

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of GULF UTILITY)	Docket No. 960329-WS
COMPANY for an increase in)	
Wastewater Rates, approval of a)	
decrease in Water Rates and)	
approval of service availability)	
<u>charges in Lee County, Florida</u>)	
In re: Application for increase in)	Docket No. 960234-WS
rates and service availability)	
charges in Lee County by Gulf)	Filed: July 30, 1997
<u>Utility Company</u>)	

MOTION FOR RECONSIDERATION

Gulf Utility Company ("Gulf"), pursuant to Fla. Admin. Code R. 25-22.060, hereby files this Motion for Reconsideration of Order No. PSC-97-0847-FOF-WS entered on July 15, 1997 ("Final Order"), and states:

1. The Commission has overlooked or misapprehended points of fact and law in its findings of fact and conclusions of law reached in Order No. PSC-97-0847-FOF-WS, as set forth more particularly in this motion as each item is addressed.

I. THE END RESULT DOCTRINE

2. Gulf has a responsibility to bring to the Commission's attention the actual result of the Commission's Final Order will have on the financial viability of Gulf. Gulf's operation does not cease at the end of the test year or upon the entry of the Final Order. Gulf must continue to operate, pay salaries, meet operating and maintenance expenses, service existing outstanding debt and most significantly, raise capital on reasonable terms to fund the continuous plant expansion to meet its responsibilities as a public utility. The attached Affidavit of Mr. James W. Moore, President

of Gulf Utility Company, details the effect of the Final Order on Gulf Utility Company (Appendix "A", attached hereto and incorporated by reference herein). The result is that Gulf will not have a sufficient return to provide confidence in the financial integrity of the business, maintain its credit, and attract capital on reasonable terms.

3. Gulf has only one business: providing water and wastewater services in Lee County, Florida. It has \$8,743,784 of outstanding debt and \$963,477 of common equity, all committed to the utility operations. The end result of the Final Order is that there is inadequate revenue from utility operations to pay bond interest on Gulf's outstanding debt securities (Ex. 8, Sch. 5, p. 124).

4. The Final Order does not consider the effects it will have on the financial integrity of the Company. Neither OPC or Staff considered the "end result" of their rate setting proposals. Apparently the Staff and OPC leave this consideration to the Commission.

5. The Final Order does not reflect that the Commission has given consideration to the end result. Gulf's requested revenue requirement was \$2,282,299 for water and \$1,705,800 for wastewater. The Final Order approved only \$2,051,020 for water and \$1,435,940 for wastewater. The end result is a revenue deficiency of \$438,037. The Commission should grant revenues in the amount of \$2,261,271 for water and \$1,676,281 for wastewater.

6. The Commission has set water and wastewater rates in the Final Order which are not just and reasonable and have failed to consider the end result doctrine adopted by the courts.

7. The end result doctrine establishes the constitutional principle that rates which do not "enable the company to operate successfully, to maintain its financial integrity, to attract capital and to compensate investors for the risks assumed" result in an unlawful confiscation of the utility's property. Federal Power Comm'n v. Hope Natural Gas, 320 U.S. 591, 602 (1944). As recognized by the Florida courts, the end result doctrine applies in every rate case to determine whether just and reasonable rates have been set. See Tamaron Homeowners Assn., Inc. v. Tamaron Utils., Inc., 460 So.2d 347, 353 (Fla. 1984); Gulf Power Company v. Bevis, 296 So.2d 482; Keystone Water Co., Inc. v. Bevis, 278 So.2d 606, 609 (Fla. 1973); Westwood Lake, Inc. v. Dade County, 264 So.2d 7, 9 (Fla. 1972); City of Miami v. Florida Public Service Commission, 208 So.2d 249, 256 (Fla. 1968); General Telephone Co. Of Florida v. Carter, 115 So.2d 554 (Fla. 1959); Jacksonville Gas Corp. v. Florida R.R. & Pub. Util. Comm'n, 50 So.2d 887, 892 (Fla. 1951).

8. In this proceeding, application of the end result doctrine leads to the inescapable conclusion that the Commission's order violates the constitutional standards applicable to the ratemaking process.

II. INTERIM RATE REVENUE DEFICIENCY

9. If the motion for reconsideration is approved, the revenue requirement in water is greater than the revenue allowed by the interim rates, as shown in the following table:

	<u>Water</u>	
	<u>Pre-interim</u>	<u>Interim</u>
1. Revenue Requirements	\$ 2,261,271	\$2,261,271
Less		
2. Rate case expense	38,098	38,098
3. Property not in service (holding tank)	40,123	40,123
4. Adj. Final Revenue Req.	2,183,050	2,183,050
5. Less Misc. Revenues	34,800	34,800
6. Revenues - Service Rates	2,148,250	2,148,250
7. Restated Annualized Interim Revenues	<u>2,221,539</u>	<u>2,071,243</u>
8. Refund Amt.	\$ 73,289	
9. Surcharge Amt.		\$ 77,007
10. Percentages	3.41%	3.58%

10. The Florida Supreme Court in GTE Florida, Inc. v. Clark, 668 So.2d 971 (Fla. 1996), indicated that the Commission should, under some circumstances, allow the recovery of such an under collection through a surcharge to customers who received services of the utility during the period of time when the lower rates were in effect. The First District Court of Appeals followed GTE Florida, Inc. v. Clark in Southern States Utilities, Inc. v. Florida Public Service Commission, 22 Fla.L.Weekly D1492 (Fla. 1st DCA June 17, 1997). In Southern States, the Court stated:

Because the PSC erred, however, in its consideration of GTE Florida Inc. v. Clark, 668 So.2d 971 (Fla. 1996), with regard to the issue of whether SSU may surcharge the customers who underpaid under the erroneously approved uniform rates, we reverse and remand this case for further proceedings (emphasis added).

Id. at 1492.

11. It is the Commission's policy to require a utility to refund to customers interim rates collected to the extent that the final rates are less than those interim rates. It has also been the policy of the Commission that utility companies not be reimbursed from customers for under charges caused by interim rates being less than the final rates. The Florida Supreme Court has indicated that the Commission may not engage in such disparate treatment of the utility and its customers. Pursuant to the Court's directive, utility companies must be allowed to recoup through a surcharge revenue deficiencies caused by interim rates set lower than final rates.

12. Gulf has 7,120 customers who receive water service. It would be appropriate under the authority of GTE Florida, Inc. v. Clark and Southern States Utilities v. FPSC, for the Commission to approve a surcharge from the 7,120 customer who have benefited from Gulf's undercharge of water rates.

III. RATE BASE
One million gallon reject holding tank

13. The Commission misapprehended 367.081(2), Fla. Stat., in excluding the cost of construction of this tank from rate base.

That section states:

The commission shall also consider the investment of the utility in land acquired or facilities constructed or to be constructed in the public interest within a reasonable time in the future, not to exceed, unless extended by the commission, 24 months from the end of the historical period used to set final rates.

The language plainly states that the Commission shall consider the investment in facilities to be constructed "24 months from the end of the historical test period." In this case, 24 months from the end of the approved December 31, 1995 historical test period is December 31, 1997. The Final Order is contrary to law in stating or implying that 367.081(2) is referring to an allowable projected test year, that is the December 31, 1990 projected test year in this case. Final Order, p. 11.

14. Gulf will have constructed a 1.0 million gallon reject holding tank and controls by the end of 1997, costing \$729,000, which does not exceed 24 months from the historic test year of December 31, 1995.

15. The Commission overlooked and misapprehended Sec. 367.081(3), Fla. Stat., in excluding the cost of construction of the reject holding tank from rate base. That section states:

The Commission, in fixing rates, may determine the prudent cost of providing service during the period of time the rates will be in effect following the entry of a final order relating to the rate request of the utility and may use such costs to determine the revenue requirements that will allow the utility to earn a fair rate of return on its rate base.

16. With regard to the 1.0 million gallon reject holding tank, the Final Order states: "had there been at least a signed contract to construct the reject holding tank, Staff could have recommended its inclusion in some manner." [Staff Rec., p. 16.] There is no requirement that a signed contract exist at the time of hearing in order to apply Sec. 367.081(3), Fla. Stat.

17. The testimony of Mr. James W. Moore, President of Gulf Utility Company, is uncontroverted, and supports allowing the cost of the reject holding tank in rate base pursuant to 367.081(2) and (3), Fla. Stat. At the hearing in this docket on March 5 and 6, 1997, Mr. Moore testified under oath that Gulf was in the planning stages for the construction of 1.0 million gallon reject holding tank for the Corkscrew Water Treatment Plant and that the construction would be complete by September, 1997. Gulf's position has consistently been that the cost of this plant should be included in rate base. \$392,037 should be considered used and useful, as shown on Appendix B. A \$300,000 grant from SFWMD's Alternate Water Supply Grant program has been approved, although the money has not been received, to fund the holding tank and reuse lines. \$142,755 of CIAC has been allocated to the used and useful

portion of the holding tank as shown on Appendix B, page 2, line 3, column 5. As a result of these adjustments, water rate base would be increased \$249,282 (\$392,037 - \$142,755).

18. As testified by Mr. Moore, the bids for the construction of the plant were requested on April 7, 1997. Gulf entered into a contract with Westra Construction Corporation on May 20, 1997, and Wharton-Smith, Inc. on May 27, 1997. The contracts provide for construction to be completed by September 20, 1997. Appendix "C", Affidavit of Mr. James W. Moore, attached hereto confirms that the copy of the contracts (attached thereto as Attachment "1") is a correct copy of the signed contracts between Gulf and Westra Construction Corporation and Wharton-Smith, Inc. for the construction of the 1.0 million gallon reject holding tank and controls for the Corkscrew Water Treatment Plant. Attachment 2 to Mr. Moore's Affidavit are July 22 & 24, 1997 photographs of the construction work taking place presently at the plant. The Affidavit of Mr. Moore also affirms that the construction of the plant continues and is expected to be completed by September, 1997 and put in service at that time.

19. In the alternative, if the Commission does not have the assurance it needs to include this plant investment in rate base, then Gulf requests that this docket remain open and that the Commission verify the construction of this plant by the project engineer of record for the construction of the plant.

Additionally, the Commission could verify the completion by the Commission's engineers. Then, at that point, at the completion of the plant, the Commission could include the investment in Gulf's rate base and adjust the revenue requirement appropriately. This would be much more cost effective for Gulf's customers than Gulf bringing a separate limited proceeding in order to recover those costs.

20. The Final Order overlooked Gulf's legal argument that the reject holding tank should be included in rate base because it is required by Gulf's DEP permit (Exhibit 41), and that the MFR's contain all information required by Fla. Admin. Code R. 25-30.4415 in order to include the cost of this tank in rate base. The reject holding tank should be included in the cost of service.

IV. USED AND USEFUL

A. December 31, 1996 approved test year flows

21. The approved projected test year, pursuant to §25-30.430, F.A.C., for this case was December 31, 1996. The Final Order is in error when it uses 1995 flows instead of test year 1996 flows in determining used and useful for the water and wastewater plants. The Final Order contains no rationale and no support for deviating from the approved projected test year. As shown on Appendix "D" and "E" hereto, the Commission overlooked inclusion of flows for Florida Gulf Coast University, even though investment for the facilities was included in rate base (page 14), and overlooked inclusion of additional flows required by the 1996 growth of 430

ERCs in the water operations and 495 ERCs in the wastewater operations recognized by the Commission. These factual errors should be corrected. These errors result in an understatement of the amount of used and useful included in the rate base.

22. The 1996 flows which the Commission should use for water plant are stated on Appendix "D" attached hereto. Adding only 1996 customer growth to the flows used in the Order, the used and useful plant is 81.59% instead of 76.15%. When the 1996 flows are used, the non-used and useful plant decreases and the water rate base increases by \$156,571. This calculation is shown on Appendix "D", page 2, attached hereto.

23. The 1996 test flows for the wastewater plants increase the used and useful percentage to 89.07% from 72.11%. Appendix "E", attached hereto. When the 1996 flows are used, the wastewater rate base increases by \$696,326, Column 6, line 2 of Appendix "E", page 2, attached hereto.

B. Overstating Non-used and Useful Investment in Wastewater Treatment Plants

24. In the wastewater operations, the Final Order introduces a second error by applying the non-used and useful percentage to total investment in the wastewater treatment plants. Gulf has two plants, the San Carlos and Three Oaks plants, with the later constructed in phases 1, 2 and 3. The Commission overlooked the fact that it concluded in the Final Order that the San Carlos plant is 100% used and useful (page 23) and phases 1 and 2 of the Three

Oaks plant ("the old Three Oaks WWTP") is 100% used and useful (page 14), and applied the non-used and useful percentage to these total facilities. In Staff's memorandum dated May 29, 1997, it said on page 20:

Staff recommends no adjustments should be made to the old Three Oaks WWTP. As reflected in the record, the facility is in service and necessary to meet DEP Class I reliability requirements as stated in DEP Rule 62-610, FAC, and should be considered 100% used and useful.¹

This is a clear inconsistency within the order, a mistake of fact. The non-used and useful investment should only apply to Phase 3, the Three Oaks WWTP plus the chlorine contact chamber at the Three Oaks Wastewater Treatment Plant) (page 12 of Order).

25. The Order reflects an allocation of total investment in the wastewater treatment plants, therefore the investment in the San Carlos and Phase 1 & 2 of the Three Oaks plant must be removed from the allocation. The removal of this investment is \$253,116 as shown on Appendix "E", page 2, lines 3-6.

26. Appendix "E", page 2, attached hereto summarizes the errors in applying 1995 flows instead of 1996 flows and understates the investment in used and useful plant by \$696,326 (line 2), and by allocating to non-used and useful plant to plant found to be 100% used and useful, understates the investment by \$253,116, or a

¹ At the Commission's Agenda Conference, this staff recommendation was approved without discussion or questions by the Commissioners (see p. 8 of transcript of June 10, 1997 agenda conference). There is no explanation as to an intended change in the Final Order.

total of \$949,442.

C. Imputed CIAC on Margin Reserve

27. The Final Order is in error in the wastewater operations in the amount of Margin Reserve off set with CIAC due to the error in investment previously outlined in paragraphs 25-27 above. As stated previously, the Order found the San Carlos and Phases 1 and 2 of the Three Oaks plant to be 100% used and useful, so there is no Margin Reserve in these plants. The Order states that prepaid connection fees should be recognized first in offsetting Margin Reserve, and on the balance, to limit the CIAC to 50% of the balance recognizing that it will be collected over the life of the Margin Reserve, not at the beginning. The only Margin Reserve available is in Phase 3 of the Three Oaks plant. The Final Order overstates CIAC and understates rate base. Appendix "F", in Column 6, line 2, show a margin reserve of \$617,496 (page 33 of the Final Order) which is the product of total treatment plant times the percent margin reserve in the used and useful investment (page 33 of the Final Order). As stated in paragraph 28, the San Carlos and Phase 1 & 2 of the Three Oaks plants are 100% used and useful so the only margin reserve available is in Phase 3 of the Three Oaks plant. Column 7, line 3 shows an investment of \$269,749 in margin reserve.

28. The Margin Reserve in the Three Oaks Plant, Phase 3 is \$269,749. See Appendix F, line 3, column 7.

29. Lines 6 to 11 in Appendix "F", attached hereto, reflect the principle set forth in the Order showing rate base should be increased \$78,760.

D. Valuation Data of CIAC

30. The Final Order overlooks the specific argument that Staff used an unapproved test period to determine the amount of CIAC. The test year approved by the Commission was the projected year ending December 31, 1996. Staff, however, ignored the approved projected test year and used for this purpose a test period ending September 30, 1996. The Final Order contains no explanation to support this deviation.

31. The Final Order is in error when it increased the amount of CIAC by \$115,371 for water and \$98,456 for wastewater. The Order compares CIAC for the 13-month average ending September 1996 with the 13-month average in the approved test year ending December 1996 and computed the difference stated above and added these amounts to the test period ending December 31, 1996. This is shown on Appendix G. Since these amounts were already included in the 1996 test period, there is a doubling of CIAC. The result is an understatement of rate base in the above stated amounts.

V. NET OPERATING INCOME

A. Customer Survey

32. Gulf has an obligation to provide adequate service. The Final Order states that Gulf does not have a quality of service problem. Gulf wants to maintain that level of service. The

Commission has overlooked Gulf's argument that the purpose of an annual survey is to practice good management which anticipates problems and solve them in the early stages. A customer survey is an accepted method of finding if there are service problems from the customers' viewpoint. To make a customer survey every 5 years, as provided in the order, is like closing the barn door after the horse is out of the barn. This method would wait until problems develop, then try to correct them. A better method is to anticipate problems and correct them in their infancy. That is how a company provides quality service.

33. The cost of the survey is \$9,744, allocated \$6,431 to water and \$3,313 to wastewater. These costs should be allowed as an operating expense.

B. Added Labor and Chemical Costs

34. Two costs, which are known and measurable, were overlooked and not included in determining the cost of service for the water operations. They are:

1. Chemical cost for stabilizing water in the distribution system..... \$49,594
2. The cost of two additional operators with the expansion of the Corkscrew WWTP..... \$56,764

Exhibit 45, Sch. 3, p. 1 of 2; T. 792.

35. These costs were unknown at the time of filing the case. However, Staff recognized these added costs in the Staff Audit

Report (Exhibit 24, p. 40), but failed to include them in net operating income. As testified to at hearing, the two additional operators were added to meet DEP rule requirement of 17-699. T. 792.

36. The Final Order is contrary to and overlooks caselaw which requires that the Commission recognize factors which affect future utility rates, and that test year data must be adjusted for known changes. Floridians United v. Public Service Commission, 475 So.2d 241 (Fla. 1985), Gulf Power Company v. Bevis, 289 So.2d 401 (1974).

37. The Final Order is contrary to § 367.081(3), Fla. Stat. These costs are a prudent cost of providing service during the test year 1996 and during the time the rates will be in effect and should be used to determine the revenue requirement that will allow the utility to earn a fair rate of return on its rate base.

C. Salaries and Expenses Allocation

38. The Final Order adjusted the salaries between Caloosa and Gulf, thus reducing Gulf's cost of service. The adjustments were:

	<u>Reduced Cost to Gulf</u>	
	<u>Water</u>	<u>Wastewater</u>
(Page 48) Salaries	\$5,905	\$3,042
(Page 61) Expenses	<u>6,096</u>	<u>3,140</u>
	\$12,001	\$6,182

39. The Final Order misapplies the law by failing to take into account actual, updated information in allocating salaries and other expenses between Gulf and its affiliate Caloosa. Sunshine Utilities v. Public Service Commission, 624 So.2d 306, 312 (Fla. 1st DCA 1993) (the best way to allocate employee expenses in a rate increase is actual time) Staff based its adjustment of salaries for employees who provide services to both Gulf and the Caloosa Group on internal accounting document called "Earnings and Deductions" for Caloosa. Exhibit 32. For each employee, it showed hours, hourly rate, and amount of salary applicable to Caloosa in the year 1989 and salaries were unchanged since that time. Gulf, on the other hand, made its allocations based upon updated, actual 1996 information.

40. The report called "Earnings and Deductions" has been updated, and today shows salary only. This conforms to the actual practice of the Company. The Final Order overlooks the testimony that Exhibit 32 is outdated and does not reflect current information.

41. As it relates to Gulf, the following language focused on page 51 of the order is not an accurate representation of the testimony presented by Gulf:

"It is not clear, however, what period Mr. Cardey used to analyze payroll costs or how he actually came up with percentages for time worked, other than subjectively arriving at a percentage just by talking to the employees."

On behalf of Gulf, Mr. Cardey reviewed with each of the five employees the service they perform for Caloosa, then made a study of the time it took to perform these services. T. 147, lines 6-8. In costing out these services, he used current payroll, taxes, and health insurance costs. T. 147, lines 21-25. Although the Final Order cites Sunshine Utilities, it rejects Gulf's actual-time analysis in favor of 1989 data. The Final Order's conclusion that the 1989 Report "should be a reflection of actual-time" [S.R. 91] is contrary to the uncontroverted testimony that it does not represent actual-time. T. 680.

42. On the allocation of administrative and general expenses, the order used a payroll basis to allocate these expenses because a more appropriate method could not be determined. T. 451-452. A comparison of Staff and Cardey's methods will show that Cardey allocated cost directly connected to the service rendered to Caloosa. The Final Order overlooks the fact that Mr. Cardey's allocation based upon actual-time is the most accurate methodology for allocating these expenses. E.g. Sunshine Utilities v. Public Service Commission, 624 So.2d 306, 312 (Fla. 1st DCA 1993) (best method of allocation based upon actual time), citing General Tel. Co. Of Fla. v. Florida Public Service Comm'n, 446 So.2d 1063, 1068 (Fla. 1984); Citizens of Fla. v. Hawkins, 356 So.2d 254, 260, n. 18 (Fla. 1978).

WHEREFORE, Gulf Utility Company requests as follows:

1. Enter an Order setting rates which will, at least, allow Gulf to meet its operating costs, have adequate revenue from utility operations to pay bond interest, a reasonable return on its equity, and to attract capital on reasonable terms to fund continuous plant expansion to meet its responsibilities as a utility, and meet regulatory requirements.

2. Correct the interim rate revenue deficiency by allowing a surcharge, as set forth in paragraphs 9 through 12 herein.

3. The Commission allow in rate base the used and useful investment in the 1.0 million gallons reject holding tank for the Corkscrew Water Treatment Plant, costing \$729,000 as set forth in paragraphs 13 through 20 above; in the alternative, that the Commission keep this docket open and confirm the construction of the 1.0 million gallon reject holding tank for the Corkscrew Water Treatment Plant, confirm the construction and upon completion of the construction, include the investment by Gulf in Gulf's rate base and adjust Gulf's revenue and approved rates appropriately;

4. Correct the calculation of the used and useful percentage for the water and wastewater treatment plants as set forth in paragraphs 21 through 26 above;

5. Correct the margin reserve calculation as set forth in paragraphs 27 through 29 herein;

6. Correct the valuation data of CIAC as described in paragraph 30 and 31 above;

7. Allow the costs of an annual customer survey, as set forth in paragraph 32 above;

8. Allow as an added operating expense, the chemical and labor costs, as set forth in paragraphs 34 through 37 above;

9. Allow the salaries and expenses allocation as set forth in paragraphs 38 through 40 above; and

10. Grant any other relief that may be deemed just and appropriate.

DATED this 30th day of July, 1997.

Respectfully submitted,



B. Kenneth Gatlin
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Tallahassee, FL 32308
(904) 877-5609

Attorneys for
GULF UTILITY COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand-delivery on this 30th day of July, 1997, to **MAGGIE O'SULLIVAN, ESQ.**, Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and **STEVE REILLY**, Associate Public Counsel, Office of Public Counsel, Claude Pepper Building, Room 812, 111 W. Madison Street, Tallahassee, Florida 32399-1400.

A handwritten signature in black ink that reads "B. Kenneth Gatlin". The signature is written in a cursive style with a large, stylized initial "B".

B. Kenneth Gatlin

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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MOTION FOR RECONSIDERATION**

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- Appendix C (pg. 6) - Affidavit of James W. Moore regarding One Million Gallon Reject Holding Tank
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In Re: Application for increase in) Docket No. 960234-WS
rates and service availability)
charges in Lee County by Gulf) Filed:
Utility Company)

APPENDIX A
AFFIDAVIT OF JAMES W. MOORE REGARDING
THE END RESULT DOCTRINE/EFFECT OF THE FINAL
ORDER ON GULF UTILITY COMPANY

STATE OF FLORIDA

COUNTY OF LEE

BEFORE ME, the undersigned authority, duly authorized by law to administer oaths and to take acknowledgments, on this day personally appeared James W. Moore, who, after being duly sworn on oath, deposes and says:

1. The end product of Order No. PSC-97-0847-FOF-WS is that Gulf Utility Company will not have sufficient earnings to service its outstanding debt, and will leave it in a seriously deteriorated financial condition where it cannot raise capital on reasonable terms to meet its public utility responsibility of providing adequate service to its customers.

2. Summarizing the order the company would have a loss of \$360,638. This is shown on Attachment 1 of this Affidavit. There is no way Gulf or any other utility can maintain quality service under such conditions, much less meet regulatory requirements and the growing demands for service in its service territory.

3. The record clearly indicates the Company provides safe and adequate service and has historically met the growing needs of its service area. This, in my view, is the standard the Commission has set for utilities operating under its jurisdiction.

4. The final order places Gulf at a crossroad; either it maintains quality service, or in the alternative, is forced to allow service to deteriorate as the result of inadequate earnings support.

5. Hopefully the Commission will give most serious consideration to the motion for reconsideration and grant the revenues requested and required by the Company.

FURTHER AFFIANT SAYS NAUGHT.

James W. Moore
JAMES W. MOORE, President
Gulf Utility Company

SWORN TO and SUBSCRIBED BEFORE me on this 28th day of July, 1997.

Personally Known ✓
Produced Identification _____
Type: _____

Kathleen M. Babcock
NOTARY PUBLIC
State of Florida at Large

My Commission Expires: 8/13/98



GUC-100
A1..H50

GULF UTILITY COMPANY
NET INCOME
PER ORDER NO PSC-97-0847-FOF-WS

	Description (1)	Order (2)	Added Labor & Chemicals (3)	As Adjusted (4)
1	Operation Revenues	\$ 3,488,980	\$	\$ 3,488,980
	Operation Revenues Deductions			
2	Operation & Maintenance	2,107,297	108,358 (b)	2,213,655
3	Depreciation	383,290		383,290
4	Taxes, Other	350,119		350,119
5	Income Taxes	37,696	(37,696)	0
6	Total	<u>2,878,402</u>	68,662	2,947,064
7	Operating Income	608,558	(68,662)	539,896
8	Interest Expense			
9	Interest(a)	883,113		883,113
10	Amortz of Debt Expense	17,421		17,421
11	Total	<u>900,534</u>		900,534
12	Net (Loss) Income	\$ (291,976)	\$ (68,662)	\$ (360,638)

(a) Total Interest

 Long Term Debt

\$ 882,471

 Notes

8,298

 Customer Deposits

12,344

883,113

MFR'S Page 124

MFR'S Page 123

@ 6 %

(b) 2 Added Employees at Corkscrew WTP

58,764

 Added Chemicals

49,594

108,358

GULF UTILITY COMPANY
WATER OPERATION
HOLDING TANK
USED AND USEFUL INVESTMENT

Line	Description (1)	Used and Useful			
		Flows (2)	Net Investment (3)	Investment (4)	(5)
1	Flows	3.439 MG (a)			
2	Less Capacity of San Carlos WTP	2.416			
3	Balance- Cortacrew WTP	1.023			
4	% Used & Useful(Line 3/ 3.0MGD)	34%			
5	Amount(b)		Plant	Dep Res	Net Plant
6	Tank(.34 x \$445,455 & \$11,138)		\$ 151,455	\$ 3,786	\$ 147,669
7	Pumps, Controls, Etc.		254,545	10,177	244,368
8	Total		\$ 406,000	\$ 13,963	\$ 392,037

(a) Source : Appendix D

(b) Source: Exhibit 8 Sch. A-1(3), Page 9

GULF UTILITY COMPANY
 WATER OPERATION
 ALLOCATION OF SFMWD GRANT

	Description (1)	Plant (2)	Allocation CIAC (3)	Amortz CIAC (4)	CIAC(Net) (5)
1	Reuse Line	\$ 200,000	\$ 48,154 (a)	1,403	\$ 44,751
2	Holding Tank				
3	Used & Useful	408,000	147,231	4,476	142,755
4	Nonused & Useful	294,000	108,615	3,241	103,374
5		700,000	255,846	7,717	248,129
n	Total	\$ 900,000	\$ 300,000	\$ 9,120	\$ 290,880

(a) Page 36 of Order No PSC-97-0847-FOF-WS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of GULF UTILITY) Docket No. 960329-WS
COMPANY for an increase in)
Wastewater Rates, approval of a)
decrease in Water Rates and)
approval of service availability)
charges in Lee County, Florida)

In Re: Application for increase in) Docket No. 960234-WS
rates and service availability)
charges in Lee County by Gulf) Filed:
Utility Company)

APPENDIX C
AFFIDAVIT OF JAMES W. MOORE REGARDING
ONE MILLION GALLON REJECT HOLDING TANK

STATE OF FLORIDA

COUNTY OF LEE

BEFORE ME, the undersigned authority, duly authorized by law to administer oaths and to take acknowledgments, on this day personally appeared James W. Moore, who, after being duly sworn on oath, deposes and says:

1. On May 20, 1997, Gulf entered a contract with Westra Construction Corporation to construct the 1,000,000 gallon holding tank for reject water and the related on-site facilities at Gulf's Corkscrew Water Treatment Plant. The contract calls for completion of the work to be performed by September 20, 1997. The cost of construction is \$462,000. the work is on schedule and within budget.

2. On May 27, 1997, Gulf entered a contract with Wharton-Smith, Inc. for construction of the off-site reuse system and system controls for disposal of the reject water from Gulf's Corkscrew Water Treatment Plant. The contract is in the amount of \$267,000 and calls for completion by September 24, 1997. The work is on schedule and within budget.

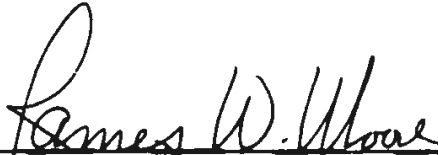
3. The total cost of the reject hold tank, piping and control is \$729,000.

4. Immediately upon completion these facilities will be put in service.

5. Copies of both agreements are Attachment 1 of this Affidavit.

6. Attachment 2 of this Affidavit are photos of the tank in construction on July 22nd and 24th, 1997.

FURTHER AFFIANT SAYS NAUGHT.



JAMES W. MOORE, President
Gulf Utility Company

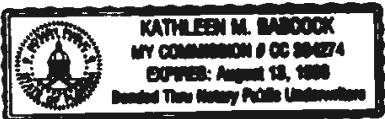
SWORN TO and SUBSCRIBED BEFORE me on this 28th day of July, 1997.

Personally Known ✓
Produced Identification _____
Type: _____



NOTARY PUBLIC
State of Florida at Large

My Commission Expires: 8/13/98



ATTACHMENT 1

- (1) Agreement between Gulf Utility Company
and Westra Construction Corporation**
- (2) Agreement between Gulf Utility Company
and Wharton-Smith, Inc.**

SECTION 00500 - AGREEMENT

THIS AGREEMENT is dated as of the 20th day of May in the year 1997
by and between GULF UTILITY COMPANY (hereinafter called OWNER) and WESTRA
CONSTRUCTION CORPORATION (hereinafter called CONTRACTOR).

OWNER and CONTRACTOR, in consideration of the mutual covenants hereinafter set forth,
agree as follows:

ARTICLE 1. WORK.

CONTRACTOR shall complete the WORK as specified or indicated in the OWNER's Contract Documents entitled Contract A; On-Site Reuse System Improvements at Corkscrew WTP.

The WORK is generally described as follows: Providing a storage tank complete piping, valves, equipment, and sitework including clearing, trenching, subfill, compaction, sod patching, and storage tank pad preparation services.

ARTICLE 2. CONTRACT TIMES.

The WORK shall be completed within 120 successive days from the commencement date stated in the Notice to Proceed.

ARTICLE 3. LIQUIDATED DAMAGES.

OWNER and the CONTRACTOR recognize that time is of the essence of this Agreement and that the OWNER will suffer financial loss if the WORK is not completed within the time specified in Article 2 herein, plus any extensions thereof allowed in accordance with Article 12 of the General Conditions. They also recognize the delays, expense, and difficulties involved in proving in a legal proceeding the actual loss suffered by the OWNER if the WORK is not completed on time. Accordingly, instead of requiring any such proof, the OWNER and the CONTRACTOR agree that as liquidated damages for delay (but not as a penalty) the CONTRACTOR shall pay the OWNER \$1,000 for each day that expires after the time specified in Article 2 herein.

Further, as liquidated damages for CONTRACTOR's delay in submitting its Record Drawings, or its Schedule of Values, the CONTRACTOR shall pay the OWNER \$1,000 for each day that expires after the time specified in Sections 01300, 01301, and 01311 of the General Requirements.

ARTICLE 4. CONTRACT PRICE.

OWNER shall pay CONTRACTOR for completion of the WORK in accordance with the Contract Documents in current funds the amount set forth in the Bid Schedule(s).

ARTICLE 5. PAYMENT PROCEDURES.

CONTRACTOR shall submit Applications for Payment in accordance with Article 14 of the General Conditions. Applications for Payment will be processed by ENGINEER as provided in the General Conditions.

ARTICLE 6. CONTRACT DOCUMENTS.

The Contract Documents which comprise the entire agreement between OWNER and CONTRACTOR concerning the WORK consist of this Agreement (pages 00500-1 to 00500-6, inclusive) and the following attachments to this Agreement:

- o Notice Inviting Bids (page 00030-1 to 00030-2).
- o Instructions to Bidders (pages 00100-1 to 00100-5, inclusive), with Minority Business Enterprise (MBE) Services directory.
- o Access Agreement (Pages 00101-1 to 00101-2).
- o Bid Forms including the Bid, Bid Schedule(s), Information Required of Bidder, Bid Bond, and all required certificates and affidavits (pages 00300-1 to 00300-12, inclusive).
- o Performance Bond (pages 00610-1).
- o Payment Bond (pages 00620-1).
- o General Conditions (pages 00700-1 to 00700-37, inclusive).
- o Supplementary General Conditions (pages 00800-1 to 00800-9, inclusive), with Universal Engineering attachment.
- o Technical Specifications consisting of 11 Divisions, as listed in the Table of Contents.
- o Drawings as listed in the Table of Contents/List of Drawings.
- o Addendum number 1 dated April 18, 1997, and Westra clarification of MBE selection dated May 9, 1997.
- o Change Orders which may be delivered or issued after Effective Date of the Agreement and are not attached hereto.

There are no Contract Documents other than those listed in this Article 6. The Contract Documents may only be amended by Change Order as provided in Paragraph 3.3 of the General Conditions.

ARTICLE 7. ASSIGNMENT

No assignment by a party hereto of any rights under or interests in the Contract Documents will be binding on another party hereto without the written consent of the party sought to be bound; and specifically but without limitation monies that may become due and monies that are due may not be assigned without such consent (except to the extent that the effect of this restriction may be limited by law), and unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under the Contract Documents.

OWNER and CONTRACTOR each binds itself, its partners, successors, assigns and legal representatives to the other party hereto, its partners, successors, assigns and legal representatives in respect of all covenants, agreements and obligations contained in the Contract Documents.

IN WITNESS WHEREOF, OWNER and CONTRACTOR have caused this Agreement to be executed the day and year first above written.

OWNER Gulf Utility Company

CONTRACTOR Westra Construction Corp.

By James W. Moore
James W. Moore, President

By Kenneth Beukema
(CORPORATE SEAL) Kenneth Beukema

Attest Kathleen M. Babcock
Kathleen M. Babcock

Attest J. A. McWhorter
J. A. McWhorter

Address for giving notices
P.O. Box 350
Estero, FL 33928

Address for giving notices
P.O. Box 1149, Palmetto, FL 34220-1149
License No. CG C055165

Approved as to Form:

(Signature)

(Title)

Agent for service of process: Kenneth Beukema
P. O. Box 1149, Palmetto, FL 34220

**AGREEMENT CERTIFICATE
(If Corporation)**

STATE OF Florida)
) SS:
COUNTY OF Manatee)


I HEREBY CERTIFY that a meeting of the Board of Directors of the Westra
Construction Corp.

a corporation existing under the laws of the State of Florida, held on
August 2, 1995, the following resolution was duly passed and adopted:

"RESOLVED, that Kenneth Baukema, as
President
of the Corporation, be and is hereby authorized to execute the Agreement dated _____,
19___, by and between this Corporation and GULF UTILITY COMPANY and that his/her
execution thereof, attested by the Secretary of the Corporation, and with the Corporate
Seal affixed, shall be the official act and deed of this Corporation."

I further certify that said resolution is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the
corporation this _____, day of May, 1997.


Secretary

(SEAL)

SECTION 00610 - PERFORMANCE BOND

79-0120-30302-97-2

KNOW ALL MEN BY THESE PRESENTS.

That WESTRA CONSTRUCTION CORPORATION as CONTRACTOR, and UNITED STATES FIDELITY AND GUARANTY COMPANY as Surety, are held and firmly bound unto GULF UTILITY COMPANY hereinafter called "OWNER," in the sum of

Four hundred sixty-two thousand and no/100 dollars, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH, that said CONTRACTOR has been awarded and is about to enter into the annexed Agreement with said OWNER to perform the WORK as specified or indicated in the Contract Documents entitled On-Site Reuse System Improvements at Corkscrew WTP.

NOW THEREFORE, if said CONTRACTOR SHALL perform all the requirements of said Contract Documents required to be performed on its part, at the times and in the manner specified therein, then this obligation shall be null and void, otherwise it shall remain in full force and effect.

PROVIDED, that any alterations in the WORK to be done or the materials to be furnished, or changes in the time of completion, which may be made pursuant to the terms of said Contract Documents, shall not in any way release said CONTRACTOR or said Surety hereunder, nor shall any extensions of time granted under the provisions of said Contract Documents, release either said CONTRACTOR or said Surety, and notice of such alterations or extensions of the Agreement is hereby waived by said Surety.

IN WITNESS WHEREOF, we have hereunder set our hands this 13th day of May 19 97

WESTRA CONSTRUCTION CORPORATION (SEAL) (CONTRACTOR)

By: [Signature] (Signature and SEAL) Kenneth Beukema, President

UNITED STATES FIDELITY AND GUARANTY COMPANY (SEAL) (Surety)

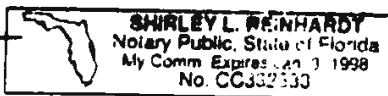
By: [Signature] (Signature and SEAL) W. P. CANNON, Attorney-in-Fact and Licensed Florida Agent

(SEAL AND NOTARIAL ACKNOWLEDGEMENT OF SURETY)

STATE OF FLORIDA COUNTY OF SARASOTA

The foregoing was acknowledged before me this 13th day of May 1997, by W. P. Cannon, Attorney-in-Fact, to represent United States Fidelity and Guaranty Company. W. P. Cannon is personally known to me.

[Signature] Shirley L. Reinhardt



SECTION 00620 - PAYMENT BOND

79-0120-30302-97-2

KNOW ALL MEN BY THESE PRESENTS,

**UNITED STATES FIDELITY AND
GUARANTY COMPANY**

That WESTRA CONSTRUCTION CORPORATION as **CONTRACTOR**, and UNITED STATES FIDELITY AND GUARANTY COMPANY as **Surety**, are held and firmly bound unto **GULF UTILITY COMPANY** hereinafter called "**OWNER**," in the sum of Four hundred sixty-two thousand and no/100 dollars, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH, that said **CONTRACTOR** has been awarded and is about to enter into the annexed Agreement with said **OWNER** to perform the **WORK** as specified or indicated in the Contract Documents entitled **On-Site Reuse System Improvements at Corkscrew WTP**.

NOW THEREFORE, if said **CONTRACTOR**, or subcontractor, fails to pay for any materials, equipment, or other supplies, or for rental of same, used in connection with the performance of work contracted to be done, or for amounts due under applicable State law for any work or labor thereon, said **Surety** will pay for the same in an amount not exceeding the sum specified above, and, in the event suit is brought upon this bond, reasonable attorney's fees to be fixed by the court. This bond shall inure to the benefit of any persons, companies, or corporations entitled to file claims under applicable State law so as to give a right of action to them or their assigns in any suit brought upon this bond.

PROVIDED, that any alterations in the **WORK** to be done or the materials to be furnished, or changes in the time of completion, which may be made pursuant to the terms of said Contract Documents, shall not in any way release said **CONTRACTOR** or said **Surety** thereunder, nor shall any extensions of time granted under the provisions of said Contract Documents release either said **CONTRACTOR** or said **Surety**, and notice of such alterations or extensions of the Agreement is hereby waived by said **Surety**.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 13th day of May, 1997.

WESTRA CONSTRUCTION CORPORATION
(CONTRACTOR)
By: *Keeney Beuchamp*
Keeney Beuchamp, President
(Signature and SEAL)

UNITED STATES FIDELITY AND GUARANTY COMPANY
(Surety)
By: *W. P. Cannon*
W. P. Cannon, Attorney-in-Fact & Licensed Florida Agent
(Signature and SEAL)

(SEAL AND NOTARIAL ACKNOWLEDGEMENT OF SURETY)
STATE OF FLORIDA, COUNTY OF SARASOTA. The foregoing was acknowledged before me this 13th day of May 1997, by W. P. Cannon, Attorney-in-Fact, UNITED STATES FIDELITY AND GUARANTY COMPANY. W. P. Cannon is personally known to me.
Shirley L. Reinhardt
Notary Public
My Comm. Expires on 3/19/98
No. CCJ32333



United States Fidelity and Guaranty Company

Power of Attorney

No. 110258

Know all men by these presents: That United States Fidelity and Guaranty Company, a corporation organized and existing under the laws of the State of Maryland and having its principal office at the City of Baltimore, in the State of Maryland, does hereby constitute and appoint **W.P. Cannon, Anthony T. Papa, Jr., Eleanor M. Gariepy and Alan K. Shoop**

of the City of **Sarasota** .State of **Florida** its true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety to, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof on behalf of the Company in its business of guaranteeing the fidelity of persons; guaranteeing the performance of contracts; and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, the said United States Fidelity and Guaranty Company, has caused this instrument to be sealed with its corporate seal, duly attested by the signatures of its Vice President and Assistant Secretary, this **7th** day of **March** .AD 19**97**.



United States Fidelity and Guaranty Company.

(Signed) By *Gary A. Wilson* Vice President

(Signed) By *Thomas E. Hulbragtas* Assistant Secretary

State of Maryland)

SS:

Baltimore City)

On this **7th** day of **March** .AD. 19**97** before me personally came **Gary A. Wilson, Vice President of United States Fidelity and Guaranty Company, and Thomas E. Hulbragtas, Assistant Secretary of said Company**, with both of whom I am personally acquainted, who being by me severally duly sworn, said, that they, the said **Gary A. Wilson and Thomas E. Hulbragtas** were respectively the **Vice President and the Assistant Secretary** of the said **United States Fidelity and Guaranty Company**, the corporation described in and which executed the foregoing **Power of Attorney**; that they each knew the seal of said corporation; that the seal affixed to said **Power of Attorney** was such corporate seal, that it was so affixed by order of the **Board of Directors** of said corporation, and that they signed their names thereto by his order as **Vice President and Assistant Secretary, respectively, of the Company**.

My Commission expires the **1st** day of **August** .AD. 19**98**.



(Signed) By *Thomas L. Sulbright* Notary Public

This **Power of Attorney** is granted under and by authority of the following Resolutions adopted by the **Board of Directors** of the **United States Fidelity and Guaranty Company** on **September 24, 1992**:

Resolved, that in connection with the fidelity and surety insurance business of the Company, all bonds, undertakings, contracts and other instruments relating to said business may be signed, executed, and acknowledged by persons or entities appointed as **Attorney(s)-in-Fact** pursuant to a **Power of Attorney** issued in accordance with these resolutions. Said **Power(s) of Attorney** for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the **Chairman, or the President, or an Executive Vice President, or a Senior Vice President, or a Vice President or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary**, under their respective designations. The signature of each officer may be engraved, printed or lithographed. The signature of each of the foregoing officers and the seal of the Company may be affixed by facsimile to any **Power of Attorney** or to any certificate relating thereto appointing **Attorney(s)-in-Fact** for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and subject to any limitations set forth therein, any such **Power of Attorney** or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is validly attached.

Resolved, That **Attorney(s)-in-Fact** shall have the power and authority, and, in any case, subject to the terms and limitations of the **Power of Attorney** issued to them, to execute and deliver on behalf of the Company and to attach the seal of the Company to any and all bonds and undertakings; and other writings obligatory in the nature thereof, and any such instrument executed by such **Attorney(s)-in-Fact** shall be as binding upon the Company as if signed by an **Executive Officer** and sealed and attested to by the **Secretary of the Company**.

I, **Thomas E. Hulbragtas**, an **Assistant Secretary of the United States Fidelity and Guaranty Company**, do hereby certify that the foregoing are true excerpts from the **Resolutions of the said Company** as adopted by its **Board of Directors** on **September 24, 1992** and that these **Resolutions** are in full force and effect.

I, the undersigned **Assistant Secretary of the United States Fidelity and Guaranty Company**, do hereby certify that the foregoing **Power of Attorney** is in full force and effect and has not been revoked.

In Testimony Whereof, I have hereunto set my hand and the seal of the **United States Fidelity and Guaranty Company**,

on this **13th** day of **May** .19 **97**



Thomas E. Hulbragtas
Assistant Secretary

FLORIDA

IMPORTANT NOTICE TO POLICYHOLDERS AND CERTIFICATE HOLDERS

In the event you have any questions or need information about this certificate for any reason, please **contact your local Sales Producer, whose name and telephone number appears on the front lower right hand corner of this certificate.** The appropriate local Sales Office mailing address may also be obtained by calling this number.

ACORD. CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY)

5/13/1997

PRODUCER

Nicholas & Cannon/Amer Phoenix
 P O Box 1419
 Sarasota, FL 34230-1419
 (941)365-3630 Fax(941)951-0437

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

- COMPANY LETTER **A TRAVELERS**
- COMPANY LETTER **B**
- COMPANY LETTER **C**
- COMPANY LETTER **D**
- COMPANY LETTER **E**

INSURED

WESTRA CONSTRUCTION CORP
 PO BOX 1149
 PALMETTO, FL 34220-1149

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY				GENERAL AGGREGATE \$ 2,000,000
X	COMMERCIAL GENERAL LIABILITY	880290K848	07/01/96	07/01/97	PRODUCTS-COMP/OP AGG. \$ 2,000,000
	CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				PERSONAL & ADV INJURY \$ 1,000,000
	OWNERS & CONTRACTORS PROT.				EACH OCCURRENCE \$ 1,000,000
					FIRE DAMAGE (Any one fire) \$ 50,000
					MED. EXPENSE (Any one person) \$ 5,000
	AUTOMOBILE LIABILITY				COMBINED SINGLE LIMIT \$ 1,000,000
A	X ANY AUTO	81290K887	07/01/96	07/01/97	BODILY INJURY (Per person) \$
	ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	SCHEDULED AUTOS				PROPERTY DAMAGE \$
X	HIRE AUTOS				EACH OCCURRENCE \$ 7,000,000
X	NON-OWNED AUTOS				AGGREGATE \$ 7,000,000
	GARAGE LIABILITY				STATUTORY LIMITS
	EXCESS LIABILITY				EACH ACCIDENT \$
A	X UMBRELLA FORM	CUP290K8404	07/01/96	07/01/97	DISEASE - POLICY LIMIT \$
	OTHER THAN UMBRELLA FORM				DISEASE - EACH EMPLOYEE \$
	WORKER'S COMPENSATION				
	AND				
	EMPLOYERS' LIABILITY				
	OTHER				

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

RE: On-Site Reuse System Improvements at Corkscrew WTP
 The Certificate Holder is named as an Additional Insured-Owner

CERTIFICATE HOLDER

GULF UTILITY COMPANY
 PO BOX 350
 19910 S TAMiami TRAIL
 ESTERO FL 33928-0350

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 60 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES

AUTHORIZED REPRESENTATIVE

Deanne M. Garcia

BACKED CORPORATION 1988

Notice to Proceed

To

Westra Construction Corporation
1209 21st Street East
Palmetto, Florida 34221

Attention: Mr. Allen Dunn

Project Gulf Utility Company - Contract A No. 350

Construction Contract No. NA

Type of Contract Lump sum

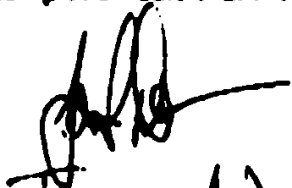
Amount of Contract \$462,000

You are hereby notified to commence work on the referenced contract on 5-20-1997, and shall fully complete all of the work of said contract within 120 consecutive calendar days thereafter.

Your completion date is therefore 8-20 19 97 [9-20-97 S.A.D.]

The contract provides for an assessment of the sum of \$ 1,000 as liquidated damages for each consecutive calendar day after the above established completion date that the work remains incomplete.

Dated 20th day of MAY 1997

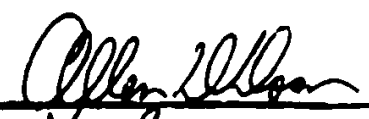

By JONATHAN A. DIETRICH
Title Senior Engineer

ACCEPTANCE OF NOTICE

Receipt of the foregoing Notice of Award is hereby acknowledged

By Westra Construction Corp

this 21st day of MAY 1997.


By Allen Dunn
Title Vice Pres.

Certificate of Insurance

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON YOU. THE CERTIFICATE HOLDER. THIS CERTIFICATE IS NOT AN INSURANCE POLICY AND DOES NOT AMEND, EXTEND, OR ALTER THE COVERAGE AFFORDED BY THE POLICIES LISTED BELOW.

This is to Certify that

**WESTRA CONSTRUCTION CORPORATION &
W.L.M. INCORPORATED
P.O. BOX 1149
PALMETTO, FLORIDA 34220-1149**

← Name and address of Insured.



is, at the issue date of this certificate, insured by the Company under the policy(ies) listed below. The insurance afforded by the listed policy(ies) is subject to all their terms, exclusions and conditions and is not altered by any requirement, term or condition of any contract or other document with respect to which this certificate may be issued.

TYPE OF POLICY	EXP. DATE • <input type="checkbox"/> CONTINUOUS <input type="checkbox"/> EXTENDED <input checked="" type="checkbox"/> POLICY TERM	POLICY NUMBER	LIMIT OF LIABILITY	
WORKERS COMPENSATION	3-1-98	WC2-151-275137-017	COVERAGE AFFORDED UNDER WC LAW OF THE FOLLOWING STATES: FLORIDA	EMPLOYERS LIABILITY Bodily Injury By Accident Each Accident \$100,000 Bodily Injury By Disease Policy Limit \$500,000 Bodily Injury By Disease Each Person \$100,000
GENERAL LIABILITY <input checked="" type="checkbox"/> OCCURRENCE <input type="checkbox"/> CLAIMS MADE	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">RETRO DATE</div>		General Aggregate - Other than Products/Completed Operations <hr/> Products/Completed Operations Aggregate <hr/> Bodily Injury and Property Damage Liability Per Occurrence <hr/> Personal and Advertising Injury Per Person/Organization <hr/> Other Other	
AUTOMOBILE LIABILITY <input type="checkbox"/> OWNED <input type="checkbox"/> NON-OWNED <input type="checkbox"/> HIRED			Each Accident - Single Limit B.I. and P.D. Combined <hr/> Each Person <hr/> Each Accident or Occurrence <hr/> Each Accident or Occurrence	
OTHER				

ADDITIONAL COMMENTS

RE: Job MW-081595
1324022.053501-Contract A
On-Site Reuse System Improvements at Corkscrew WTP

* If the certificate expiration date is continuous or extended term, you will be notified if coverage is terminated or reduced before the certificate expiration date

SPECIAL NOTICE-OMG: ANY PERSON WHO, WITH INTENT TO DEFRAUD OR KNOWING THAT HE IS FACILITATING A FRAUD AGAINST AN INSURER, SUBMITS AN APPLICATION OR FILES A CLAIM CONTAINING A FALSE OR DECEPTIVE STATEMENT IS GUILTY OF INSURANCE FRAUD.

NOTICE OF CANCELLATION: (NOT APPLICABLE UNLESS A NUMBER OF DAYS IS ENTERED BELOW.) BEFORE THE STATED EXPIRATION DATE THE COMPANY WILL NOT CANCEL OR REDUCE THE INSURANCE AFFORDED UNDER THE ABOVE POLICIES UNTIL AT LEAST 30 DAYS

NOTICE OF SUCH CANCELLATION HAS BEEN MAILED TO:

Gulf Utility Company

Liberty Mutual Group

Ralph L. Barnes

CERTIFICATE HOLDER

AUTHORIZED REPRESENTATIVE

TAMPA

(800) 282-6218

MAY 15 1997

OFFICE

PHONE NUMBER

DATE ISSUED

Page 16 of 34

FLORIDA

IMPORTANT NOTICE TO POLICYHOLDERS AND CERTIFICATE HOLDERS

In the event you have any questions or need information about this certificate for any reason, please contact your local Sales Producer, whose name and telephone number appears on the front lower right hand corner of this certificate. The appropriate local Sales Office mailing address may also be obtained by calling this number.

ACORD. CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY)

5/13/1997

PRODUCER

Nicholas & Cannon/Amer Phoenix
 P O Box 1419
 Sarasota, FL 34230-1419
 (941)365-3630 Fax(941)951-0437

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COMPANIES AFFORDING COVERAGE

- COMPANY LETTER **A TRAVELERS**
- COMPANY LETTER **B**
- COMPANY LETTER **C**
- COMPANY LETTER **D**
- COMPANY LETTER **E**

INSURED

WESTRA CONSTRUCTION CORP

 PO BOX 1149
 PALMETTO, FL 34220-1149

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY				
X	COMMERCIAL GENERAL LIABILITY CLAIMS MADE <input checked="" type="checkbox"/> OCCUR. OWNERS & CONTRACTORS PROT.	880290K8428	07/01/96	07/01/97	GENERAL AGGREGATE \$ 2,000,000 PRODUCTS-COMP/OP AGG \$ 2,000,000 PERSONAL & ADV INJURY \$ 1,000,000 EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (Any one fire) \$ 50,000 MED EXPENSE (Any one person) \$ 5,000
	AUTOMOBILE LIABILITY				
A X	ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS GARAGE LIABILITY	81290K8387	07/01/96	07/01/97	COMBINED SINGLE LIMIT \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE \$
	EXCESS LIABILITY				
A X	UMBRELLA FORM OTHER THAN UMBRELLA FORM WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY	CUP290K8404	07/01/96	07/01/97	EACH OCCURRENCE \$ 7,000,000 AGGREGATE \$ 7,000,000 STATUTORY LIMITS EACH ACCIDENT \$ DISEASE - POLICY LIMIT \$ DISEASE - EACH EMPLOYEE \$
	OTHER				

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

RE: On-Site Reuse System Improvements at Corkscrew WTP
 The Certificate Holder is named as an Additional Insured-Owner

CERTIFICATE HOLDER

GULF UTILITY COMPANY
 PO BOX 350
 19910 S TAMiami TRAIL
 ESTERO FL 33928-0350

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 60 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Deanne M. Garcia

ACORD CORPORATION 1988

Notice to Proceed

To

Westra Construction Corporation
1209 21st Street East
Palmetto, Florida 34221

Attention: Mr. Allen Dean

Project Gulf Utility Company - Contract A No. 350

Construction Contract No. NA

Type of Contract Lump sum

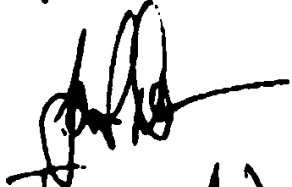
Amount of Contract \$462,000

You are hereby notified to commence work on the referenced contract on 5-20-1997, and shall fully complete all of the work of said contract within 120 consecutive calendar days thereafter.

Your completion date is therefore 8-20 19 97 [9-20-97 SAT]

The contract provides for an assessment of the sum of \$ 1,000 as liquidated damages for each consecutive calendar day after the above established completion date that the work remains incomplete.

Dated 20th day of MAY 1997

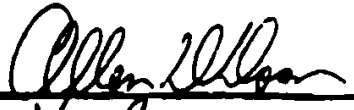

By JONATHAN A. DIETRICH
Title SENIOR ENGINEER

ACCEPTANCE OF NOTICE

Receipt of the foregoing Notice of Award is hereby acknowledged

By Westra Construction Corp

this 21st day of MAY 1997.


By Allen Dean
Title Vice Pres.

SECTION 00500 - AGREEMENT

**THIS AGREEMENT is dated as of the 27th day of May in the year 1997
by and between GULF UTILITY COMPANY (hereinafter called OWNER) and
WHARTON-SMITH, INC.
(hereinafter called CONTRACTOR).**

OWNER and CONTRACTOR, in consideration of the mutual covenants hereinafter set forth, agree as follows:

ARTICLE 1. WORK.

CONTRACTOR shall complete the WORK as specified or indicated in the OWNER's Contract Documents entitled Contract B; Off-Site Reuse System Improvements.

The WORK is generally described as follows: Providing trenching, clearing, piping, valves, equipment, conduit, wiring, instrumentation and control hardware, SCADA modifications, PLC programming changes, revised graphic interface screens, and all control software adjustments for communications and control functions between three golf course reuse sites, San Carlos WTP, Three Oaks WWTP and Corkscrew WTP.

ARTICLE 2. CONTRACT TIMES.

The WORK shall be completed within (480) 120 successive days from the commencement date stated in the Notice to Proceed.

ARTICLE 3. LIQUIDATED DAMAGES.

OWNER and the CONTRACTOR recognize that time is of the essence of this Agreement and that the OWNER will suffer financial loss if the WORK is not completed within the time specified in Article 2 herein, plus any extensions thereof allowed in accordance with Article 12 of the General Conditions. They also recognize the delays, expense, and difficulties involved in proving in a legal proceeding the actual loss suffered by the OWNER if the WORK is not completed on time. Accordingly, instead of requiring any such proof, the OWNER and the CONTRACTOR agree that as liquidated damages for delay (but not as a penalty) the CONTRACTOR shall pay the OWNER \$1,000 for each day that expires after the time specified in Article 2 herein.

Further, as liquidated damages for CONTRACTOR's delay in submitting its Record Drawings, or its Schedule of Values, the CONTRACTOR shall pay the OWNER \$1,000 for each day that expires after the time specified in Sections 01300, 01301, and 01311 of the General Requirements.

ARTICLE 4. CONTRACT PRICE.

OWNER shall pay CONTRACTOR for completion of the WORK in accordance with the Contract Documents in current funds the amount set forth in the Bid Schedule(s).

ARTICLE 5. PAYMENT PROCEDURES.

CONTRACTOR shall submit Applications for Payment in accordance with Article 14 of the General Conditions. Applications for Payment will be processed by ENGINEER as provided in the General Conditions.

ARTICLE 6. CONTRACT DOCUMENTS.

The Contract Documents which comprise the entire agreement between OWNER and CONTRACTOR concerning the WORK consist of this Agreement (pages 00500-1 to 00500-3, inclusive) and the following attachments to this Agreement:

- o Notice Inviting Bids (page 00030-1).
- o Instructions to Bidders (pages 00100-1 to 00100-5, inclusive), with Minority Business Enterprise (MBE) Services directory attachment.
- o Access Agreement (page 00101-1).
- o Bid Forms including the Bid, Bid Schedule(s), Information Required of Bidder, Bid Bond, and all required certificates and affidavits (pages 00300-1 to 00300-13, inclusive).
- o Performance Bond (page 00810-1).
- o Payment Bond (pages 00820-1).
- o General Conditions (pages 00700-1 to 00700-38, inclusive).
- o Supplementary General Conditions (pages 00800-1 to 00800-9, inclusive).
- o Technical Specifications consisting of 11 Divisions, as listed in the Table of Contents.
- o Drawings as listed in the Table of Contents/List of Drawings.
- o Addendum number 1
- o Change Orders which may be delivered or issued after Effective Date of the Agreement and are not attached hereto.

There are no Contract Documents other than those listed in this Article 6. The Contract Documents may only be amended by Change Order as provided in Paragraph 3.3 of the General Conditions.

ARTICLE 7. ASSIGNMENT

No assignment by a party hereto of any rights under or interests in the Contract Documents will be binding on another party hereto without the written consent of the party sought to be bound; and specifically but without limitation monies that may become due and monies that are due may not be assigned without such consent (except to the extent that the effect of this restriction may be limited by law), and unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under the Contract Documents.

OWNER and CONTRACTOR each binds itself, its partners, successors, assigns and legal representatives to the other party hereto, its partners, successors, assigns and legal representatives in respect of all covenants, agreements and obligations contained in the Contract Documents.

IN WITNESS WHEREOF, OWNER and CONTRACTOR have caused this Agreement to be executed the day and year first above written.

OWNER Gulf Utility Company

James W. Moore

By James W. Moore, President

Attest Kathleen M. Babcock
Kathleen M. Babcock

Address for giving notices

P.O. Box 350

Estaro, FL 33928

CONTRACTOR Wharton-Smith, Inc.

George E. Smith

By George E. Smith, President

[CORPORATE SEAL]

Attest William C. Robinson, Jr., Secretary

Address for giving notices

P. O. Box 471028

Lake Monroe, FL 32747

License No. CG C032669

Approved as to Form:

(Signature)

(Title)

Agent for service of process: George E. Smith

**AGREEMENT CERTIFICATE
(If Corporation)**

STATE OF Florida)
COUNTY OF Seminole) SS:


I HEREBY CERTIFY that a meeting of the Board of Directors of the _____
Wharton-Smith, Inc.

a corporation existing under the laws of the State of Florida, held on
July 15, 1992, the following resolution was duly passed and adopted:

"RESOLVED, that George E. Smith, as
President
of the Corporation, be and is hereby authorized to execute the Agreement dated May 27
19 92 by and between this Corporation and GULF UTILITY COMPANY and that his/her
execution thereof, attested by the Secretary of the Corporation, and with the Corporate
Seal affixed, shall be the official act and deed of this Corporation."

I further certify that said resolution is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the
corporation this 22nd day of May, 1997.


Secretary
William C. Robinson, Jr.

(SEAL)

BID SCHEDULE- LUMP SUM

Schedule of prices for construction of Contract B; Off-Site Reuse System Improvements in accordance with the Contract Documents.

Item No.	Description	Amount
1.	Provide reuse monitoring system improvements including Remote Telemetry Units, wiring, instrumentation and control hardware, complete with all associated attachments and appurtenances for three reuse stations, Three Oaks WWTP and Corkscrew WTP.	Lump Sum \$ <u>115,000⁰⁰</u>
2.	Provide SCADA modifications, PLC programming changes, revised graphic interface screens, and all control software adjustments to enable communications and control functions between three reuse stations, San Carlos WTP, Three Oaks WWTP and Corkscrew WTP.	Lump Sum \$ <u>80,000⁰⁰</u>
3.	Provide piping, valves, conduit, trenching, equipment and associated attachments and appurtenances for three reuse stations, Three Oaks WWTP and Corkscrew WTP.	Lump Sum \$ <u>72,000⁰⁰</u>

TOTAL BID PRICE FOR SCHEDULE (Items 1-3 inclusive)

For the lump sum of \$ 267,000

(Price in Figures)

Two Hundred Sixty-Seven Thousand Dollars

(Price in Words)

Notice to Proceed

To

Warton-Smith, Inc.
5600 Mariner Street, Suite 200
Tampa, Florida 33609

Attention: Mr. Grady Higginbotham

Project Gulf Utility Company Contract B No. _____

Construction Contract No. _____

Type of Contract Lump Sum


Amount of Contract \$267,000

You are hereby notified to commence work on the referenced contract on May 27 19⁹⁷ and shall fully complete all of the work of said contract within 120 consecutive calendar days thereafter.

Your completion date is therefore Sept. 24 1997

The contract provides for an assessment of the sum of \$ 1,000 as liquidated damages for each consecutive calendar day after the above established completion date that the work remains incomplete.

Dated 27th day of May 19 97



By JONATHAN A. DIETRICH
Title SR. Engineer/Project Manager

ACCEPTANCE OF NOTICE

Receipt of the foregoing Notice of Award is hereby acknowledged

By Warton-Smith, Inc. (Tampa Office)

this 27 day of May 19 97


By Grady L. Higginbotham
Title Project Manager

Attachment 2

**Photographs taken on July 22, 1997 and July 24, 1997
of the One Million Gallon Reject Holding Tank**

**GULF UTILITY COMPANY
 WATER OPERATIONS
 ERRORS IN 1996 TEST YEAR FLOWS**

	1995 (1)	1996 (2)
1. Plant Capacity (mgd)	4 215	4 215
2. Average of Five Day Max. (mgd)	2 746	2 746
3. Florida Gulf Coast University(Per Contract)		0 073
4. 430 ERC x 365 Gal./ERC (b)	2 746	0 157 2 976
5. Required Fire Flow(a)	0 180	0 180
6. Margion Reserve(a)	0 283	0 283
7. Total Flows (mgd)	3 209	3 439
8. Used & Useful (5/1)	76 15% (a)	81 59%
9. Non-Used & Useful	23 85%	18 41%

(a) Source Page 20 of Order No. PSC-97-0847-FOF-WS

(b) Source Page 35 of Staff's Memorandum Dated 5/29/97
 5 Max Days (mgd) 2,746,000
 Avg No of ERC'S 7,526
 Gal/ERC 365

GULF UTILITY COMPANY
WATER OPERATION
ADJUSTMENT TO NONUSED AND USEFUL PLANT

	Nonused and Useful Plant			Investment	
	Amount(a) (1)	Percent		Order (4)	Adjusted (5)
		Order(b) (2)	Adjusted(b) (3)		
Treatment Equipment (Net)	\$ 2,774,152	23.85 %	18.41 %	\$ 661,635	\$ 510,721
Membrane Unit	<u>104,000</u>	23.85	18.41	<u>24,804</u>	<u>19,146</u>
	<u>\$ 2,878,152</u>			<u>\$ 686,439</u>	<u>\$ 529,868</u>
Difference					\$ (156,571)

(a) Staff's Workpapers
(b) Source Page 1 , Columns 1 & 2, Line 9

GULF UTILITY COMPANY
 WASTEWATER OPERATIONS
 ERRORS IN 1996 TEST YEAR FLOWS
 THREE OAKS WWTP

	1995 (1)	1996 (2)
1 Capacity of Plants(mgd)	0.750	0.750
2 Ave Daily Flow in Max Month(mgd)	0.428	0.428
3 Annual Growth		
4 1996 495 ERC x 152 Gals./ERC (b)		0.075
5 Florida Gulf Coast University (Per Contract)		0.052
6 Margin Reserve	0.113	0.113
7 Total Flow	0.541	0.668
8 Percent Used & Useful	72.11%(a)	89.07%
9 Percent Non-Used & Useful	27.89%	10.93%

(a) Source: Page 23 of Order No. PSC-97-0847-FOF-WS

(b) Source: Page 42 of Staff's Memorandum Dated 5/29/97

Avg Daily Flows - Max Month - gd	428,000
Avg No of ERC'S	2,817
Gals/ERC	152

	Amount (1)	Nonused and Useful Plant Percent		Order (4)	Investment		Difference (6)
		Order(b) (2)	Adjusted(b) (3)		Adjusted (5)		
Adjustment for Flows							
1	Treatment Equipment(Net)(a)						
2	Acc't 354,380,381,382	\$ <u>4,105,883</u>	27.88	10.93	\$ <u>1,145,078</u>	\$ <u>448,752</u>	\$ (896,326)
Remove investment in San Carlos and Phases 1 & 2 in Three Oaks Plants							
3	Net Investment						
4	Total (Line 2)	\$ 4,105,883	0.1083		\$ 448,752	\$	
5	Three Oaks - Phase 3(c)	<u>1,788,888</u>		0.1083	<u> </u>	<u>195,636</u>	
6	Difference	\$ <u>2,315,784</u>					\$ (253,116)
7	Total						\$ <u>(949,442)</u>

(a) Staff's Workpapers
 (b) Source Page 1 , Columns 1 & 2, Line 9
 (c) 13 Month Average, Included in MFR'S , Exhibit 8

	Plant	Dep	Net Plant
Three Oaks WWTP - Phase 3	\$ 1,858,175	\$ 70,754	\$ 1,787,421
Chlorine Contact Tank (Page 12 of Order)	<u>4,480</u>	<u>1,882</u>	<u>2,478</u>
	1,862,635	72,736	1,788,888

GULF UTILITY COMPANY
WASTEWATER OPERATION
CIAC OFF-SETTING MARGIN RESERVE

Description	Total Plant(Net)	Nonused & Useful	Used & Useful	% Margin Reserve(b)	Order	Adjusted	Difference
(1)	(2)			(5)	(6)	(7)	(8)
Investment in Margin Reserve							
					<u>Investment</u>		
1 Treatment Equipment(Net)							
2 Order (Acct 354,360,361,362)	\$ 4,105,693	\$ 1,144,257	\$ 2,961,436	20.85	\$ 617,498		
3 Three Oaks Phase 3	1,780,899	195,636	1,584,263	16.92		\$ 289,740	
4 Difference							\$ 347,747
					<u>CIAC</u>		
5 Off-Setting CIAC							
6 Prepaid Connection Fees(a)					\$ 350,978	\$ 289,740	
7 Investment (Line 2) Less Prepaid Fees (Line 6)					-	-	
8 50% x Line 7							
9 Total(Line 6 + Line 8)					350,978	289,740	\$ 81,228
10 Amortization of CIAC @ 3.04%							<u>2,480</u>
11 CIAC (Net)							<u>78,768</u>

(a) Total Prepaid Connection Fees - \$ 350,978 (Page 30)

(b) Source Appendix E

Flows	Per Order		As Adjusted	
	Mgd	%	Mgd	%
Margin Reserve	0.428	79.15	0.555	83.08
Total	0.113	20.85	0.113	16.92
	0.541	100.00	0.668	100.00

Staff determined 13 month average accumulated amortization using the company number and compared these amounts to the company projected accumulated amortization of CIAC.

	<u>Water</u>	<u>Wastewater</u>
Per staff 13 mth. avg. 9/96	\$2,826,953.53	\$1,877,617.73
Per company A-14	2,942,325.00	1,976,074.00
Difference	\$ (115,371.53)	\$ (98,456.33)

The staff computation does not include forecasted CIAC not yet recorded. This CIAC is for the University of \$261,350 and for the Force main on Corkscrew of \$127,525.92. Even if these were amortized for an entire year, using the average CIAC amortization, the increase would only be \$11,588 for both water and wastewater, not the \$213,827.86 difference above.

RECOMMENDATION: The company should recompute amortization on cash using a yearly composite and not true-up contributed property to those rates. Staff did not compute the effects on accumulated amortization.

Water expenses need to be reduced by \$12,966.85 and wastewater expenses increased by \$7,328.67.

Rate base should be decreased by \$115,371.53 for water and \$98,456.33 for wastewater.