was performed to determine whether the cost of installing the utility facilities was recovered through the cost of goods sold. Homeland did install the water distribution and wastewater collection facilities, however, the costs of same were capitalized and not included in the cost of goods sold. Because W.P. purchased these facilities, the cost of the utility facilities was not donated and is included in rate base.

DETERMINATION OF RATES AND CHARGES

In original certificate applications, we determine rates that allow the utility to earn a fair rate of return on investment when the utility's plant reaches 80% of capacity. From prior experience, we have found that when utilities have been allowed to charge rates lower than this in their initial years, rate increases of over 100% often occurred when that utility came to the Commission for compensatory rates. Therefore, we have established a practice to set reasonable, compensatory rates initially to send an accurate price signal of the cost of the water and wastewater service and to avoid rate shock in future rate case proceedings.

This situation, however, is unique. As previously stated, the applicant is an on-site water distribution and wastewater collection system only, which has been in existence and providing service since 1987. Until now, because it was an exempt utility, its customers have been charged for service at reseller rates which merely passed through the amount of the water and wastewater bills from the City of Lake Worth. The applicant did not request fully compensatory rates in this filing. It requested rates which will recover its operating expenses, but which will not include a return on its investment or depreciation of the plant in service. Although this is an original certificate proceeding establishing rates, and the rates are not fully compensatory, we find the rate request to be reasonable. The quality of service will not be affected by the non-compensatory rates, because the City of Lake Worth provides the water and wastewater service to the utility.

Our Schedules of Operations for the water and wastewater systems appear on Schedules Nos. 3 and 4. As shown on Schedules Nos. 3 and 4, the utility requests operating revenue which will recover only the utility's Operating and Maintenance expenses and Taxes Other Than Income. The utility is indicating no Net Operating Income and thus, no rate of return on rate base. Although our audit discusses accounting errors in the recording of miscellaneous

expenses, no adjustments to Operating and Maintenance expenses were necessary or made. We have, however, made adjustments to the utility's calculation for depreciation expense, the amount of revenues the rates will produce, and the resulting rate of return.

Because it is not asking for fully compensatory rates, the utility did not seek recovery of depreciation expense. However, for illustrative purposes, we have made an adjustment on the schedules to include depreciation expense, since depreciation expense is a true business expense which the utility will incur. When depreciation expense is included, W.P. would experience a negative rate of return with its requested revenues.

Furthermore, because there had been a severe leak in the pool during 1991, it was necessary to make an adjustment to water consumption to determine compute the amount of revenue. In its filing, W.P. provided a 1991 billing analysis which included actual consumption for all customers except the club house and pool. The owner of the mobile home park, which is also the owner of the utility, pays for water and wastewater service to the clubhouse and pool. The utility adjusted the actual usage at the clubhouse meter to reflect usage as if there had been no leak. The actual 1991 usage for the meter at the clubhouse was 817,000 gallons. This total included the pool usage of 477,240 gallons and the clubhouse usage of 339,800 gallons. The utility's estimated adjusted usage for this meter was 280,000 gallons. This estimated usage for the clubhouse meter was far below the actual consumption for just the clubhouse, not including the pool.

We learned the leak in the pool apparently has not been fixed and that the actual usage at this meter for the twelve months ending September 30, 1992, was 1,654,230 gallons, which is greater than during the 1991 test year. Therefore, it appears that there continues to be substantial water consumption at the clubhouse and pool. Based on this, absent justification by the utility as to why the clubhouse usage should be adjusted, we find an adjustment to the billing analysis to reduce the actual 1991 water consumption for these accounts is not warranted. Consequently, when the utility's proposed rates are applied to the actual test year water consumption of the customers, including the club house and pool, the resulting revenue is greater than that projected by the utility. However, this does not change the fact that even with the revenue adjustment requested by the utility, the utility will be earning a negative rate of return on investment when depreciation expense is reflected.

As to the Erdman-Cary concern of the residential customers paying for water usage at the clubhouse and pool, the ratepayers of W.P. will pay only for the service at their residence. The residential customers will not pay for usage of water at either the clubhouse or the pool. Homeland Development will be billed separately for this usage and will be required to pay the utility.

COST OF CAPITAL

The utility's capital structure was adjusted to reflect reconciliation to the adjusted rate base and to the most recent return on equity. We calculated the return on common equity to be 12.44%, based upon the current Commission approved leverage formula, authorized by Order No. PSC-92-0686-FOF-SW, effective August 10, 1992. The adjusted capital structure appears on Schedule No. 5. Adjustments were made, as necessary, to recognize the impact of an adjusted rate of return on equity and other minor adjustments upon the plant investments and operating costs provided by the applicant in its filing. In all future proceedings the target rate of return on equity shall be 12.44% with the range being from 11.44% to 13.44%.

RATES AND CHARGES

Based on our adjustments, we find that fully compensatory rates would yield \$29,294 and \$47,727 in annual revenue for water and wastewater, respectively. The rates requested by W.P., utilizing W.P.'s adjusted billing analysis, will yield \$17,526 and \$29,950 in annual revenue for water and wastewater, respectively. However, the rates requested by W.P., utilizing the actual 1991 billing analysis, will yield \$19,312 and \$32,768 in annual revenue for water and wastewater, respectively. Both calculations of annual revenue using W.P.'s requested rates will generate less than compensatory revenue. However, by W.P.'s request, it has acknowledged that a change to fully compensatory rates from the present rates would result in rate shock. Therefore, based on W.P.'s assertion at our Agenda Conference that such non-compensatory rates will not affect the quality of service it will provide, we find it appropriate to set rates that will allow the utility to generate annual revenue of \$19,312 and \$32,768 for water and wastewater, respectively. Although the revenue that these

rates will generate is slightly in excess of what W.P. has requested, this is the result of an adjustment we have made to more accurately reflect the consumption level of the clubhouse and pool.

QUARTERLY RATES

Water

Residential

	<u>Present</u>	<u>Utility Requested</u>	<u>Fully Compensatory</u>	<u>Commission Approved</u>
<u>Base Facility Charge</u>				
All meters are 3/4" meters	\$ 3.08	\$14.10	\$21.98	\$15.07
<u>Gallonge Charge</u> per 1,000 gallons	\$ 1.31	\$ 1.25	\$ 2.28	\$ 1.46

General Service

	<u>Present</u>	<u>Utility Requested</u>	<u>Fully Compensatory</u>	<u>Commission Approved</u>
<u>Base Facility Charge</u>				
All meters are 3/4" meters	\$ 3.08	\$14.10	\$21.98	\$15.07
<u>Gallonge Charge</u> per 1,000 gallons	\$ 1.31	\$ 1.25	\$ 2.28	\$ 1.46

QUARTERLY RATES

Wastewater

Residential

	<u>Present</u>	<u>Utility Requested</u>	<u>Fully Compensatory</u>	<u>Commission Approved</u>
-				
<u>Base Facility Charge</u>				
All meters are 3/4" meters	\$15.35	\$27.64	\$43.64	\$29.58

<u>Gallonge Charge</u>				
per 1,000 gallons	\$ 1.83	\$ 1.56	\$ 2.53	\$ 2.07
(30,000 gallon max. per quarter)				
<u>General Service</u>				
	<u>Present</u>	<u>Utility Requested</u>	<u>Fully Compensatory</u>	<u>Commission Approved</u>
<u>Base Facility Charge</u>				
All meters				
are 3/4" meters	\$15.35	\$27.64	\$43.64	\$29.58
<u>Gallonge Charge</u>				
per 1,000 gallons	\$ 1.83	\$ 1.56	\$ 2.53	\$ 2.07

Miscellaneous Service Charges

The applicant requested miscellaneous service charges in accordance with Staff Advisory Bulletin (SAB) 13, Second Revised. The utility's authorized service charges are as follows:

	<u>Utility</u>	<u>Commission Approved</u>
Initial Connection Fee	\$15.00	\$15.00
Normal Reconnection Fee	\$15.00	\$15.00
Violation Reconnection Fee	\$15.00	\$15.00
Premises Visit Fee	\$10.00	\$10.00
(In lieu of disconnection)		

Customer Deposits:

The utility requested a customer deposit, which includes both water and wastewater service, in the amount of \$55.00. Accordingly, the following charges are approved.

<u>Water</u>	<u>Wastewater</u>
\$20.00	\$35.00

The utility shall file tariff sheets reflecting the approved rates and charges within 30 days of the effective date of this Order. The rates should be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets.

Service Availability Charges

Although the utility did not request service availability charges in its application for rates and charges, to protect existing ratepayers from paying for plant installed for the benefit of future customers, we authorize service availability charges for W.P.

Rule 25-30.580, Florida Administrative Code, sets forth the guidelines for establishing service availability charges as a minimum of plant that is represented by the distribution and collection system and a maximum of 75% of net CIAC to net plant at build out. The authorized main extension charges are based on cost based rates, that is the actual cost of extension of mains and services per ERC.

The following service availability charges are authorized as follows with an ERC equal to 240 GPD.

<u>TYPE</u>	<u>WATER</u>	<u>WASTEWATER</u>
Main Extension Charge (ERC)	\$272	\$734

This charge shall be effective for connections made on or after the stamped approval date on the tariff sheets.

No charge is being allowed for meter installation since the meters are installed and donated by the developer. The cost of this donated plant should be properly recorded as CIAC.

Based on the foregoing, it is

ORDERED that all of the provision of this Order are issued as proposed agency action except that portion determining that the Erdman-Cary letter is not a protest, and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the 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 the letter filed by Mr. Erdman and Ms. Cary is not deemed as protest to Order No. PSC-92-1374-FOF-WS. It is further

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ORDERED that W.P. Utilities, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order until authorized to change by this Commission. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, W.P. Utilities, Inc. shall submit and have approved a 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 and charges approved herein, W.P. Utilities, Inc. shall submit and have approved revised tariff sheets. The revised tariff sheets 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 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 sheets. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the rate of return on equity shall be 12.44% with the range being from 11.44% to 13.44%. It is further

ORDERED that this docket shall be closed upon the expiration of the protest period if no timely protest is received.

By ORDER of the Florida Public Service Commission this 18th day of April, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SLE

by: Kay Ferguson
Chief, Bureau of Records

NOTE: Chairman Deason dissented as to the approved rates. He believes that since the utility did not request depreciation expense, it should not now be allowed to recover that expense through rates that will generate revenues greater than the revenues requested.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action setting rates and charges is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 8, 1993. 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

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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.

W.P. UTILITIES, INC.
 Schedule of Water Rate Base
 At 80% of Design Capacity

DOCKET NO. 920650-WS
 Schedule No. 1

Description	Balance Per Revised Filing	Commission Adjust.	Commission Vote
Utility Plant in Service	117,306	493	117,799
Land	0	0	0
Accumulated Depreciation	(17,054)	1,050	(16,004)
Contributions-in-aid-of-Construction	0	(22,632)	(22,632)
Accumulated Amortization of C.I.A.C.	0	666	666
Plant Held for Future Use	0	0	0
Working Capital Allowance	14,406	(12,335)	2,071
TOTAL	114,658	(32,758)	81,900

W. P. Utilities, Inc.
Schedule of Staff Water Rate Base Adjustments
Docket No. 920650-WS

Schedule No. 1A

1. We have made an adjustment to reflect an error in recording meter costs by the company. This adjustment was addressed in Audit Exception No. 2 of the Staff's Audit Report dated October 14, 1992. The utility concurred with this audit exception in its response to the Staff's Audit Report.

Adjustment 1:

Utility Plant	\$ 493
Accumulated Depreciation	<u>75</u>
Total	<u>418</u>

2. The utility used the incorrect depreciation rate to calculate depreciation expense for Account 301 - Organization. We have made an adjustment to reflect the correct depreciation rate. This adjustment was identified as Audit Exception No. 1 in Staff's Audit Report dated October 14, 1992. The utility did not contest this exception in its response to the staff audit.

Adjustment 2:

Accumulated Depreciation	\$1,125
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3. The utility failed to recognize contributed plant as CIAC. We have made an adjustment to Plant-In-Service to reflect the proper recording of donated meters that were contributed by the developer. This adjustment was identified as Audit Exception No. 2 in Staff's Audit Report dated October 14, 1992. The utility concurred with this audit exception in its response to the Staff's Audit Report.

Adjustment 3:

Contributions-in-aid-of-Construction	(\$22,632)
Accumulated Amortization of C.I.A.C.	<u>666</u>
Total	<u>(21,966)</u>

4. Working capital was adjusted to reflect Commission policy of calculating working capital allowances based on one-eighth of Operating and Maintenance expenses. This adjustment was

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identified as Audit Exception No. 4 in Staff's Audit Report.
The utility concurred with this audit exception in its
response to the Staff's Audit Report.

Adjustment 4:

Working Capital	(<u>12,335</u>)
<u>Total Adjustments to Water Rate Base</u>	<u>(\$32,758)</u>

W.P. UTILITIES, INC.
 Schedule of Wastewater Rate Base
 At 80% of Design Capacity

DOCKET NO. 920650-WS
 Schedule No. 2

Description	Balance Per Revised Filing	Commission Adjust.	Commission Vote
Utility Plant in Service	153,108	0	153,108
Land	0	0	0
Accumulated Depreciation	(23,216)	1,125	(22,091)
Contributions-in-aid-of-Construction	0	0	0
Accumulated Amortization of C.I.A.C.	0	0	0
Working Capital Allowance	21,693	(18,139)	3,554
TOTAL	151,585	(17,013)	134,572

W. P. Utilities, Inc. Schedule No. 2A
Schedule of Staff Wastewater Rate Base Adjustments
Docket No. 920650-WS

1. The utility used the incorrect depreciation rate to calculate depreciation expense for Account 301 - Organization. We have made an adjustment to reflect the correct depreciation rate. This adjustment was identified as Audit Exception No. 1 in Staff's Audit Report dated October 14, 1992. The utility did not contest this exception in its response to the staff audit.

Adjustment 1:

Accumulated Depreciation	\$ 1,125
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2. Working capital was adjusted to reflect Commission policy of calculating working capital allowances based on one-eighth of Operating and Maintenance expenses. This adjustment was identified as Audit Exception No. 4 in Staff's Audit Report. The utility concurred with this audit exception in its response to the Staff's Audit Report.

Adjustment 2:

Working Capital	(18,139)
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<u>Total Adjustments to Water Rate Base</u>	<u>(\$17,013)</u>
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W.P. UTILITIES, INC.
 Schedule of Water Operations
 At 80% of Design Capacity

DOCKET NO. 920650-WS
 Schedule No. 3

Description	Balance Per Revised Utility	Commission Adjust.	Commission Vote
Operating Revenues	17,526	1,786	19,312
Operating and Maintenance	16,570	0	16,570
Depreciation Expense	0	3,462	3,462
Taxes Other Than Income	956	(0)	956
Income Taxes	0	0	0
Total Operating Expenses	17,526	3,461	20,987
Net Operating Income	0	(1,675)	(1,675)
Rate Base	114,658		81,900
Rate of Return	0.00%		-2.05%

W.P. UTILITIES, INC.
 Schedule of Wastewater Operations
 At 80% of Design Capacity

DOCKET NO. 920650-WS
 Schedule No. 4

Description	Balance Per Revised Utility	Commission Adjust.	Commission Vote
Operating Revenues	29,950	2,818	32,768
Operating and Maintenance	28,435	0	28,435
Depreciation Expense	0	4,198	4,198
Taxes Other Than Income	1,515	198	1,713
Income Taxes	0	0	0
Total Operating Expenses	29,950	4,396	34,346
Net Operating Income	0	(1,578)	(1,578)
Rate Base	151,585		134,572
Rate of Return	0.00%		-1.17%

W.P. UTILITIES, INC.
 Schedule of Capital Structure
 At 80% of Design Capacity

Description	Balance Per Revised Filing	Commission Adjust.	Commission Vote	Recon. Adjust.	Recon. Balance	Weight	Cost Rate	Weighted Cost
Common Equity	64,478	0	64,478	(12,054)	52,424	24.22%	12.44%	3.01%
Long and Short-Term Debt	194,395	0	194,395	(36,340)	158,055	73.01%	7.75%	5.66%
Customer Deposits	7,370	0	7,370	(1,378)	5,992	2.77%	8.00%	0.22%
Advances from Associated Companies	0	0	0	0	0	0.00%	0.00%	0.00%
Other	0	0	0	0	0	0.00%	0.00%	0.00%
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	266,243	0	266,243	(49,771)	216,472	100.00%		8.89%
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Range of Reasonableness:	High	Low
Common Equity	13.44%	11.44%
Overall Rate of Return	9.13%	8.65%