State of Florida

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DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

Public Service Commission

December 3, 1996

VIA AIRBORNE EXPRESS

Mr. Dallas Shepard, President
Lake Suzy Utilities, Inc.
12408 S.W. Sherri Avenue
Lake Suzy, Florida 33821

Re: Docket No. 960799-WS - Application of Lake Suzy Utilities, Inc. for a staff-assisted rate case in Desoto County

Dear Mr. Shepard:

This is to follow up on my letter dated December 2, 1996. Enclosed are the two copies of the engineering report dated October 15, 1996, and the accounting report dated November 22, 1996. Again, please ensure that a copy of the complete application for staff assistance and the reports are available for review by all interested persons at the utility's office located at 12408 S.W. Sheri Avenue, Lake Suzy, Florida, during its regular hours (8:30 a.m. to 4:30 p.m.), Monday through Friday.

If you have any questions, please do not hesitate to call me at (904) 413-6185.

Sincerely,

Donna Cyrus-Williams

Donna Cyrus-Williams
Staff Counsel

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Enclosures

cc: Office of Public Counsel
Division of Consumer Affairs
Division of Records & Reporting
Division of Water & Wastewater (Dewberry, T. Davis)
Hearing Reporter

MEMORANDUM

OCTOBER 15, 1996

TO: P. DEWBERRY; ANALYST,. BUREAU OF SPECIAL ASSISTANCE

THROUGH: N. BETHEA; SUPERVISOR, BUREAU OF SPECIAL ASSISTANCE

FROM: T. DAVIS; ENGINEER, BUREAU OF SPECIAL ASSISTANCE

RE: DOCKET NO. 960799-WS, APPLICATION OF LAKE SUZY UTILITIES, INC. FOR STAFF ASSISTANCE ON A RATE ADJUSTMENT IN DESOTO COUNTY.

1.0 INTRODUCTION

Pursuant to the rules and regulations of the Florida Public Service Commission, Lake Suzy Utilities, Inc. has qualified for staff assistance in this docketed proceeding. A field investigation of the above utility was conducted during August 6-9, 1996. The investigation included a visual inspection of the wastewater treatment plant serving the customers of Lake Suzy Utilities, the wastewater collection system, reviewed the interconnection with the Peace River Water Supply Authority, the utility's water distribution system, and the general service area serving the customers of Lake Suzy Utilities. Also, a review of utility's expenses for technical operations, and an in-house study of the utility's maps, files and rate application was conducted to establish reasonableness of capital plant in service, daily expenses, and quality of service.

2.0 HISTORY

On August 14, 1984, the DeSoto County Commission passed a resolution making the county subject to the jurisdiction of the Florida Public Service Commission. On October 31, 1985, Lake Suzy Utilities, Inc. applied for water and wastewater certificates under the grandfather rights of Section 367.171, Florida Statutes (1985). By Order Number 16935 issued December 9, 1986, the utility was granted Water Certificate Number 480-W and Wastewater Certificate Number 416-S.

Lake Suzy Utilities filed the appropriate request and received its 1987, 1988, 1989 price index rate adjustments in accordance with Section 367.081 (4) (a), Florida Statutes.

On May 1, 1991, this Commission opened a docket to cancel the utility's CIAC gross-up authority. By Order Number 25261, issued on October 28,1991, Lake Suzy Utilities was no longer authorized to collect the gross-up on CIAC. After the appropriate period passed without a protest, the Docket was closed on November 19, 1991.

On December 21, 1993, Lake Suzy Utilities, Inc. (Lake Suzy) filed an application with this Commission to amend Certificate Number 416-S to include territory within Kingsway Properties, Inc.'s (Kingsway) service area. Kingsway also requested to amend Certificate Number 394-S to delete a specific territory and transfer it to Certificate Number 416-S held by Lake Suzy. By Order Number PSC-94-0700-FOF-SU, issued June 8, 1994, the Commission granted both utilities request to amend their certificates.

On July 3, 1996, the utility filed an application with this Commission for staff assistance to adjust its rates and charges to its customers in DeSoto County. The following is the staff engineer's findings pursuant to that request.

3.0 GENERAL INFORMATION

The territory served by the utility is located in the Southwest corner of DeSoto County contiguous to a northern portion of Charlotte County. Lake Suzy is along State Road 769 approximately twenty-two miles Southwest of Arcadia, and about four (4) miles Northeast of Charlotte Harbor (See Attachment "A") which is also about two miles Northeast of the intersection of I-75 and Kings Highway (SR-769).

Lake Suzy was organized in 1981. During 1985 when the utility came in for certification, it was providing utility service to approximately 22 residential and 2 general service customers. After the inclusion of the Kingsway property in 1994, the existing territory under the current water certificate covers approximately 1,225 acres. At build-out, the utility has the capability of serving water to 894 customer units, estimated at 756 ERCs. Today, the utility serves water to 534 units, estimated at 440 ERCs, and averaged 289 metered connections for the test year. Wastewater customers, at build-out, is anticipated to be 601 units which is estimated at 478 ERCs. Current wastewater customers equal 292 units, estimated at 217 ERCs, which averaged 54 service connections during the test year.

When the utility requested certification, the primary method of dealing with wastewater disposal was by personal septic systems. There were a limited number of Lake Suzy's water customers whose wastewater was handled by a 15,000 gallons per day (gpd) plant, owned and operated by Kingsway Country Club, Inc.. Lake Suzy constructed its existing wastewater plant during 1986 in order to serve additional customers. Those customers being served by the Kingsway plant remain, and will continue to remain, on the Kingsway plant until Lake Suzy completes an upgrade to the wastewater plant that is currently in progress. After the upgrade is complete, plans are to cease all operations of the Kingsway plant and convert those customers to the Lake Suzy plant.

Lake Suzy's Wastewater Treatment Plant is a 0.050 Million Gallons per Day (MGD) package plant. The plant was permitted with Operation Permit Number DO14-147759 by the Department of Environmental Protection (DEP). On May 14, 1993, that permit expired. Since then, the utility has been involved with the

DEP in attempts to renew its permit. An application to renew the operating permit was submitted by the utility to the DEP on March 16, 1993. That application was reviewed by the DEP and was found to be incomplete. The DEP then requested additional information which cited "failure of the percolation ponds to function in accordance with approved design or current Department rules." As a result, the utility was placed in the position of signing a Consent Order (CO) and paying fines associated with listed violations.

During the test year, the utility was (and still is) under citations by the DEP and in the process of meeting critical dates set by the CO. One result, the utility has obtained a construction permit (Permit Number FLA011964 issued on November 29, 1995) to expand the plant capacity from 50,000 gpd to 87,000 gpd, extended aeration. Construction work is in progress.

4.0 PLANT-IN-SERVICE

Water Plant

Lake Suzy is a consecutive water system that purchases water for resale from another consecutive water system. Water is supplied by the Peace River Water Supply Authority (PRWSA) which is a collation that can only, by Charter, sell water to its member counties. DeSoto County is one of the member counties that purchases water from the PRWSA. Lake Suzy purchases, for resale, drinking water from the DeSoto County Board of County Commissioners via a twelve inch transmission main.

Distribution System

According to the information provided by the utility, the utility has approximately 1,200 linear feet of eight (8) inch PVC pipe, 30,850 linear feet of six (6) inch PVC pipe, 1,750 linear feet of four (4) inch PVC pipe, 200 linear feet of three (3) inch PVC pipe, 3,200 linear feet of two (2) inch PVC pipe, and 1,500 linear feet of one and one-half (1.5) inch PVC pipe.

Not included is the subdivision known as Pembroke. The Pembroke subdivision has about 7,600 linear feet of eight (8) inch PVC pipe that is constructed in one giant loop. While those customers living in Pembroke are being served by the utility, the utility has not accepted the mains as part of its distribution system. Contractual agreements are forthcoming and are anticipated to be complete before the customer meeting.

The network of water distribution mains serving the customers of Lake Suzy Utilities appear to be properly sized and engineered to meet current pressure and supply demands.

Sewer Plant

The existing 50,000 gpd is a Type III, concrete (McNeil) package plant operating in the extended aeration mode of treatment with chlorinated effluent going to dual percolation/evaporation ponds (See Attachment "D"). The existing plant consists of 5,830 gallon surge tank, five (5) aeration basins that are 10,000 gallons each, a clarifier that has a 10,300 gallon capacity, a 1,600 gallon chlorine contact chamber, and a 4,300 gallon aerobic digester. The effluent is disinfected by liquid chlorine via a hypomechanical pumping system before being discharged into the dual percolation ponds adjacent to the plant (See Attachment "B").

The new plant will also be a Type III plant operating in the extended aeration mode of treatment. Plans are to combine a steel package plant with the existing concrete plant by means of a bar screen and splitter box. The new facilities will add two (2) 43,600 gallon aeration basins, two (2) 12,350 gallon clarifiers, a dual filtration unit with a capacity of 40 square foot total surface area, and a 3,505 gallon chlorine contact chamber. The old 50,000 gpd plant will be reconfigured by utilizing the digester as a second chlorine contact chamber. Also, the existing aeration units will be replumbed and utilized as the digester for the new plant. When the utility completes the upgrade, effluent will be disinfected by gas chlorine.

The topography of the service area is typical of a South Florida coastal area. The land is flat, very close to the static groundwater level, and contains isolated wetlands. The existing ponds were constructed during the late 1980's under previous (less strict) DEP regulatory standards. Due to the topography, the ponds are on land that has poor percolation capabilities during the wet season. After the issuance of the Consent Order, a study was done to determine the optimum method of correcting the problem of the discharge violations.

Spectra Engineering and Surveying, Inc. (engineering consultants) did the study. This study concluded by proposing four (4) methods of resolving the requirements of the Consent Order. Method 1 proposed that the utility connect with the Charlotte County Utilities Sewer System and abandon the Lake Suzy Wastewater Treatment Plant. This option was estimated to cost $1,000,000 and was considered cost prohibitive. Method 2 discussed the possibility of expanding the plant capacity to 0.100 MGD and disposing the treated effluent by spray irrigation on the Kingsway Golf Course. It was found that the Kingsway Golf and Country Club was already under contract with Charlotte County for disposal of the county's treated effluent. Method 3 proposed that minor modifications be made to the existing treatment plant and that two new ponds be constructed using fill to provide a proper hydraulic gradient to withstand the wet season. This method had the most favorable economics and was chosen as the most viable. Method 4 suggested that the utility construct facilities to spray irrigate the Lake Suzy Airport runway area. This method was recommended as a secondary method of compliance to be reserved for future treated effluent disposal.

Collection System

According to the information provided by the utility, the collection system serving the customers of Lake Suzy has 4,253 linear feet of eight (8) inch PVC pipe, 2,050 linear feet of eight (8) inch Vetrified Clay Pipe (VCP) pipe, 89 linear feet of six (6) inch PVC pipe, 144 linear feet of six (6) inch VCP pipe, and 165 linear feet of four (4) inch PVC pipe. Within this network of mains, there are three (3) in-line lift stations that has an adjoining 7,207 linear feet of four (4) inch PVC force main.

Not included in the above mentioned collection system is the Pembroke subdivision. The pembroke Subdivision contains 6,805 linear feet of eight (8) PVC pipe and two lift stations with 2,250 linear feet of force main. The utility is currently providing utility service to the customers of Pembroke and a contract for the acceptance of these mains is presently under consideration.

The network of wastewater collection mains serving the customers of Lake Suzy Utilities appear to be properly sized and engineered to meet current flow and disposal demands.

5.0 ORIGINAL COST

Original cost was established during the grandfather certification. By all appearances, the utility has sufficient records to establish capital investments occurring since that certification. The auditor will have details of these capital investments which will be included in the Division of Auditing and Financial Analysis audit report.

6.0 OPERATION AND MAINTENANCE EXPENSES

Data used for the engineering evaluation was based on the twelve month period between July 1, 1995 and June 30, 1996. Operation and maintenance expenses incurred during that time were reviewed for prudence and reasonableness. It is the staff engineer's opinion that the necessary expenses associated with plant operation and maintenance are:

Salaries & Wages - Inhouse Maintenance Personnel

Mr. Dallas Shepard (Owner and manager) - Supervises utility operations, maintenance personnel, contracts with maintenance and accounting services. He gets directly involved with maintenance projects and oversees matters related to utility operations, such as, signing invoices related to maintenance purchases, overseeing financial matters and meeting employee payroll. He also reads meters, investigates customer complaints, performs regular maintenance checks on the distribution/collection lines, verifies water flows through the County's master meter, checks lift stations, makes necessary repairs, changes out customer meters, and installs new customer meters. His time devoted to utility business is estimated to be 60-80 hours per month.

Ms. Wanda Sapp - Answers phone calls related to utility matters and directs those calls to either Mr. Shepard or the appropriate contract service company for correction. She also translates meter readings when preparing bills, mails those bills to customers, accepts payments from customers, and maintains the filing system. Bookkeeping appears to be limited. It is estimated that Ms. Sapp devotes 20-40 hours per month to utility duties.

The auditor will include salary levels for each of the above in the audit report. Additional review is pending the information included in that report.

Purchased Water

The cost of purchased water for the test year averaged $6,337 per month with the maximum charge of $7,894.80 occurring in January, 1996. It is recommended that $76,044 per year ($6,337 X 12 months) be considered reasonable for drinking water purchased for resale.

Electrical Power Purchased

Water System

There are no facilities associated with the water system that requires purchased power.

Wastewater System

The engineer on staff was able to review eleven billings out of the twelve month test period. The annualized total of power purchased at the plant was $4,464. This is anticipated to change. Once construction of the upgrade is complete and the plant begins operating as an 87,000 gpd plant, it is estimated that the power consumption will increase approximately 40%. It was noted that the wastewater treatment plant has struggled with a 17,665 gpd (28%) level of excessive infiltration during the test year (See Attachment "D", Sheet 1 of 3). It is believed that this was caused by development projects during the test year where open access to the collection mains was allowed during seasonal rains. Therefore, it is recommended that $4,464 per year be increased by 12% (40% increase due to upgrade - 28% excessive infiltration) to adjust for excessive infiltration. The appropriate amount for future purchased power at the treatment plant is $5,000 per year.

The average cost of purchased power for each of the three in-line lift stations was $32 per month. The 28% for infiltrated water should be applied to this which totals $829 ($32/mo X .72 X 3 LSs X 12 mos) for the test year. This did not include the two lift stations in the Pembroke subdivision. It is believed that the utility will soon come to an agreement with the developers of the Pembroke subdivision, and will accept the distribution and collection mains as CIAC. The cost of power to operate these two additional lift stations is

estimated to be an additional $46.08/mo ($32/mo X .72 X 2 LS) or $553 per year, a total of $1,382 per year to operate all five (5) lift stations.

Once the cost of power is adjusted to include the plant upgrade, the acceptance of Pembroke's lift stations, and excessive infiltration, it is recommended that $6,382 per year be considered reasonable for wastewater treatment system electric power purchased.

Chemicals Purchased

Water System

There are no facilities associated with the water system that requires the purchase of chemicals.

Wastewater System

The utility uses liquid chlorine which is injected into the chlorine contact chamber by a hypomechanical pump. Scheduled as part of the treatment plant upgrade is the change-over from liquid chlorine to chlorine gas. Based on a comparison study of three other similar sized utilities, it is estimated that Lake Suzy will need to purchase 12 cylinders of gas chlorine per year to disinfect its effluent leaving the plant. The most recently reviewed cost for a 150 pound cylinder of gas chlorine was $95. It is anticipated that $1,140 per year will be needed to properly disinfect the treated effluent for disposal.

In addition, other chemicals (lime, Round-up, etc.) are needed on occasions to suppress bacterial growth, arrest vegetation in the ponds, etc. During the test year, either the utility or the utility's operator utilized a total of $301 for chemicals (other than Chlorine). The use of these chemicals is considered necessary to the process of wastewater treatment and the purchase of these chemicals is considered reasonable.

It is recommended that $1,441 per year ($1,140 + $301) be considered reasonable for chemical purchases.

Operator Services

Wastewater System

Operator services are contracted through a company known as American Commonwealth, a service company that specializes in providing certified operators to operate and maintain utility plants in accordance with Federal, State, and Local regulatory standards. For this service Lake Suzy pays $683.35 per month for wastewater operations. This amount includes collecting the required monthly sampling and transporting those samples to a certified lab for analysis (cost of analysis is separate). Considering the location of the utility, $8,200 per year is considered reasonable wastewater operator services.

In addition, The utility pays an average of $300 per month to Kingsway Country Club for wastewater operations at the Kingsway wastewater treatment plant. When the upgrade is complete at the lake Suzy plant, those customers of Lake Suzy currently connected to the Kingsway wastewater treatment plant will be converted to the new plant. While this will eliminate the $300 per month to Kingsway Country club, it may be reabsorbed in additional fees and charges by American Commonwealth to operate and maintain a larger, more complex, plant.

It is recommended that $11,800 per year ($683.35 + $300 X 12 mos) be considered reasonable for operator services to operate the wastewater treatment plant.

Yearly Repairs and Maintenance

Water System

The utility has the distribution system that requires some maintenance. During the test year, repairs of the distribution system totaled $274. It is recommended that $274 per year be considered reasonable for normal yearly maintenance of the distribution system.

Wastewater System

The utility does most of the repairs themselves. According to a review of the utility's check ledger, a total of $1,267 in parts and supplies was purchased by the utility to make inhouse repairs to the wastewater system. No labor associated with these repairs was recorded on the information reviewed by the writer. Sweat equity associated with these repairs should be considered and should account for (at least) 40% of the repair job. The utility should be allowed an additional $845 for sweat equity. In addition, the operator charged the utility $255 for repairs not covered in the operator's contract.

It is recommended that $2,367 per year ($1,267+$845+$255) be considered reasonable for normal, yearly repairs to the wastewater system.

Capital Plant Repairs

Water System

Capital plant for the water system will be detailed by the auditor in the Division of Auditing and Financial Analysis audit report.

Wastewater System

Capital plant occurring during the test year was reviewed and appear to either be related to the upgrade of the wastewater treatment plant or collection system expansion by developers. The auditor will provide details of all capital plant for the wastewater system in the Division of Auditing and Financial Analysis audit report.

Testing and Laboratory Expenses - Water

The Department of Environmental Protection (DEP) is the primary enforcer of rules and regulations imposed by the Environmental Protection Agency (EPA). The DEP considers this utility to be a consecutive system, and as such, must meet certain testing requirements of Section 62-550.540, Florida Administrative Code (FAC). Those tests nd the frequency at which those tests must be repeated are:

Rule		Description	Frequency	Cost
62-550.518	F.A.C.	Microbiological	monthly	$480/yr
62-551	F.A.C.	Lead & Copper	biannual/subseq annual	500/yr
62-551.511	F.A.C.	Asbestos	1/9yrs	25/yr
			Total	$1,485/yr

It is recommended that $1,485 per year be allowed as analysis expenses for drinking water tests.

Testing and Laboratory Expenses - Wastewater

Each utility must submit certain wastewater analyses that are required by Florida Administrative Rules. This utility must adhere to specific testing conditions prescribed in its operating permit. Those tests and the frequency at which those test must be repeated are:

Rule	Description	Frequency	Cost
62-600 F.A.C.	Fecal Coliform	monthly	$360/yr
62-600 F.A.C.	Nitrate	monthly	$420/yr
62-600 F.A.C.	Sludge Analysis	yearly	$350/yr
			$1,130/yr

It is recommended that $1,130 per year be allowed as analysis expenses for wastewater tests.

Meter Reading

As mentioned above, a portion of Mr. Shepard's responsibilities include reading customer meters for the monthly billings. There were of 299 meters at the end of the test year that are read on a monthly basis. A reasonable allowance for meter reading would be $0.25 per meter. It is recommended that $897 per year ($0.25 X 299 meters X 12 months) be considered reasonable.

Mowing and Groundskeeping

Water System

The facilities associated with the water system requiring mowing service is the interconnection with the county. Regular mowing, is considered prudent. A reasonable allowance would include eight mowings per year at a cost of $20 per mowing. It is recommended that $160 per year be considered reasonable for groundskeeping of the water interconnection facilities.

Wastewater System

The utility uses an outside service to mow the wastewater plant and pond sites. There were only two occurrences during the test period which totaled $196. Normally, the utility needs one major visit in the late spring or early summer to prune, trim, mow and dispose of spring growth. During the remaining portion of the growing season, the utility's mowing service needs to make biweekly visits (estimated four months or eight visits) to keep the plant free of excessive vegetation. A normal charge for the initial visit would be $200. Charges for subsequent mowings would be reasonable at $50 per visit to mow and trim the plant grounds. During any given year, an allowance of $600 for groundskeeping would be considered reasonable. It is recommended that $600 per year be considered reasonable for groundskeeping at the wastewater plant.

Sludge Hauling Services

The rated capacity of the wastewater treatment plant is very near its practical ability to process the flow volume produced by the existing customers. The need for sludge removal was obvious during the engineering field audit which occurred during the off-season. When the utility has completed its plant upgrade, the need to have sludge removed will continue as a normal practice. It is estimated that this utility should waste its excess sludge once each month at a cost of $150 per hauling. It is recommended that $1,800 per year be considered a reasonable allowance for sludge hauling expenses.

Other Contractual Services

Other contractual services such as engineering, accounting, technical consulting, etc. will be specified in the audit report. The staff engineer is prepared to review and render technical opinions as needed.

Transportation Expenses

Mr. Dallas Shepard (utility owner) has a 1987 Ford pickup truck that he uses for duties related to the Lake Suzy Utilities, Loredo Development Company, and Lake Suzy Signs. A review of the utility's transportation accounts showed that there were numerous repairs to the truck during the test period. The utility has recently been considering the purchase of a new truck. It appears that the payments on a new truck will be in the neighborhood of $450 per month. While the new truck would also be used to run errands and to complete duties associated with all three businesses, Mr. Shepard claims that the utility will require a goodly portion of the use of the truck. It is estimated that sixty percent (60%) of the use of the truck will be utility related duties. Of that sixty percent, an appropriate water to wastewater share would be 30/70.

During the test year, the utility averaged $150 per month to purchase gas. Other expenses related to a new vehicle (tag, warranty checkups, oil changes, etc.) is estimated to cost an additional $35 per month. Should the utility purchase a new truck, the monthly amount needed to cover expenses is estimated to be $635. Of this amount, sixty percent ($381 per month) would be utility related. Of the utility's share, 30% ($114.30) would be appropriated to the water system and 70% ($236.70) would be appropriated to the wastewater system.

It is recommended that $1,372 per year appropriated to the water system and $2,840 per year appropriated to the wastewater system is considered reasonable for transportation expenses.

Other Expenses

Other expenses such as capital investments, fees, salaries, bookkeeping, real estate taxes, postage, telephone, office rent, office utilities, and office supplies will be included in the analyst's report. The engineer on staff is available should any issue require an engineering opinion.

7.0 USED AND USEFUL

Water Treatment Plant

The calculation of a water treatment plant used and useful is not applicable (See Attachment "D", Sheet 1 of 3).

Water Distribution System

The approved formula method, used as an indicator of useful plant, was followed in calculating the used and useful percentage for the water distribution system. By formula calculation, the water distribution system is determined to be 61.18% use and useful (See Attachment "D", Sheet 2 of 3). The exception to this percentage of useful plant would be Account Number 334 (Meter & Meter Installations). Meters are installed upon demand and are considered 100% used and useful. It is recommended that the distribution system be considered 61.18% used and useful with the exception of account number 334, which should be considered 100% used and useful.

Wastewater Treatment Plant

The capacity of the wastewater treatment plant is currently 50,000 gallons per day. The plant is being upgraded to a capacity of 87,000 gpd which should be complete by the end of this rate proceeding. The highest daily flows, during the test year, occurred in February, 1996, and was 63,000 gpd for an average of 199 ERC's, 54 actual connections. Metered water sold to the same customers, during the same month, averaged 39,034 gpd. After and allowance for normal infiltrated water, a difference of 17,665 gpd (or 28.04%) was applied to the used and useful formula as an adjustment for excessive infiltrated water. The used and useful formula, used as an indicator, yields a percentage of useful plant at 69.03% (See Attachment "D," Sheet 1 of 3). It is recommended that wastewater treatment plant accounts be considered 69.03% used and useful with the exception of Account Number 353 (Land and Land Rights) which should be 100% used and useful.

Wastewater Collection System

The approved formula method was used as the basis for calculating the used and useful for the wastewater collection system. The same rationale used in the water distribution calculation was applied to the wastewater collection calculation. In each, it was deemed appropriate to use the average customer count instead of the ERC equivalent. Due to a surge in the population after the test year, it is also deemed appropriate to use the maximum 20% growth factor in the margin reserve. By formula, the wastewater collection system was calculated to be 51.36% use and useful (See Attachment "E", Sheet 2 of 3). The exception

to this would be Account Number 363 (Services) which should be considered 100% used and useful. It is recommended that the collection system be considered 51.36% used and useful with the exception of Account Number 363, which should be considered 100% used and useful.

8.0 UNACCOUNTED-FOR-WATER AND/OR EXCESSIVE INFILTRATION

Unaccounted-for-Water

The interconnection with DeSoto County of is equipped with a master meter that registers water volume purchased for resale. This meter is maintained by the city and read on a monthly basis. The customers within the service territory are also metered, as well as, all other possible water use facilities. All customer meters are read on a monthly meter reading/billing cycle. Both records serve as comparison data to determine customer use trends, declining meter accuracy and un-metered water losses. Comparisons for the test year period indicated no excessive water losses during the test year. No adjustment for excessive unaccounted-for-water is recommended at this time.

Infiltrated water

There were 56 wastewater connections during February, 1996 (month used to calculate the wastewater treatment plant used and useful). A comparison of the average flows during the peak month with the average water use of those same customers indicated that flows to the wastewater plant exceed the metered water sold by 23,965 gpd. This is well above the average. A penalty of 17,665 gpd (23,965 gpd - 6,300 gpd reasonable infiltration) was applied to the used and useful formula while calculating the used and useful. Further, a percentage of 18.6% was applied to purchased power in Chapter 6.0 of this report. Projected chemical purchases was based on a comparison of three similar sized utility plants (after the upgrade) which negated the need to adjust chemical expenses for excessive infiltration.

9.0 QUALITY OF SERVICE

The utility is a consecutive system (purchases water for resale) which is considered non jurisdictional by the Southwest Florida Water Management District and has not been issued a consumptive use permit.

The utility is up-to-date with all chemical tests required by the DER. Test analysis results were satisfactory and the quality of the water service appears to be satisfactory.

The wastewater utility appears to be adequately maintained. On the day of the plant visit, no excessive or foul odors were detected, and discharge facilities appeared normal. The plant is in the process of expanding and monitoring by the DEP is ongoing.

Even though conditions at each of the plants appear normal, the engineer on staff will reserve a[illegible] and all recommendations concerning quality of service until after the informal customer meeting scheduled for December 19, 1996.

Recommendations/

1. It is recommended that reasonable yearly operating expenses, not including amortized capital expenses or administrative expenses, are:

Expenses	Water	Sewer
Purchased Water	$76,044	$ --
Electrical	--	6,382
Chemicals	--	1,441
Operator Services	--	11,800
Normal Repair & Maintenance	274	2,367
Maintenance Personnel	--	--
Testing & Laboratory	1,485	1,130
Meter Reading	897	--
Mowing and Groundskeepi ig	160	600
Sludge Hauling	--	1,800
Transportation	1,372	2,840
TOTAL	$80,232	$28,360

2. That there is no water treatment plant serving the certificated territory of Lake Suzy, a used and useful is not applicable.

3. That all water distribution accounts be considered 61.18% used and useful with the exception of Account No. 334 (Meters and Meter Installations) which is considered 100% used and useful.

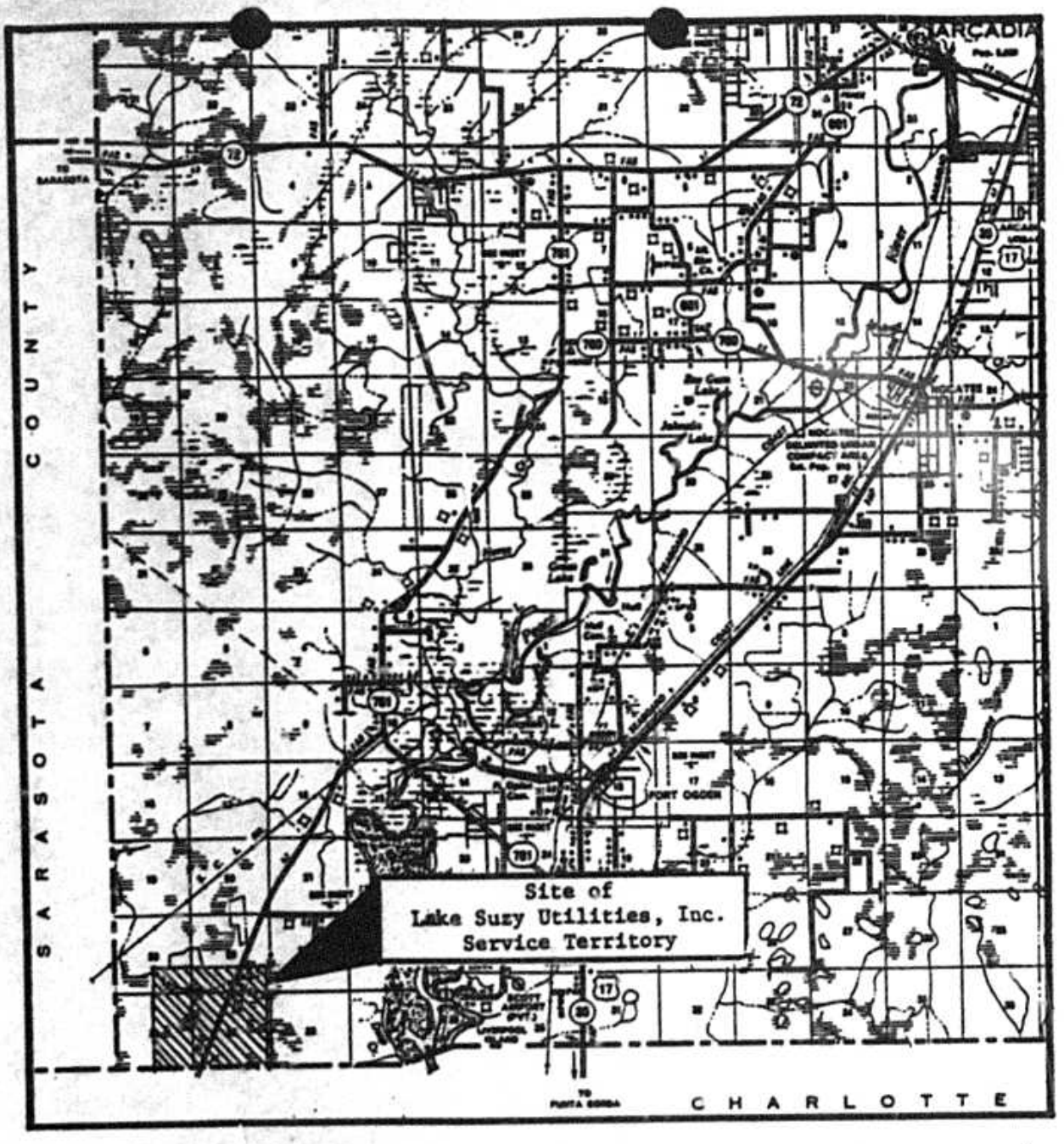
4. That the wastewater plant accounts should be considered 69.03% used and useful with the exception of Account Number 353 (Land and Land Rights) which should be 100% used and useful.

5. That the wastewater collection accounts should be considered 51.36% used and useful with the exception of account No. 363 (Services) that should be considered 100% used and useful.

6. That an adjustment for excessive unaccounted for water be deferred until further investigation.

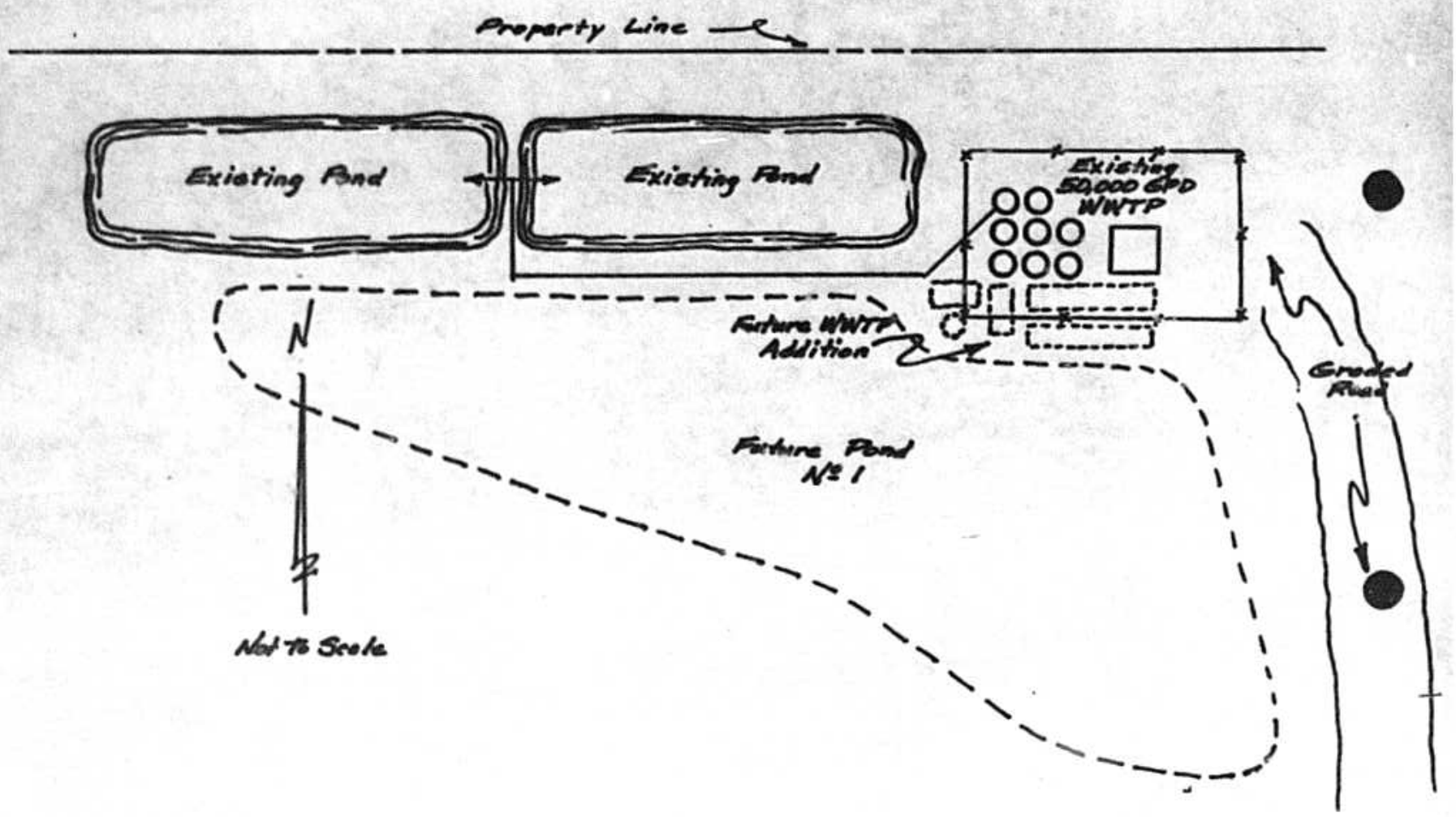
7. That an 18.6% adjustment for excessive infiltration as applied to wastewater purchased power and the treatment plant used and useful be considered reasonable.

8. That the quality of service determination be reserved until after the customer meeting.



Location Map
of
LAKE SUZY UTILITIES, INC.

ATTACHMENT "A"



Site of
Lake Suzy Utilities, Inc.
EXISTING
WASTEWATER TREATMENT PLANT

ATTACHMENT "B"

DOCKET NO. : 960799-WS DATE: 10/18/96

UTILITY NAME: LAKE SUSY UTILITIES, INC.

WATER TREATMENT PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 4 + 5 - 6)}{1} = 0.00\ \%$$

(1) Capacity of plant - N/A GPD

(2) Maximum Daily Flow - N/A GPD

(3) Average Daily Flow - N/A GPD

(4) Fire flow capacity required - - - - - - - - - - - - - - - - N/A GPD

(5) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average number of unit connections N/A

(b) Average yearly customer growth for most recent 3 years N/A

(c) Construction time for additional capacity (in months) N/A

$$\text{Margin Reserve} = 5b \times \frac{5c}{12\ \text{mths}} \times \frac{3}{5a} = 0\ \text{GPM}\ *$$

(6) Excessive Unaccounted for water - - - - - - - - - - - - - - 0 GPM *

(a) Total amount N/A GPD 0.00 % of Avg. Daily Flow

(b) Reasonable amount 0 GPD N/A % of Avg. Daily Flow

Engineer assigned

signature

ATTACHMENT "C"
SHEET 1 OF 3

DOCKET NO. : 960799-[redacted] DATE: 10/18/96

UTILITY NAME: LAKE SUSY UTILITIES, INC.

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3)}{1} = 61.18\ \%$$

(1) Capacity of present distribution system in ERCs - - - - - 756 ERCs

(2) Average number of ERCs connected to the system - - - - - - 415 ERCs

(3) Margin Reserve (not to exceed 20% of present Cust):

(a) Average yearly customer growth in ERCs for most recent 5 years: 35

(b) Construction time for additional capacity (in months): 18

$$\text{Margin Reserve} = 3a \times \frac{3b}{12\ \text{mths}} = 38\ \text{ERCs}$$

[signature]
signature

Engineer assigned

ATTACHMENT "C"
SHEET 2 OF 3

DOCKET NO. : 960799-WS DATE: 10/18/96

UTILITY NAME: LAKE SUSY UTILITIES, INC.

USED AND USEFUL ADJUSTMENTS TO
WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PLANT PER BOOKS (c)	USED AND USEFUL % (d)	USED AND USEFUL PLANT (e)
301	Organization	$	100.00 %	$ 0
302	Franchises		100.00 %	0
303	Land and Land Rights		100.00 %	0
304	Structures and Improvements		100.00 %	0
305	Collecting and Impounding Reservoirs		0.00 %	0
306	Lake River and Other Intakes		%	0
307	Wells and Springs		0.00 %	0
308	Infiltration Galleries and Tunnels		%	0
309	Supply Mains		0.00 %	0
310	Power Generation Equipment		0.00 %	0
311	Pumping Equipment		0.00 %	0
320	Water Treatment Equipment		0.00 %	0
330	Distribution Reservoirs and Standpipes		0.00 %	0
331	Transmission and Distribution Mains		61.18 %	0
333	Services		61.18 %	0
334	Meters and Meter Installation		100.00 %	0
335	Hydrants		61.18 %	0
339	Other Plant and Miscellaneous Equipment		61.18 %	0
340	Office Furniture and Equip.		%	0
341	Transportation Equipment		%	0
342	Stores Equipment		%	0
343	Tools, Shop and Garage Equip.		%	0
344	Laboratory Equipment		%	0
345	Power Operated Equipment		%	0
346	Communication Equipment		%	0
347	Miscellaneous Equipment		%	0
348	Other Tangible Plant		%	0
	Total Water Plant	$ 0		$

Engineer assigned

signature

ATTACHMENT "C"
SHEET 3 OF 3

DOCKET NO. : 960789-[redacted] DATE: 10/18/96

UTILITY NAME: LAKE SUSY UTILITIES, INC.

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3 - 4)}{1} = 69.03\ \%$$

(1) Capacity of plant - 87,000 GPD

(2) Average Daily Flow (Peak Month , Feb. 1996) - - - - - - - - 63,000 GPD

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average number of ERCs during test Year	199
(b) Average yearly growth in ERCs for most recent 5 years	31
(c) Construction time for additional capacity (in months)	18

$$\text{Margin Reserve} = 3b \times \frac{3c}{12\ \text{mths}} \times \frac{2}{3a} = 14,721\ \text{GPD}$$

(4) Excessive Infiltration- 17,665 GPD

(a) Total amount	23,965 GPD	38.04 % of Avg. Daily Flow
(b) Reasonable amount	6,300 GPD	10.00 % of Avg. Daily Flow

Engineer assigned
signature

ATTACHMENT "D"
SHEET 1 OF 3

DOCKET NO. : 960799-[redacted] DATE: 10/18/96[redacted]

UTILITY NAME: LAKE SUBY UTILITIES, INC.

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3)}{1} = 51.36\ \%$$

(1) Capacity of present collection system in ERCs - - - - - - 478 ERCs

(2) Average number of ERCs during Test Year - - - - - - - - - - 199 ERCs

(3) Margin Reserve (not to exceed 20% of present Cust):

(a) Average yearly growth in ERCs for most recent 5 years: 31

(b) Construction time for additional capacity (in months): 18

$$\text{Margin Reserve} = 3a \times \frac{3b}{12 \text{ mths}} = 47 \text{ ERCs}$$

Engineer assigned

ATTACHMENT "D"
SHEET 2 OF 3

DOCKET NO. : 960799-WS DATE: 10/18/96

UTILITY NAME: LAKE SUZY UTILITIES, INC.

USED AND USEFUL ADJUSTMENTS TO
WASTEWATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PLANT PER BOOKS (c)	USED AND USEFUL % (d)	USED AND USEFUL PLANT (e)
351	Organization	$	100.00 %	$
352	Franchises		100.00 %	
353	Land and Land Rights		100.00 %	
354	Structures and Improvements		100.00 %	
360	Collection Sewers - Force		51.36 %	
361	Collection Sewers - Gravity		51.36 %	
362	Special Collecting Structures		51.36 %	
363	Services to Customers		100.00 %	
364	Flow Measuring Devices		100.00 %	
365	Flow Measuring Installations		100.00 %	
370	Receiving Wells		100.00 %	
380	Treatment and Disposal Equip.		100.00 %	
381	Plant Sewers		100.00 %	
382	Outfall Sewer Lines		100.00 %	
389	Other Plant and Miscellaneous Equipment		100.00 %	
390	Office Furniture and Equip.		- %	
391	Transportation Equipment		- %	
392	Stores Equipment		- %	
393	Tools, Shop and Garage Equip.		- %	
394	Laboratory Equipment		- %	
395	Power Operated Equipment		- %	
396	Communication Equipment		- %	
397	Miscellaneous Equipment		- %	
398	Other Tangible Plant		- %	
	Total Sewer Plant	$ 0		$

RTD
Engineer assigned
signature

ATTACHMENT "D"
SHEET 3 OF 3

FLORIDA PUBLIC SERVICE COMMISSION
GUNTER BUILDING
CAPITAL CIRCLE OFFICE CENTER
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

M E M O R A N D U M

November 22, 1996

TO: NEIL BETHEA, SUPERVISOR, BUREAU OF SPECIAL ASSISTANCE

FROM: PAULETTE DEWBERRY

RE: UTILITY: LAKE SUZY UTILITIES, INC.
DOCKET NO.: 960799-WS
CASE: STAFF ASSISTED RATE CASE

--ACCOUNTING REPORT--

DOCKET NO. 960799-WS
NOVEMBER 22, 1996

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DOCKET NO. 960799-WS
NOVEMBER 22, 1996

CASE BACKGROUND

Lake Suzy Utilities, Inc. (utility) is a Class C water and wastewater utility located in Desoto county. The Commission granted the utility's Certificate Nos. 480-W and 416-S in Docket No. 850790-WS, by Order No. 16935, issued December 9, 1986.

The utility's initial rates, rate structure and service availability charges for water were approved by Desoto county. These rates and charges with some modification were approved by the Commission when the utility was granted operating certificates for water and wastewater. Since that time, the utility's wastewater rates have been increased through price index and pass through applications from 1987 through 1991. It's water rates have been increased through price index and pass through applications from 1987 through 1995. The utility has not had a formal prior rate case processed by the Commission.

On July 3, 1996, the utility applied for this staff assisted rate case. In its application, the utility requested interim (emergency) rates and service availability charges for wastewater. By Order No. PSC-96-1284-FOF-WS, issued October 15, 1996, the Commission denied the utility's request for emergency wastewater rates and approved emergency service availability charges for wastewater. The service availability charges became effective November 6, 1996.

An audit of the utility's books and an engineering investigation has been completed to determine components necessary for setting rates. A historical test year ended June 30, 1996, has been selected. The utility's adjusted test year revenues are $142,675 for water and $39,280 for wastewater. The corresponding expenses are $136,637 for water and $64,258 for wastewater, resulting in an operating income of $6,038 for water and an operating loss of $24,978 for wastewater.

The utility purchases water from Desoto county. During the test year it purchased wastewater treatment for some of its customers from Kingsway Country Club, Inc. The utility is currently expanding its wastewater treatment to satisfy a Department of Environmental Protection (DEP) consent order and expects to complete this expansion by January 1997.

During the test year the utility provided water service to approximately 119 residential customers, 153 multi-residential customers and 17 general service customers for a total of 289 customers. It provided wastewater service to 20 residential customers, 21 multi-residential customers and 13 general service customers for a total of 54 customers.

In this rate case staff is recommending that the operating ratio method be used for calculating the revenue requirement for water.

By Order No. PSC-96-0357-FOF-WU, issued March 13, 1996, the Commission implemented the use of the operating ratio methodology and established threshold criteria for applicability.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Lake Suzy Utilities, Inc. satisfactory?

RECOMMENDATION: The quality of service recommendation will be determined after the December 19, 1996 customer meeting. (DAVIS)

STAFF ANALYSIS: The utility is a consecutive system (purchases water for resale) which is considered non-jurisdictional by the Southwest Florida Water Management District, and has not been issued a consumptive use permit.

The utility is up-to-date with all chemical tests required by the Department of Environmental Protection (DEP). Test analysis results were satisfactory and the quality of the water service appears satisfactory.

The wastewater utility appears to be adequately maintained. On the day of the plant visit, no excessive or foul odors were detected, and discharge facilities appeared normal. The utility is currently expanding its plant and DEP is monitoring the ongoing plant expansion.

Even though conditions at each of the plants appear normal, the engineer on staff will reserve any and all recommendations concerning quality of service until after the informal customer meeting scheduled for December 19, 1996.

RATE BASE

ISSUE 2: What are the appropriate used and useful percentages for the water distribution system, the wastewater treatment plant and collection system?

RECOMMENDATION: The water distribution system should be considered 61.18% used and useful except for meters and meter installations, which should be considered .00% used and useful. The wastewater treatment plant should be considered 69.03% used and useful. The wastewater collection system should be considered 51.36% used and useful except service to customers, which should be considered 100% used and useful. (DAVIS)

STAFF ANALYSIS: The utility purchases water for resale from Desoto county. The utility does not own a water treatment plant.

Water Distribution System - The approved formula method used as an indicator of useful plant was followed in calculating the used and useful percentage for the water distribution system. By formula calculation, the water distribution system is determined to be 61.18% used and useful. The exception to this percentage of useful plant would be Account No. 334 (Meter and Meter Installations). Meters are installed upon demand and are considered 100% used and useful. It is recommended that the distribution system be considered 61.18% used and useful with the exception of Account No. 334, which should be considered 100% used and useful. (see Attachment A)

Wastewater Treatment Plant - The capacity of the wastewater treatment plant is currently 50,000 gallons per day. The plant is being upgraded to a capacity of 87,000 gpd which should be complete by the end of this rate proceeding. The highest daily flows during the test year occurred in February 1996, and was 63,000 gpd for an average of 199 ERC's, 54 actual connections. Metered water sold to the same customers during the same month averaged 39,034 gpd. After an allowance for normal infiltrated water a difference of 17,665 gpd (or 28.04%) was applied to the used and useful formula as an adjustment of excessive infiltrated water. The used and useful formula used as an indicator yields a percentage of useful plant at 69.03%. It is recommended that wastewater treatment plant accounts be considered 69.03% used and useful. (see Attachment B)

Wastewater Collection System - The approved formula method was used as the basis for calculating the used and useful for the wastewater collection system. The same rationale used in the water distribution calculation was applied to the wastewater collection calculation. In each it was deemed appropriate to use the average

customer count instead of the ERC equivalent. Due to a surge in the population after the test year, it is also deemed appropriate to used the maximum 20% growth factor in the margin reserve. By formula, the wastewater collection system was calculated to be 51.36% used and useful. The exception to this should be Account No. 363, which should be considered 100% used and useful. It is recommended that the collection system be considered 51.36% used and useful with the exception of Account No. 363, which should be considered 100% used and useful. (see Attachment C)

ISSUE 3: What is the appropriate average test year rate Base for each system?

RECOMMENDATION: The appropriate average test year rate base should be zero for water and $302,877 for wastewater. (DAVIS, DEWBERRY)

STAFF ANALYSIS: The utility has not had a formal prior rate case. By Order No. 16935, issued December 9, 1986, in Docket No. 850790-WS, the Commission granted the utility operating certificates and approved rates for water and wastewater and service availability charges for water only. Desoto county approved the utility's original rates and charges. The rates and charges approved in the above referenced docket were a modification of the original rates and charges approved by Desoto county. Rate base was not established in Docket No. 850790-WS.

The utility's water facility includes transmission and distribution lines. The utility's wastewater facility includes a treatment plant and collection system.

Staff has selected a historical test year ended June 30, 1996. An audit has been completed to determine rate base components at June 30, 1996. In addition, signed contracts and pro forma costs for the wastewater treatment plant expansion have also been provided and the costs are included in rate base. A discussion of each component follows:

Utility Plant in Service (UPIS) - The utility recorded plant of $276,824 for water and $324,361 for wastewater. UPIS has been increase by $511 for water and wastewater each to reflect a reclassification from operation and maintenance (O&M) expense.

UPIS has been decreased by $20,580 for wastewater to reflect year end plant of $304,292.

The utility is currently expanding its wastewater treatment plant to satisfy a DEP consent order. The utility recorded construction work in progress (CWIP) of $127,857 for wastewater. The expansion project is expected to be completed by January 1997. Therefore, UPIS for wastewater has been increased by $127,857 to reflect pro forma plant expansion.

Based on the staff audit, the total cost for the wastewater plant expansion is $524,340. The utility recorded CWIP of $127,857 and the additional pro forma cost is $396,483. UPIS for wastewater has been increased by $396,483 to reflect the additional pro forma plant.

The averaging adjustments for rate setting is $961 for water and $255 for wastewater.

Refundable Advances - A portion of the expansion of the wastewater treatment plant will be funded by Developers through refundable advances. The utility has provided a developer agreement listing a refundable advance of $270,000 and stated that another developer agreement will provide a refundable advance of $160,000. The total refundable advance is $430,000. Refundable advances have a negative impact on plant. Therefore, wastewater plant has been decreased by $430,000 to remove that portion of the wastewater treatment plant expansion that is funded by the developers.

Land - The utility recorded land value of $1,150 for water and $150,000 for wastewater. Ownership of the land for water has not been provided, but will be submitted at a later date. Based on a copy of a warranty deed provided in the audit, the utility owns the land on which the wastewater treatment plant is located.

DEP has required the utility to reconstruct and expand its percolation ponds for wastewater. The utility leased land during the test year, but intends to purchase this land in December 1996. The projected cost for this land is $292,800 for 15 acres. Land value has been increased by $292,800 for wastewater to reflect additional land to be purchased for plant expansion. Before the Commission makes its final decision on this case, the utility must provide verification of ownership, cost and an independent appraisal of the value of the land.

The existing land for wastewater include 5.97 acres. After the utility purchases the 15 acres the total acreage for wastewater will be 20.97 acres. As determined by the staff engineer, land for wastewater is 69.03% used and useful. Therefore, land value has been decreased by $137,135 to reflect non-used and useful land.

Non-used and Useful Plant - The staff engineer determined the used and useful percentages for each plant account. Applying the non-used and useful percentages to average plant results in average non-used and useful plant of $86,669 for water and $126,297 for wastewater. The average non-used and useful depreciation on UPIS is $24,836 for water and $47,077 for wastewater. The non-used and useful pro forma plant on that portion funded by the utility is $29,217 for wastewater and the corresponding non-used and useful depreciation is $1,949. This results in net non-used and useful plant of $61,833 for water and $106,488 for wastewater.

Construction Work in Progress (CWIP) - The utility recorded CWIP of $127,857 for wastewate . The utility is expanding its wastewater treatment plant. The expansion is scheduled to be complete around January 1997. CWIP has been decreased by $127,857 to reflect a reclassification to plant.

Contributions-in-Aid-of-Construction (CIAC) - The utility recorded CIAC of $332,772 for water and $212,756 for wastewater. Based on the staff audit, year end CIAC is $389,428 for water and $244,691 for wastewater. CIAC for water include contributed plant of $107,215, capacity fees of $236,763 and meter installation fees of $45,450. CIAC for wastewater include contributed plant only.

CIAC has been increased by $56,656 for water and by $31,995 for wastewater to reflect CIAC at June 30, 1996. CIAC has been decreased by $86,669 for water and by $101,124 for wastewater to reflect non-used and useful CIAC. In addition, CIAC for wastewater has been increased by $100,345 to reflect CIAC for margin reserve. The averaging adjustment for rate setting is $2,007 for water. CIAC for wastewater remained constant and an average adjustment is not necessary.

Accumulated Depreciation - The utility recorded accumulated depreciation of $67,942 for water and $62,058 for wastewater. Accumulated depreciation has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. Accumulated depreciation at June 30, 1996 is $84,019 for water and $126,544 for wastewater. An increase has been made of $16,077 for water and $64,486 for wastewater to reflect accumulated depreciation at June 30, 1996. The averaging adjustment for rate setting $4,769 water and $8,033 wastewater.

Amortization of CIAC - This account has been increased by $110,679 for water and by $96,675 for wastewater to reflect amortization at June 30, 1996. Amortization has been decreased to reflect non-used and useful amortization of $24,836 for water and $34,125 for wastewater. Amortization for wastewater has increased by $5,298 to reflect amortization on CIAC for margin reserve. The averaging adjustment for rate setting is $6,659 for water and $6,226 for wastewater.

Working Capital Allowance - Following current Commission practice and consistent with Rule 25-30.443, Florida Administrative Code (Form PSC/WAS 18), staff recommends that the one-eighth of operation and maintenance expense formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of $15,792 for water and $6,124 for wastewater (based on O&M expense of $126,339 for

water and $48,992 for wastewater). Working capital allowance has been decreased by $4,819 for water and increased by 624 for wastewater to reflect one-eighth of staff's recommended O&M expense.

Rate Base Summary - Applying all of the above adjustments results in a negative rate base of $69,335 for water. Following Commission practice, staff has adjusted water rate base to zero for rate setting purposes. The average rate base for wastewater is $302,877.

Rate base is shown on Schedule Nos. 1 and 1A and adjustments are shown on Schedule No. 1-B.

COST OF CAPITAL

ISSUE 4: What is the appropriate return on equity and the appropriate overall rate of return?

RECOMMENDATION: The appropriate return on equity is 11.51% with a range of 10.51% - 12.51%. The appropriate overall rate of return is 9.74% with a range of 9.28% - 10.21%. (DEWBERRY)

STAFF ANALYSIS: The utility's capital structure includes 46.03% equity. Using the current leverage formula approved by Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, in Docket No. 960006-WS, the rate of return on common equity is 11.51% with a range of 10.51% - 12.51%.

The utility's capital structure also include loans with various costs. The weighted cost of each loan has been calculated based on the cost and the weight of each loan.

The utility's water rate base is negative and has been adjusted to zero. Therefore, the utility's capital structure has been reconciled to the recommended rate base for wastewater on a pro rata basis. Applying the cost times the weight of each capital component results in an overall rate of return of 9.74%, with a range of 9.28% - 10.21%.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

ISSUE 5: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues are $142,675 for water and $39,280 for wastewater. (DEWBERRY)

STAFF ANALYSIS: Based on the test year billing analysis the utility provided water service to approximately 119 residential customers, 153 multi-residential customers and 17 general service customers. It provided wastewater service to approximately 20 residential customers, 2.. multi-residential customers and 13 general service customers. A revenue check has been completed using the test year billing analysis and the authorized rates in effect during the test year. The calculated test year revenue is $134,685 for water and $39,280 for wastewater. The utility recorded test year revenue on a cash basis of $126,851 for water and $43,125 for wastewater. Test year revenue has been increased by $7,834 for water and decreased by $3,845 for wastewater to reflect the appropriate accrued total of $134,685 for water and $39,280 for wastewater.

The historical test year ended June 30, 1996 has been selected for this rate case. The utility's existing water rates became effective August 28, 1995. Therefore, the utility's test year revenue include ten months of revenue collected based on the existing rates. In instances where revenue have not been collected based on existing rates for a 12-month period, annualized revenue is calculated using the test year billing analysis and existing rates for a 12-month period to reflect revenue the utility would have collected had the rates been effect for a full year. This calculation also allows the determination of the appropriate revenue increase needed to provide the appropriate revenue requirement. Staff's calculated annualized revenue is $142,675 for water. Test year revenue has been increased by $7,990 for water to reflect annualized revenue. There was no change in wastewater rates during the test year and a calculation of annualized revenue is not necessary.

Test year annualized revenues are shown on Schedule Nos. 3 and 3A and adjustments are shown on Schedule No. 3B.

ISSUE 6: What is the appropriate test year operating income/loss for each system?

RECOMMENDATION: The appropriate test year operating income is $6,038 for water and the appropriate test year operating loss is $24,978 for wastewater. (DEWBERRY)

STAFF ANALYSIS: The utility's test year revenue is $142,675 for water and $39,280 for wastewater. The corresponding test year operating expenses are $136,537 for water and $64,258 for wastewater (these figures do not include staff's recommended revenue increase and taxes). This results in a test year operating income of $6,038 for water and a loss of $24,978 for wastewater.

The test year operating income and loss are shown on Schedule Nos. 3 and 3A.

ISSUE 7: What are the appropriate operating expenses for each system?

RECOMMENDATION: The appropriate operating expense should be $136,587 for water and $66,826 for wastewater. (DAVIS, DEWBERRY)

STAFF ANALYSIS: The utility's recorded operating expenses include operation and maintenance (O&M) expense, depreciation expense, amortization of CIAC and taxes other than income. The utility's recorded expenses have been traced to invoices and adjustments have been made to reflect expenses required for operating the systems on a going forward basis. A summary of adjustments follows:

Operation and Maintenance Expenses

1) Salaries and Wages - Employees (601/701) - The utility recorded employee salaries of $9,979 for water and $579 wastewater. The utility has one salaried employee that answers the phone, prepares and mails bills, receives and posts payment of bills, makes deposits, maintains filing system and logs customer complaints. The utility requested a $10 per hour salary for this employee.

   The utility shares office space and employees with two other businesses. Based on the duties performed by this employee, staff believes that the salary should be based on 40 hours per month. The requested hourly rate of $10 is reasonable and staff recommends an annual employee salary of $4,800 with an allocation of 80% and 20% for water and wastewater respectively. This expense has been decreased by $6,139 for water and increased by $381 for wastewater to reflect the recommended salary.

2) Salaries and Wages - Officers (603/703) - The utility's president handles all aspects of the utility's operations such as administrative duties, maintenance and meter reading. The utility has requested an annual salary of $30,000. Based on the duties required of a utility this size, staff believes that 80 hours per month is adequate for performing the required administrative and maintenance duties. The hourly salary for a manager using salaries from a 1981 survey indexed forward for 1996 dollars is $21.34 per hour. Staff recommends and annual salary of $20,486 for administrative and

maintenance duties with an allocation of 80% to water and 20% to wastewater. In addition, staff recommends a meter reading allowance of $867 for water. The utility did not record an officer's salary and staff has increased this expense by $17,285 for water and by $4,098 for wastewater.

3) Employee Pensions and Benefits (604/704) - The utility purchased health insurance coverage for its one salaried employee at a cost of $2,304 annually. Staff has recommended an annual salary based 480 hours, which represents 23.08% of full time hours of 2,080. Therefore, staff recommends 23.08% of the health insurance expense of $532 with an allocation of 80% to water and 20% to wastewater. This expense has been increased by $426 for water and $106 for wastewater.

4) Purchased Water and Wastewater Treatment (610/710) - The utility recorded purchased water expense of $105,896. This expense has been decreased by $29,225 to remove prior period expenses. During the test year the utility purchased some wastewater treatment from Kingsway Properties. The utility is currently expanding its wastewater treatment to accommodate all of its customers. The expansion is scheduled to be complete around January 1997. The utility recorded a purchased wastewater treatment expense of $4,320. This expense has been decreased by $4,320 to remove a non-recurring expense.

5) Sludge Removal Expense (711) - The rated capacity of the wastewater treatment plant is very near its practical ability to process the flow volume produced by the existing customers. The need for sludge removal was obvious during the engineering field audit, which occurred during the off-season. When the utility has completed its plant upgrade, the need to have sludge removed will continue as a normal practice. It is estimated that this utility should waste its excess sludge once each month at a cost of $150 per hauling. Staff recommends annual sludge removal allowance of $1,800. The utility recorded a sludge removal expense of $1,085. This expense has been increased by $715 to reflect the recommended sludge removal allowance.

6) Purchased Power (615/715) - The utility recorded a purchased power expense of $2,099 for water and $5,500 for wastewater. There are no facilities associated with the water system that require purchased power. The recorded purchased power expense of $2,099 for water is the power expense for the office. The rental agreement for office use include purchase power cost. Therefore, this expense has been decreased by $2,099 for water to reflect a reclassification to rent.

Staff has estimated a purchased power cost of $6,382 for wastewater to accommodate the upgrade of the wastewater treatment plant and to include three lift stations. The utility's recorded expense of $5,500 include purchased power cost of $500 for the office and $5,000 for the wastewater system. This expense has been decreased by $500 to reflect a reclassification to rent and has been increased by $1,382 to reflect the annual allowance for the system.

7) Chemicals (718) - The utility uses liquid chlorine, which is injected into the chlorine contact chamber by a hypomechanical pump. Scheduled as part of the treatment plant upgrade is the change-over from liquid chlorine to chlorine gas. Based on a comparison study of three of the similar sized utilities, it is estimated that Lake Suzy will need to purchase 12 cylinders of gas chlorine per year to disinfect its effluent leaving the plant. The most recently reviewed cost for a 150 pound cylinder of gas chlorine was $95. It is anticipated that $1,140 per year will be needed to properly disinfect the treated effluent for disposal.

In addition, other chemicals (lime, round-up, etc.) are needed on occasions to suppress bacterial growth, arrest vegetation in the ponds, etc. During the test year, either the utility or the utility's operator utilized a total of $301 for chemicals (other than chlorine). The use of these chemicals is considered necessary to the process of wastewater treatment and the purchase of these chemicals is considered reasonable.

Staff recommends an annual chemical allowance of $1,441 for wastewater. The utility recorded a chemical expense of $427. This expense has been increased by $948 to reflect a reclassification from contractual services and by $66 to reflect the recommended annual allowance.

8) Materials and Supplies (620/720) - The utility recorded an expense of $6,626 for water and $5,896 for wastewater. This expense has been decreased by $511 for water and wastewater each to reflect a reclassification to plant. The water expense has been decreased by $512 to remove a prior period expense and by $113 to reflect a reclassification to contractual services.

9) Contractual Services (630/730) - The utility recorded a contractual service expense of $13,781 for water and $19,449 for wastewater. Subsequent to the test year the utility received bills for services performed during the test year. The utility's recorded contractual expense include a legal expense of $11,158 for water and $3,998 for wastewater. The unrecorded expense include cost for legal and consultant services. This expense has been increased by $1,028 for water and by $257 for wastewater to reflect unrecorded legal expense. This expense has also been decreased by $6,085 for water and by $1,521 for wastewater to remove non-utility legal expense. The total legal expense is $8,835 for water and wastewater. This amount appears excessive for any one year therefore this amount has been amortized over 5 years allowing $1,767 annually for legal expense with an allocation of 80% for water and 20% for wastewater. Therefore, this expense has been decreased by $4,687 for water and $2,381 for wastewater to reflect the recommended legal expense.

This expense has been increased by $313 for water and wastewater each to reflect a reclassification of consultant costs from regulatory commission expense. It has also been increased by $20,868 for water and by $5,218 for wastewater to reflect unrecorded consultant cost. The total consultant cost is $26,712. This amount appears excessive for annual duties perform by the consultant firm and has been amortized over five years allowing $5,342 annually. This expense has been decreased by $16,907 for water and by $4,463 for wastewater to reflect an annual consultant allowance of $5,342 with 80% allocated to water and 20% allocated to wastewater. This expense provides service for annual report preparation, index and pass through applications and maintenance of the utility's books. Contractual

billing cost included in this expense have been increased by $113 for water to reflect a reclassification from materials and supplies, decreased by $28 for water and increased by $28 for wastewater to reflect a reclassification and decreased by $1,330 for water and by $1,137 for wastewater to reflect an 80% allocation for water and 20% for wastewater.

Wastewater operator services are contracted through American Commonwealth, a service company that specializes in providing certified operators to operate and maintain utility plants in accordance with Federal, State, and Local regulatory standards. For this service Lake Suzy pays $683.35 per month for wastewater operations. This amount includes collecting the required monthly sampling and transporting those samples to a certified lab for analysis (cost of analysis is separate). Considering the location of the utility, $8,200 per year is considered reasonable wastewater operator services. However, when the wastewater upgrade is complete those customers currently connected to the Kingsway wastewater plant will be served by the utility and staff has estimated an additional $300 per month operator service expense. Staff recommends an annual operator allowance of $11,800. The utility recorded operator service expense of $8,200 for wastewater. This expense has been increased by $3,600 for wastewater to reflect the recommended annual allowance.

The utility recorded DEP required testing expense of $780 for wastewater. Required testing expenses for water and wastewater have been determined by the staff engineer and this expense has been increased by $1,485 to reflect the annual cost for microbiological test, lead and copper test and asbestos. It has also been increased by $350 for wastewater to reflect an annual cost for sludge analysis. A schedule of recommended testing expenses follows:

Water

Description	Frequency	Annual Cost
Microbiological	Monthly	$ 480
Lead & Copper	Biannual/Subseq. Annual	500
Asbestos	1 every 9 years	25
TOTAL		$1,485

WasteWater

Description	Frequency	Annual Cost
Fecal Coliform	Monthly	$ 360
Nitrate	Monthly	420
Sludge Analysis	Annually	350
TOTAL		$1,130

The utility contracts a groundskeeping service for its wastewater facility for mowing the land on which the treatment plant is located and for pond sites. The land on which water facilities are located for the interconnection with Desoto county also requires upkeep. Staff recommends an annual allowance of $160 for water and $600 for wastewater. This expense has been increased by $160 for water and by $600 for wastewater for groundskeeping service.

In addition this expense has been decreased by $948 to reflect a reclassification to chemicals, by $1,905 to remove a prior period expense, and by $804 to remove a duplicate entry for wastewater.

10) Rents (640/740) - The utility recorded rent expense of $4,952 for water and $5,848 for wastewater. The recorded expense for water is rent for office space. The recorded expense for wastewater include $960 in rent for office space and $4,888 for a land lease payment on which the wastewater treatment plant is located. The utility intends to purchase this land in December 1996 and the value of the land will be included in plant. Therefore this expense has been decreased by $4,888 for wastewater to remove a non-recurring expense.

This expense has been increased by $2,099 for water and by $500 for wastewater to reflect power expense for the office. The utility shares an office with two other businesses. The utility has agreed to pay $400 per month for space and share the power expense. This expense has been decreased by $1,399 for water and by $333 for wastewater to reflect one-third of the power expense.

The total recorded expense for office space is $5,912. The annual rent cost for space at $400 per month is $4,800. This expense has been decreased by $1,112 for water and reflect the appropriate rent allocation of 80% for water and 20% for wastewater.

11) Transportation Expense (650/750) - As determined by the staff engineer 60% of transportation expenses should be considered reasonable for utility business. This expense has been decreased by $2,386 for water and by $537 for wastewater to reflect the recommended allowance. This expense has also been decreased by $313 for water to remove a car payment.

12) Insurance (655) - The utility recorded an insurance expense covering a truck of $1,599 for water and $905 for wastewater. This expense has been decreased by $1,079 for water and by $776 for wastewater to reflect 60% of the cost for utility purposes.

The utility is currently expanding its wastewater treatment plant and requested proforma insurance expense of $4,709 for coverage of its wastewater treatment plant. This expense has been increased by $4,709 for wastewater to reflect a proforma insurance expense. This expense is subject to change pending verification of the actual cost of insurance.

13) Regulatory Commission Expense (665/765) - The utility recorded $4,849 for water and $2,740 for wastewater in this expense. This expense has been decreased by $313 for water and wastewater each to reflect a reclassification to contractual services. It has been decreased by $4,353 for water and by $2,294 for wastewater to remove prior period expenses, and decreased by $183 for water and by $133 for wastewater to reflect a reclassification to miscellaneous expense.

The utility paid a rate case filing fee of $1,000 for water and $500 for wastewater. The filing fee has been amortized over four year and this expense has been increased by $250 for water and by $125 for wastewater.

14) Miscellaneous Expense (675/775) - The utility recorded an expense of $8,810 for water and $3,992 for wastewater. This expense has been decreased by $4,240 for water and by $165 for wastewater to allow one-third of the annual phone bill for utility business. It has been increased by $183 for water and by $133 for wastewater to reflect a reclassification, and increased by $274 for water and by $2,367 for wastewater to reflect an annual repair and

maintenance expense. In addition, this expense has been decreased by $1,260 for wastewater to remove a penalty payment associated with the DEP consent order and has been increased by $200 for wastewater to reflect an operating permit cost amortized over 5 years.

Depreciation Expense - Test year depreciation expense has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. Test year depreciation is $9,594 for water and $22,378 for wastewater including depreciation on year end and proforma plant. Non-used and useful depreciation is $2,722 for water and $8,297 for wastewater. Net test year depreciation expense is $6,872 for water and $14,081 for wastewater. The utility recorded depreciation expense of $8,002 for water and $8,855 for wastewater. This expense has been decreased by $1,130 for water and increased by $5,226 for wastewater to reflect net test year depreciation expense.

Amortization of CIAC - Amortization of CIAC has a negative impact on depreciation expense. The utility's CIAC for water includes contributed plant and cash collected from meter installation and system capacity charges. The utility's year end CIAC exceeds the value of its year end plant. Therefore, amortization of CIAC is greater than the test year depreciation. Test year amortization expense for water is $13,410, non-used and useful amortization is $2,722 and net amortization is $10,688. Staff believes that the utility should not be penalized by adjusting total operating expenses required for operations by allowing an amortization expense greater than depreciation. The utility recorded amortization expense of $9,736. This expense has been increased by $952 to reflect net amortization. It has been decreased by $3,816 to adjust amortization total to equal the depreciation total. This results in an amortization expense of $6,872 for water.

Test year amortization for wastewater is $12,453, non-used and useful amortization for CIAC is $4,890. Net amortization of CIAC for wastewater is $7,563.

The utility recorded an amortization expense of $9,736 for water and $6,117 for wastewater. This expense has been decreased by $2,864 for water and increased by $1,446 for wastewater to reflect net test year amortization.

Taxes Other Than Income - The utility recorded $6,456 for water and $6,093 for wastewater. This xpense has been decreased by $436 for wastewater to remove a prior period real estate tax expense and increased by $2,257 for water and by $72 for wastewater to reflect payroll taxes on recommended salaries. It also has been increased by $1,585 for water and by $186 for wastewater to reflect regulatory assessment fees on test year revenue.

Income Tax Expense - The utility is an 1120 Corporation and is subject to a tax liability for wastewater. The utility did not record an income tax expense. This expense has been increased by $2,833 for wastewater to reflect an estimated income tax expense. This amount is subject to change.

Increase/Decrease in Operating Revenues and Expenses

Operating Revenues - Revenue has been decreased by $1,121 for water and has increased by $57,046 for wastewater to allow the utility to recover its expenses and earn a 10% margin for water and earn a 9.74% return on its investment for wastewater.

Taxes Other Than Income - This expense has been decreased by $50 for water and increased by $2,568 for wastewater to reflect the regulatory assessment fee at 4.5% on the required decrease and increase in revenue.

The application of staff's recommended adjustments to the utility's recorded operating expenses results in an operating expense of $136,587 for water and $66,826 for wastewater.

Operating expenses are shown on Schedule Nos. 3 and 3A and adjustments are shown on Schedule No. 3B.

REVENUE REQUIREMENT

ISSUE 8: Should the Commission approve the operating ratio methodology as permitted in Rule 25-30.456, Florida Administrative Code, to be used for calculating the revenue requirement for water and if so, what is the appropriate margin?

RECOMMENDATION: Yes, the Commission should approve the operating ratio methodology for calculating the revenue requirement for water. The appropriate margin should be 10%. (DEWBERRY)

STAFF ANALYSIS: By Order No. PSC-96-0357-FOF-SU, issued March 13, 1996, in Docket No. 950641-WU, the Commission, for the first time, approved the use of the operating ratio methodology for setting rates. This Order also established criteria for determining the use of the operating ratio method.

As addressed in Issue 3, the utility's water rate base is negative as a result of an overcollection of CIAC. The utility's original service availability charges were approved by Desoto County. In 1986, the utility's system capacity charge was decreased by the Commission, because it appeared that the charge approved by Desoto County, was too high. However, this utility has not had a formal rate case before this application. A Commission approved service availability charge has not been calculated limiting the utility's service availability charges to provide no more than a maximum contribution level of 75% pursuant to Rule 25-30.580(1)(a), Florida Administrative Code. Although the utility has recovered the value of its water plant through CIAC, staff believes that the utility should be allowed a margin of revenue over expenses to protect the utility from unexpected expenditures revenue shortfalls. Therefore, staff recommends that the Commission approve the operating ratio methodology for calculating the revenue requirement for water.

Order No. PSC-96-0357-FOF-WS, established a guideline margin of 10% to be used when using the operating ration method. Therefore, staff believes that a 10% margin for this utility is reasonable and recommends that a 10% margin be allowed.

ISSUE 9: What are the appropriate revenue requirements?

RECOMMENDATION: The appropriate revenue requirements are $141,554 for water and $96,326 for wastewater. (DEWBERRY)

STAFF ANALYSIS: As addressed in Issue 8, staff is recommending that the revenue requirement for water be calculated using the operating ratio methodology. This method allows an operating margin of 10% of O&M expense, minus purchased water expense, plus O&M expense, depreciation expense net of amortization of CIAC and taxes other than income. Staff's calculated revenue requirement is $141,554 for water, which is less than the adjusted test year revenue of $142,675. Therefore, revenue should be decreased by $1,121 (.79%) for water to reflect staff's calculated revenue requirement.

The revenue requirement for wastewater has been calculated using the rate base methodology. The utility should be allowed an annual increase in revenue of $57,046 (145.23%) for wastewater. This will allow the utility to recover its expenses and earn a 9.74% return on its investments.

The calculations are as follows:

Water	
Recommended O&M expense	$126,339
Less purchased water expense	(76,671)
Adjusted O&M expense	49,668
Margin	x.10
Operating margin	$ 4,967
Recommended O&M expense	126,339
Depreciation expense	6,872
Amortization of CIAC	(6,872)
Taxes other than income	3,878
Revenue before Reg. Fees	135,184
Reg. Fee adjustment	* .955
Revenue requirement	$141,554
WasteWater	
Recommended rate base	$302,877
Rate of Return	x .0974
Return on investment	29,500
Recommended O&M expense	48,992
Depreciation expense (Net)	6,518
Taxes other than income	4,148
Income tax expense	2,833
Rev. before Reg. Fees	91,991
Reg. Fee adjustment	* .955
Revenue requirement	$ 96,326

Revenue requirements are shown on Schedule Nos. 3 and 3A and adjustments are shown on Schedule No. 3B.

RATES AND TARIFF CHARGES

ISSUE 10: What are the appropriate rates and rate structure?

RECOMMENDATION: The recommended rates should be designed to produce revenue of $141,554 for water and $96,326 for wastewater. The utility should employ the base facility and gallonage charge rate structure for water and retain the same for wastewater. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (DEWBERRY)

STAFF ANALYSIS: The utility currently employs the base facility and a block gallonage charge rate structure for water. The utility currently employs the base facility and gallonage charge rate structure for wastewater. Staff recommends that the utility employ the base facility and gallonage charge rate structure for water and retain the same for wastewater. This rate structure is designed to provide equitable sharing by the ratepayers of both the fixed and variable costs for providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs of providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

During the test year the utility provided water service to approximately 119 residential customers, 153 multi-residential customers, and 17 general service customers for a total of 289 customers. It provided wastewater service to approximately 20 residential customers, 21 multi-residential customers and 13 general service customers for a total of 54 customers.

Rates have been calculated using the number of customers billed and consumption for the test year ended June 30, 1996. A schedule of the utility's existing rates and staff's recommended preliminary rates follows:

MONTHLY RATES
Water
Residential, Multi-residential and General Service

Base Facility Charge Meter Size	Existing Rates
5/8" x 3/4"	$ 12.63
1"	30.27
1 1/2"	60.58
2"	98.11
Gallonage Charge	
Per 1,000 gallons	
0-8,000 gals.	$ 3.54
over 8,000 gals.	5.45

Base Facility Charge Meter Size	Staff's Preliminary Rates
5/8" x 3/4"	$ 9.76
3/4"	14.65
1"	24.41
1 1/2"	48.82
2"	78.11
3"	156.22
4"	244.10
6"	488.19
Gallonage Charge	
Per 1,000 gallons	$ 5.12

Wastewater
Monthly Rates

Residential

Base Facility Charge Meter Size	Existing Rates	Staff's Preliminary Rates
All sizes	$ 13.59	$ 26.14
Gallonage Charge		
per 1,000 gals.	$ 2.00	$ 6.87
maximum gals.	10,000	6,000

Multi-residential and General Service

Base Facility Charge Meter Size	Existing Rates	Staff's Preliminary Rates
5/8" x 3/4"	$ 13.59	$ 26.14
3/4"	N/A	39.21
1"	32.63	65.35
1 1/2"	65.22	130.71
2"	105.63	209.41
3"	N/A	418.27
4"	N/A	653.55
6:	N/A	1,307.10
Gallonage Charge		
per 1,000 gals.	$ 2.39	$ 8.25

The average water usage for a residential customer with a 5/8" x 3/4" meter is approximately 4,196 gallons per month. A schedule of an average bill using existing and recommended rates follows:

Average bill using recommended rates	$31.24
Average bill using existing rates	(27.48)
Increase in bill	$ 3.76
Percentage increase in bill	13.68%($3.76/$27.48)

The average number of gallons of wastewater billed a residential customer is approximately 4,029 gallons per month. A schedule of an average billing using existing and recommended rates follows:

Average bill using recommended rates	$53.82
Average bill using existing rates	(21.65)
Increase in bill	$32.17($32.17/$21.65)
Percentage increase in bill	148.59%

Staff's recommended rates are preliminary and are subject to change. The recommended rates are designed to produce revenue of $141,554 for water and $96,326 for wastewater. The utility should employ the base facility and gallonage charge rate structure for water and retain the same for wastewater. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

ISSUE 11: Should the utility be authorized to collect miscellaneous charges, and if so, what are the appropriate charges?

RECOMMENDATION: Yes, the utility should be authorized to collect miscellaneous service charges and the appropriate charges should be the recommended charges specified in the staff analysis. The approved charges will be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. These charges may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (DEWBERRY)

STAFF ANALYSIS: The utility's existing tariff does not authorize the utility to collect miscellaneous service charges. Staff recommends that the utility be authorized to collect charges consistent with Staff Advisory Bulletin No. 13 and Commission practice. The recommended charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the rate paying body as a whole. A schedule of staff's recommended preliminary charges follows:

Staff's Preliminary Charges

	Water	Wastewater
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

When both water and wastewater services are provided, staff believes that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

Definition of each charge is provided for clarification:

Initial Connection - this charge would be levied for service initiation at a location where service did not exist previously.

Normal Reconnection - this charge would be levied for transfer of service to a new customer account, a previously served location or reconnection of service subsequent to a customer requested disconnection.

Violation Rconnection - this charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (in lieu of disconnection) - this charge would be levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

If staff's recommended preliminary miscellaneous service charges are approved by the Commission, they should be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

ISSUE 12: What are the appropriate service availability charges for each system?

RECOMMENDATION: The utility's existing system capacity charge for water should be discontinued. Staff recommends no change in the meter installation charges for water at this time. The appropriate service availability charges for wastewater should be the recommended preliminary charges listed in the staff analysis. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. (DAVIS, DEWBERRY)

STAFF ANALYSIS: The utility's water plant include transmission and distribution lines only. The utility's original water system capacity charge of $750 was approved by Desoto county. By Order No. 16935, issued December 9, 1986, the Commission granted the utility's operating certificates, decreased the water system capacity charge to $562.50 and approved meter installation charges. Based on the staff audit the utility's contribution level for water exceeds 100%. Therefore, the system capacity charge for water should be discontinued. Staff recommends no change in the meter installation charges at this time.

During the test year, the utility's wastewater system included a 50,000 gpd treatment plant and collection lines. To satisfy a DEP consent order, the utility is in the process of expanding its treatment plant to 87,000 gpd capacity. In its application for this rate case the utility requested emergency service availability charges for wastewater. By Order No. PSC-96-1284-FOF-WS, issued October 15, 1996, the Commission approved a system capacity charge of $920 and a main extension charge of $639. These charges became effective November 6, 1996. These charges were calculated prior to the staff audit and engineering investigation. The utility requested a service availability charge of $2,135. After the staff audit and engineering investigation staff calculated a new service availability charge for wastewater and found that the requested charge will not cause the utility to exceed the 75% maximum contribution level per Rule 25-30.580, Florida Administrative Code. A schedule of staff's recommended preliminary charges follows:

Service Availability Charges
Wastewater

	Staff's Preliminary Charges
Plant Capacity residential per ERC (190gpd)	$2,015.00
All others - per gallon	$ 10.61
Main extension charge residential per ERC (190gpd)	$ 120.00
All others - per gallon	$ .63

Staff's recommended charges are preliminary and subject to change. If the Commission approves staff's recommendation, the approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code.

ISSUE 13: What is the appropriate Allowance of Funds Prudently Invested (AFPI) charge for wastewater?

RECOMMENDATION: AFPI charges will be calculated at a later date. (DEWBERRY)

STAFF ANALYSIS: The utility is currently expanding its wastewater treatment plant to satisfy a DEP consent order. The utility has requested AFPI charges to be collected from future customers. Rule 25-30.434, Florida Administrative Code, allows a utility the opportunity to earn a fair return on prudently constructed plant held for future use from future customers to be served by the plant. In order to calculate AFPI charges, the funds for plant expansion are required to be spent by the utility. The utility's wastewater plant expansion is still in progress. Therefore, AFPI charges will be calculated at a later date.

ISSUE 14: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: Revenues should be reduced by a total of $262 for water and by $131 for wastewater to reflect the removal of rate case expense grossed up for regulatory assessment fees, which is being amortized over a four year period. The effect of the revenue reduction results in rate decreases as shown on Schedule Nos. 4 and 4-A. The decrease in rates should become effective immediately following the expiration of the recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. (DEWBERRY)

STAFF ANALYSIS: Section 367.0816, Florida Statutes requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of the revenues associated with the amortization of rate expense and the gross-up for regulatory assessment fees, which is $262 for water and $131 wastewater. The reduction in revenues will result in the rates recommended by staff on Schedule Nos. 4 and 4-A.

The utility should be required to file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also should be required to 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 the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

ISSUE 15: Should the recommended rates be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility?

RECOMMENDATION: Yes, the recommended rates should be approved for the utility on a temporary basis in the event of a timely protest filed by a party other than the utility. The utility should be authorized to collect the temporary rates after staff's approval of the security for potential refund, the proposed customer notice, and the revised tariff sheets. (CYRUS-WILLIAMS, DAVIS, DEWBERRY)

STAFF ANALYSIS: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility shall be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of the security for potential refund and the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of $39,402 Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1) The Commission approves the rate increase; or

2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it should contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect.

2) The letter of credit will be in effect until final Commission order is rendered, either approving or denying the rate increase.

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

1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.

2) The escrow account shall be an interest bearing account.

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase should be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility should file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

ISSUE 16: Should this docket be closed?

RECOMMENDATION: Yes, upon the expiration of the protest period, if not timely protest is received this docket should be closed administratively. (CYRUS-WILLIAMS, DAVIS, DEWBERRY)

STAFF ANALYSIS: Proforma plant has been included in the calculation of rates. However, this plant is expected to be on line by January 1997 and before the Commission makes its final decision. Therefore, upon the expiration of the protest period, if no timely protest is received this docket should be closed administratively.

cc: Division of Water and Wastewater (Davis)
Division of Legal Services (Cyrus-Williams)

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
DOCKET NO. 960799-WS

	BALANCE PER UTILITY	STAFF. ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$ 276,824	$ (450) A	$ 276,374
NON REFUNDABLE ADVANCES	0	0 B	0
LAND/NON-DEPRECIABLE ASSETS	1,150	0 C	1,150
NON USED AND USEFUL PLANT	0	(61,833) D	(61,833)
CWIP	0	0 E	0
CIAC	(332,772)	32,020 F	(300,752)
ACCUMULATED DEPRECIATION	(67,942)	(11,308) G	(79,250)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	79,184 H	79,184
WORKING CAPITAL ALLOWANCE	20,611	(4,819) I	15,792
WATER RATE BASE	$ (102,129)	$ 32,794	$ (69,335)

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
DOCKET NO. 960799-WS

	BALANCE PER UTILITY	STAFF. ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$ 324,361	$ 504,016 A	$ 828,377
REFUNDABLE ADVANCES	0	(430,000) B	(430,000)
LAND/NON-DEPRECIABLE ASSETS	150,000	155,665 C	305,665
NON USED AND USEFUL PLANT	0	(106,488) D	(106,488)
CWIP	127,857	(127,857) E	0
CIAC	(212,756)	(31,156) F	(243,912)
ACCUMULATED DEPRECIATION	(62,058)	(56,453) G	(118,511)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	61,622 H	61,622
WORKING CAPITAL ALLOWANCE	5,500	624 I	6,124
WASTEWATER RATE BASE	$ 332,904	$ (30,027)	$ 302,877

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1B
DOCKET NO. 960799-WS

		WATER	WASTEWATER
A.	UTILITY PLANT IN SERVICE		
1.	Reclassification from O&M expense	$ 511	$ 511
2.	To reflect plant at 6/30/96	0	(20,580)
3.	Reclassification from CWIP	0	127,857
4.	To reflect additional proforma plant	0	396,483
5.	To reflect averging adjustment	(961)	(255)
		$ (450)	$ 504,016
B.	REFUNDABLE ADVANCES		
1.	To reflect refundable advances	$ 0	$ (430,000)
C.	LAND		
1.	To reflect additional land for percolation ponds	$ 0	$ 292,800
2.	To reflect non--used and useful land	0	(137,135)
		0	155,665
D.	NON USED AND USEFUL PLANT		
1.	To reflect average non used and useful plant	$ (86,969)	$ (126,297)
2.	Average non used and useful accum. depre. on UPIS	24,836	47,077
3.	Non used and useful proforma plant	0	(29,217)
4.	Non used and useful depre. on proforma plant	0	1,949
		$ (61,833)	$ (106,488)
E.	CONSTRUCTION WORK IN PROGRESS (CWIP)		
1.	Reclassification to plant	$ 0	$ (127,857)
F.	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)		
1.	To reflec the accumulated balance at 6/30/96	$ (56,656)	$ (31,935)
2.	non used and useful CIAC	86,669	101,124
3.	CIAC for margin reserve	0	(100,345)
4.	To reflect averaging adjustment	2,007	0
		$ 32,020	$ (31,156)
E.	ACCUMULATED DEPRECIATION		
1.	To reflect the accumulated balance at 6/30/96	$ (16,077)	$ (64,486)
5.	To reflect averaging adjustment	4,769	8,033
		$ (11,308)	$ (56,453)
F.	AMORTIZATION OF CIAC		
1.	To reflect accumulated balance at 6/30/96	$ 110,679	$ 96,675
2.	Non used and useful amortization of CIAC	(24,836)	(34,125)
3.	Amortization of CIAC for margin reserve	0	5,298
6.	To reflect averaging adjustment	(6,659)	(6,226)
		$ 79,184	$ 61,622
G.	WORKING CAPITAL ALLOWANCE		
1.	To reflect 1/8 of test year O & M expense	$ (4,819)	$ 624

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 960799-WS

	PER UTILITY	STAFF. ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	$ 42,000	$ (19,345)	$ 22,655	7.48%	9.50%	0.71%
LONG TERM DEBT	12,000	(5,519)	6,481	2.14%	8.00%	0.17%
LONG TERM DEBT	218,506	(100,717)	117,789	38.89%	8.00%	3.11%
SHORT TERM DEBT	11,643	(5,373)	6,270	2.07%	8.00%	0.17%
SHORT TERM DEBT	19,037	(8,769)	10,268	3.39%	8.50%	0.29%
COMMON EQUITY	258,602	(119,188)	139,414	46.03%	11.51%	5.30%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
TOTAL	$ 561,788	$ (258,911)	$ 302,877	100.00%		9.74%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.51%	12.51%
OVERALL RATE OF RETURN	9.28%	10.21%

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
DOCKET NO. 960799-WS

	TEST YEAR PER UTILITY	STAFF. ADJ. TO UTILITY		STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		TOTAL PER STAFF
OPERATING REVENUES	$ 126,851	$ 15,824	A	$ 142,675	$ (1,121)	G	$ 141,554
OPERATING EXPENSES:							
OPERATION AND MAINTENANCE	164,888	(38,549)	B	126,339	0		126,339
DEPRECIATION	8,002	(1,130)	C	6,872	0		6,872
AMORTIZATION(CIAC)	(9,736)	2,864	D	(6,872)	0		(6,872)
TAXES OTHER THAN INCOME	6,455	3,842	E	10,298	(50)	H	10,248
INCOME TAXES	0	0	F	0	0		0
TOTAL OPERATING EXPENSES	$ 169,610	$ (32,973)		$ 136,637	$ (50)		$ 136,587
OPERATING MARGIN/(LOSS)	$ (42,759)			$ 6,038			$ 4,967
ADJUSTED O&M *	$ (102,129)			$ 49,668 *			$ 49,668 *
MARGIN PERCENTAGE	(41.87%)			12.16%			10.00%

* Adjusted O&M:

Total O&m Expense	$ 126,339
Less Purchased Water	(76,671)
	$ 49,668

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
DOCKET NO. 960799-WS

	TEST YEAR PER UTILITY	STAFF. ADJ. TO UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER STAFF
OPERATING REVENUES	$ 43,125	$ (3,845) A	$ 39,280	$ 57,046 G	$ 96,326
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	52,085	(3,093) B	48,992	0	48,992
DEPRECIATION	8,855	5,226 C	14,081	0	14,081
AMORTIZATION(CIAC)	(6,117)	(1,446) D	(7,563)	0	(7,563)
TAXES OTHER THAN INCOME	6,093	(178) E	5,915	2,568 H	8,483
INCOME TAXES	0	2,833 F	2,833	0	2,833
TOTAL OPERATING EXPENSES	$ 60,916	$ 3,342	$ 64,258	$ 2,568	$ 66,826
OPERATING INCOME/(LOSS)	$ (17,791)		$ (24,978)		$ 29,500
WASTEWATER RATE BASE	$ 332,904		$ 302,877		$ 302,877
RATE OF RETURN	-5.34%		-8.25%		9.74%

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1998
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 1 of 2)
DOCKET NO. 980739-WS

		WATER	WASTEWATER
A.	OPERATING REVENUES		
1.	To reflect test year accrued total	$ 7,834	$ (3,485)
2.	To reflect annualized revenue based on existing rates	7,990	0
		$ 15,824	$ (3,485)
B.	OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages - Employees		
a.	To reflect annual salary	$ (8,139)	$ 381
2.	Salaries and wages - Officers		
a.	To reflect annual salary	$ 17,285	$ 4,096
3.	Employee pensions and Benefits		
a.	To reflect annual insurance expense for employee	$ 426	$ 106
4.	Purchased Water & Wastewater Treatment		
a.	To remove a prior period expense	$ (29,225)	$ 0
b.	To remove a non-recurring expense	0	(4,320)
		(29,225)	(4,320)
5.	Sludge Removal Expense		
a.	To reflect annual expense	$ 0	$ 715
6.	Purchased Power Expense		
a.	To reclassify power expense for office to rent	$ (2,099)	$ (500)
b.	To reflect annual expense for utility operations	0	1,382
		(2,099)	$ 882
7.	Chemical Expense		
a.	Reclassification from contractual services	$ 0	$ 948
b.	To reflect annual expense	0	66
		$ 0	$ 1,014
8.	Material and supplies		
a.	Reclassification to plant	$ (511)	$ (511)
b.	To remove a prior period expense	(512)	0
c.	Reclassification to contractual services	(113)	0
		$ (1,136)	$ (511)
9.	Contractual Services		
a.	To reflect an unrecorded legal expense	$ 1,028	$ 257
b.	To remove a non utility legal expense	(6,065)	(1,521)
c.	To reflect annual legal expense	(4,687)	(2,381)
d.	To reflect unrecorded consultant expense	20,868	5,218
e.	Reclassification from reg. comm. expense	313	313
f.	To reflect annual consultant expense	(16,907)	(4,463)
g.	Reclassification from materials and supplies	113	0
h.	Reclassification from water to wastewater	(28)	28
i.	To reflect annual billing costs	(1,330)	(1,137)
j.	To reflect annual DEP required testing expense	1,485	350
k.	To reflect annual operator allowance	0	3,600
l.	To reflect annual groundskeeping allowance	180	600
m.	To reflect a reclassification to chemical expense	0	(948)
n.	To remove a prior period expense	0	(1,905)
o.	To remove a duplicate entry	0	(804)
		$ (5,079)	$ (2,793)

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1998
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3B (Page 2 of 2)
DOCKET NO. 980798-WS

10.	**Rent**		
a.	To reflect a reclassification from purchased power	$ 2,000	$ 500
b.	To reflect one-third of power expense for office	(1,500)	(333)
c.	To reflect annual rent for office space	(1,112)	0
d.	To remove a non-recurring land lease expense	0	(4,888)
		$ (612)	$ (4,721)
11.	**Transportation Expense**		
a.	To remove a car payment	$ (331)	$ 0
b.	To reflect 80% of transportation expense	(2,386)	(537)
		$ (2,717)	$ (537)
12.	**Insurance Expense**		
a.	To reflect 80% of insurance expense for truck	$ (1,079)	$ (776)
b.	To reflect proforma insurance expense for wastewater plant	0	4,709
		$ (1,079)	$ 3,933
13.	**Regulatory Commission Expense**		
a.	To reflect reclassification to contractual service	$ (313)	$ (313)
b.	To remove an out of period expense	(4,353)	(2,294)
c.	Reclassification to misc. expense	(183)	(133)
d.	To reflect rate case filing fee over four years	250	125
		$ (4,599)	$ (2,615)
14.	**Miscellaneous Expense**		
a.	To reflect one-third of annual telephone expense	$ (4,240)	$ (165)
b.	Reclassification from reg. comm. expense	183	133
c.	To reflect annual repair and maintenance expense	274	2,367
d.	To remove a penalty expense	0	(1,280)
e.	To reflect permit cost amortized over five years	0	200
		$ (3,783)	$ 1,275
	TOTAL O&M ADJUSTMENTS	(56,546)	(3,009)
C.	**DEPRECIATION EXPENSE**		
1.	To reflect test year depreciation expense net of non-used and useful depreciation	$ (1,130)	$ 5,228
D.	**AMORTIZATION OF CIAC**		
1.	To reflect test year amortization of CIAC net of non-used and useful amortization	$ (902)	$ (1,448)
2.	To adj amortization to depreciation	3,816	0
		$ 2,954	$ (1,448)
E.	**TAXES OTHER THAN INCOME**		
1.	To reflect payroll taxes on recommended salaries	$ 2,257	$ 72
2.	To remove a prior period real estate tax	0	(430)
3.	To reflect regulatory assessment fees on test year revenue	1,585	186
		$ 3,842	$ (170)
F.	**INCOME TAX**		
1.	To reflect estimated income tax expense	$ 0	$ 2,833
G.	**OPERATING REVENUES**		
1.	To reflect recommended decrease and increase in revenue for water and wastewater respectively	$ (1,121)	$ 57,048
H.	**TAXES OTHER THAN INCOME**		
1.	To reflect regulatory assessment fee on decrease and increase in revenue	$ (50)	$ 2,566

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3C
DOCKET NO. 960799-WS

	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$ 9,979	$ (6,139)[1]	$ 3,840
(603) SALARIES AND WAGES - OFFICERS	0	17,285 [2]	17,285
(604) EMPLOYEE PENSIONS AND BENEFITS	0	426 [3]	426
(610) PURCHASED WATER	105,896	(29,225)[4]	76,671
(615) PURCHASED POWER	2,099	(2,099)[6]	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	6,626	(1,136)[8]	5,490
(630) CONTRACTUAL SERVICES	13,781	(5,070)[9]	8,711
(640) RENTS	4,952	(412)[10]	4,540
(650) TRANSPORTATION EXPENSE	6,296	(2,717)[11]	3,579
(655) INSURANCE EXPENSE	1,599	(1,079)[12]	520
(665) REGULATORY COMMISSION EXPENSE	4,849	(4,599)[13]	250
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	8,810	(3,783)[14]	5,027
	$ 164,887	$ (38,548)	$ 126,339

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3D
DOCKET NO. 960799-WS

	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$ 579	$ 381 [1]	$ 960
(703) SALARIES AND WAGES - OFFICERS	0	4,098 [2]	4,098
(704) EMPLOYEE PENSIONS AND BENEFITS	0	106 [3]	106
(710) PURCHASED SEWAGE TREATMENT	4,320	(4,320)[4]	0
(711) SLUDGE REMOVAL EXPENSE	1,085	715 [5]	1,800
(715) PURCHASED POWER	5,500	882 [6]	6,382
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	427	1,014 [7]	1,441
(720) MATERIALS AND SUPPLIES	5,896	(511)[8]	5,385
(730) CONTRACTUAL SERVICES	19,449	(2,793)[9]	16,656
(740) RENTS	5,848	(4,721)[10]	1,127
(750) TRANSPORTATION EXPENSE	1,344	(537)[11]	807
(755) INSURANCE EXPENSE	905	3,933 [12]	4,838
(765) REGULATORY COMMISSION EXPENSES	2,740	(2,615)[13]	125
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	3,992	1,275 [14]	5,267
	$ 52,085	$ (3,093)	$ 48,992

STAFF RECOMMENDED RATE REDUCTION SCHEDULE

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996

SCHEDULE NO. 4
DOCKET NO. 960799-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

RESIDENTIAL, MULTI-RESDENTIAL AND GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	$ 9.76	$ 0.02
3/4"	14.65	0.03
1"	24.41	0.05
1-1/2"	48.82	0.09
2"	78.11	0.14
3"	156.22	0.29
4"	244.10	0.45
6"	488.19	0.90
GALLONAGE CHARGE PER 1,000 GALLONS	$ 5.12	$ 0.01

STAFF RECOMMENDED RATE REDUCTION SCHEDULE

LAKE SUZY UTILITIES, INC.
TEST YEAR ENDING JUNE 30, 1996

SCHEDULE NO. 4A
DOCKET NO. 960799-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

RESIDENTIAL, MULTI-RESIDENTIAL AND GENERAL SERVICE	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	$ 26.14	$ 0.04
3/4"	39.21	0.05
1"	65.35	0.09
1-1/2"	130.71	0.18
2"	209.14	0.28
3"	418.27	0.57
4"	653.55	0.89
6"	1,307.10	1.78
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	$ 6.87	$ 0.01
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	$ 8.25	$ 0.01

DOCKET NO. : 960739-WS DATE: 10/18/96

ATTACHMENT A

UTILITY NAME: LAKE [redacted] UTILITIES, INC.

WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3)}{1} = 61.18\ \%$$

(1) Capacity of present distribution system in ERCs - - - - - 756 ERCs

(2) Average number of ERCs connected to the system - - - - - - 435 ERCs

(3) Margin Reserve (not to exceed 20% of present Cost):

(a) Average yearly customer growth in ERCs for most recent 5 years 35

(b) Construction time for additional capacity (in months) 18

$$\text{Margin Reserve} = 3a \times \frac{3b}{12 \text{ mths}} = 38 \text{ ERCs}$$

Engineer assigned

signature

UTILITY NAME: LA[illegible]SEY UTILITIES, INC.

WASTEWATER TREATMENT PLANT USED AND USEFUL C[illegible]CULATION

% USED AND USEFUL = (2 + 3 - 4) / 1 = 69.02 %

(1) Capacity of plant - 87,000 GPD

(2) Average Daily Flow (Peak Month , Feb. 1996) - - - - - - - - 63,000 GPD

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average number of ERCs during test Year	199
(b) Average yearly growth in ERCs for most recent 5 years	31
(c) Construction time for additional capacity (in months)	18

Margin Reserve = 3b x (3c / 12 mths) x (2 / 3a) = 14,721 GPD

(4) Excessive Infiltration - - - - - - - - - - - - - - - - - - - 17,665 GPD

(a) Total amount	23,965 GPD	38.04 % of Avg. Daily Flow
(b) Reasonable amount	6,300 GPD	10.00 % of Avg. Daily Flow

signature

Engineer assigned

DOCKET NO. : 960799-WS DATE: 10/16/96 ATTACHMENT C

UTILITY NAME: LAN[redacted]Y UTILITIES, INC.

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3)}{1} = 51.36\ \%$$

(1) Capacity of present collection system in ERCs ------ 478 ERCs

(2) Average number of ERCs during Test Year ---------- 199 ERCs

(3) Margin Reserve (not to exceed 20% of present Cost):

(a) Average yearly growth in ERCs for most recent 5 years = 31

(b) Construction time for additional capacity (in months) = 18

$$\text{Margin Reserve} = 3a \times \frac{3b}{12 \text{ mths}} = 47 \text{ ERCs}$$

Engineer assigned