

Leonard Jeter
63 1/2 Big Daddy Drive
Panama City Beach, FL 32407
(850) 234-6668

April 27, 1999

Joe Garcia, Chairman
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RE: Docket No. 971401-WS

Dear Mr. Garcia,

I am an employee of and a customer of Bayside Utilities, Inc. in Panama City Beach, Florida. I have operated the company for over twenty years. During a recent rate case which has now concluded, the Commission received an unsigned anonymous fax from Panama City Beach. That fax made terrible allegations concerning me and the theft of utility equipment and supplies. I was visited by a representative of the PSC and was asked if I had stolen the equipment. I, of course had not, and asked that they would immediately travel to my property in Washington County and check the property.

The only thing they would have found on that property would have been gopher holes and trees. I answered the allegations in writing and in my answer I made a specific formal request that the Public Service Commission immediately turn this matter over to the Florida Department of Law Enforcement for investigation and prosecution of any individual that could be identified as the author of the letter and if a crime had been committed by the writing of the letter. I believe that state statutes would indicate that it is against the law for an individual to write such a document to a regulatory agency concerning a company and an employee that the agency regulates. I received from the Commission a letter assuring me that absolutely no weight or bearing would be given to the anonymous letter. But I still want this matter resolved with the person responsible for the letter being held accountable and answering for whatever laws he may have violated.

I am enclosing a copy of the letter and the map that was faxed to the PSC and I am also enclosing the proof from the Washington County courthouse, in the form of a transaction report from their fax machine, showing that the map document was faxed to Mr. James A. Wharton's fax number in Panama City Beach. I also intend to ask the State Attorney to look into this matter for possible violations of the law.

I respectfully request an action on this matter and my good name and reputation restored in the form of a public apology from Mr. Wharton and any others that may have colluded with him in the production of this document. Thank you.

Sincerely,


Leonard Jeter

cc: James A. Wharton
Tarver Kitchens
Bob Pattillo
Jerry Austin
Steve Burgess, Office of Public Counsel
Julian Bennett, Attorney
Blanca Bayó, Florida Public Service Commission

99 APR 28

93 APR 28 AM 9:42

RECEIVED-FPSC

RECORDS AND
REPORTING

AFA _____
APP _____
CAF _____
CMU _____
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EAG _____
LEG _____
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OPC _____
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OTH _____

DOCUMENT NUMBER-DATE

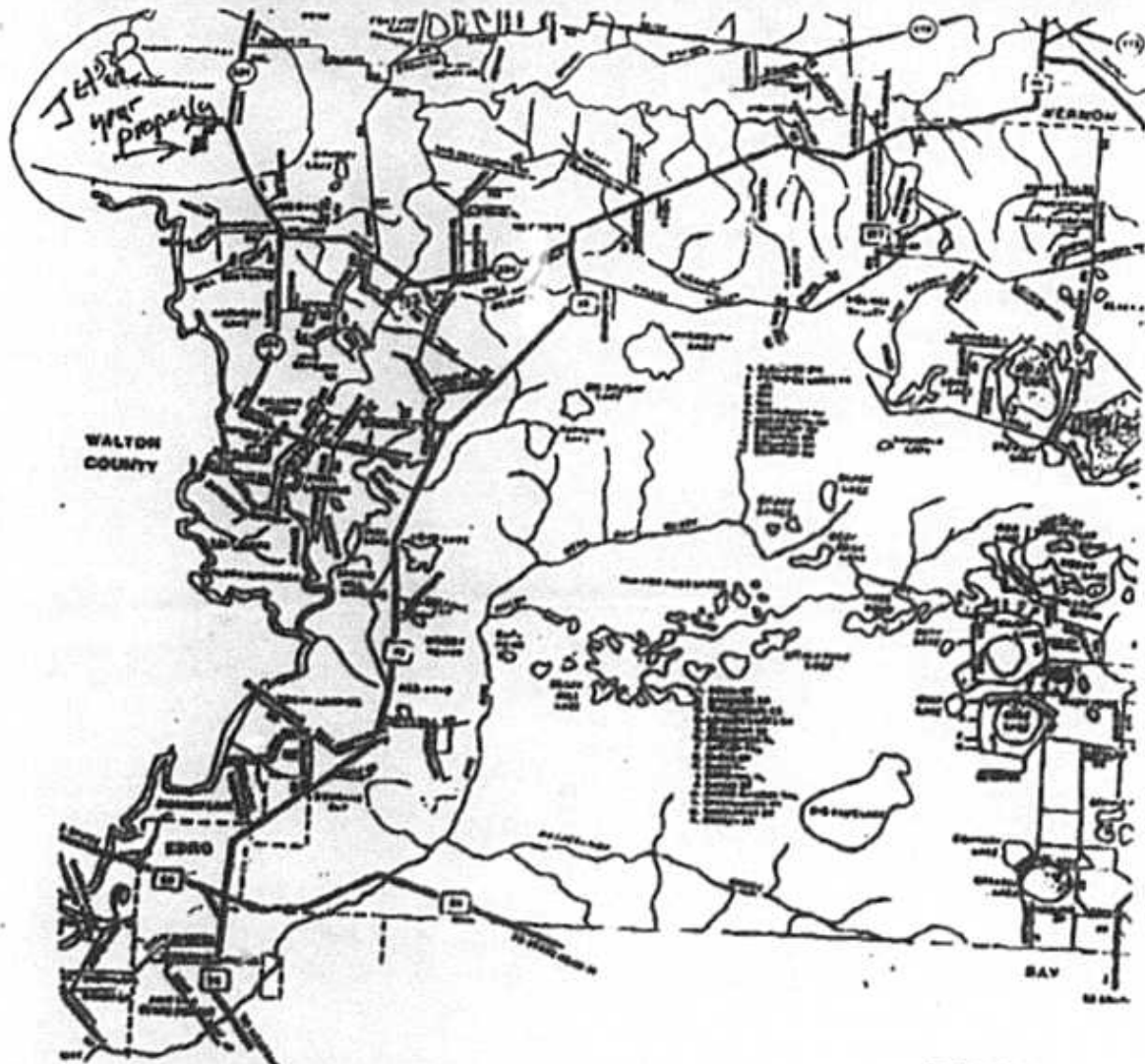
05438 APR 29 99

FPSC-RECORDS/REPORTING

ENCLOSED YOU WILL FIND A MAP AND SOME OTHER INFORMATION THAT COULD HELP YOU GREATLY IN YOUR INVESTIGATION TOMORROW OF BAYSIDE UTILITIES. MR. LEONARD JETER OWNS 60 ACRES OF LAND AT NEW HOPE, NEAR VERNON, ALONG WITH ANOTHER PERSON BY THE NAME OF LLOYD HALL JETER. THE MAILING ADDRESS FOR THE TAX PURPOSES IS 336 BUNKER COVE BLVD, PANAMA CITY, 32401. (MAP ENCLOSED). IF YOU WILL SPEAK TO THE MAINTENANCE MAN WITHOUT BURTON OR JETER BEING PRESENT, HE WILL TELL YOU OF THE SUPPLIES THAT HAVE WALKED AWAY FROM THE MOBILE HOME PARK, THAT WOULD MAKE A WONDERFUL MOBILE HOME PARK IN NEW HOPE. LEONARD JETER HAS MADE PLANS TO MOVE HIS DAUGHTER, WHO LIVES HERE IN THE PARK ON BIG DADDY DRIVE, AND HIS SON, KEVIN WHO ALSO LIVES HERE, UP TO THE PROPERTY, ALONG WITH SOME OTHER EMPTY MOBILE HOMES HE HAS BOUGHT HERE IN THE PARK. COULD YOU BE THINKING WHAT WE ALL ARE THINKING? WHAT WOULD YOU FIND ON THIS PROPERTY IF YOU WENT WITHOUT NOTICE? SO THAT NOTHING COULD BE MOVED OR DISPOSED OF? MOBILE HOMES ON NEW LAND NEED WATER AND SEWER LINES, CUT OFF VALVES AND SO FORTH AND SO ON. TALK TO THE MAINTENANCE MAN. ASK HIM ABOUT ORDERED SUPPLIES AND THEIR LEGS THAT WALK AWAY. LEONARD ALSO OWNS 40 ACRES THERE, BUT ONLY THE MINERAL RIGHTS. NOT THE DIRT. SO THAT IS A TOTAL OF 100 ACRES, A LOT FOR SOMEONE MAKING NO MONEY? MAKE SURE YOU LOOK AT THE RIGHT PROPERTY, MAYBE THE 60 AND THE 40? HERE ARE THE PLAT #'S

60 ACRES- 80052650005	40 ACRES # 920809000-MINERAL RIGHTS;
LEONARD & LLOYD JETER	LEONARD & LLOYD JETER
MOBILE HOME PARK?	GOOD STORAGE LAND?

THIS LAND IS IN WASHINGTON COUNTY, THE COURT HOUSE # IS 850 638 6205. IN CASE YOU HAVE ANY QUESTIONS.



W 7 A

FROM : OFFICE EXPRESS

PHONE NO. :

Aug. 04 1968 12:13PM P2

TRANSACTION REPORT

AUG-04-98 TUE 10:38 AM

FOR: WASH. CTY. PROP. APP. A 904 638 6027

SEND

DATE	START	RECEIVER	PAGES	TIME	NOTE
AUG-04	10:36 AM	818502339192	2	1'53"	OK

Fax # is
 JAMES A. Wharton
 1071 Bay Circle
 Panama City Beach, FL
 32407

INCOME STATEMENT
FOR THE MONTH ENDING 12/31/96

	THIS MONTH	12 MONTHS
REVENUE		
015 Water, Metered	1,319.75	19,920.71
020 Sewer, Metered	1,847.11	20,597.41
025 Water, BFC	2,414.38	27,010.99
030 Sewer, BFC	2,304.79	25,824.12
050 Misc. Income and Sales	10.00	317.51
	-----	-----
GROSS REVENUE	7,896.03	93,670.74
COST OF SALES		
30501 Purchased Sewer	2,161.00	25,932.00
30502 Purchased Water	2,865.00	34,380.00
	-----	-----
TOTAL COST OF SALES	5,026.00	60,312.00
	-----	-----
NET REVENUE	2,870.03	33,358.74
CURRENT EXPENSES		
010 Salary Expense, Gross	1,896.80	6,022.80
017 FICA, SS Employers Expense	145.10	460.73
2001 Rental of Building Sewer	106.50	1,460.00
2002 Rental of Building Water	106.50	1,247.00
2501 Rental Equip. Sewer	0.00	1,552.19
2502 Rental Equip. Water	0.00	1,524.83
3501 Purchased Power-Sewer	42.85	1,536.10
36 Telephone Expense	0.00	78.11
4001 Equipment Repair, Sewer	0.00	38.63
4002 Equipment Repair, Water	0.00	38.63
4501 Mater. & Supp. Sewer	9.28	5,969.16
4502 Mater. & Supp. Water	9.29	2,066.83
5501 Contract Ser. Eng. Sewer	0.00	245.00
6001 Contract Ser. Acc. Sewer	0.00	540.00
6002 Contract Ser. Acc. Water	0.00	540.00
7501 Contract Labor Sewer	0.00	1,854.51
7502 Contract Labor Water	0.00	2,004.26
9001 Insurance Vehic. Sewer	0.00	195.38
3002 Insurance Vehic. Water	0.00	195.38
3501 Insurance Expense, Sewer	0.00	219.38
3502 Insurance Expense, Water	0.00	117.18
3001 Auto Expense Sewer	45.60	288.39
3002 Auto Expense Water	45.60	288.38
1001 Regulatory Comm. Sewer	239.42	2,873.04
1002 Regulatory Comm. Water	209.50	2,514.00
1501 Bad Debt Expense Sewer	0.00	174.35
1502 Bad Debt Expense Water	0.00	106.86
2002 Misc. Expense Water	0.00	498.32
25 Misc. Expense-other	0.00	50.00
	-----	-----
Total Current Expenses	2,856.44	34,699.44

**INCOME STATEMENT
FOR THE MONTH ENDING 12/31/96**

	THIS MONTH	12 MONTHS
=====		
218 Federal U/E Expense	15.18	48.20
22501 Other Govnt. Taxes Sewer	0.00	358.92
22502 Other Govnt. Taxes Water	0.00	141.01
23001 Licenses Sewer	0.00	309.60
	-----	-----
Total Tax Expense	15.18	857.73
OTHER EXPENSES		
25501 Deprec. Expense Sewer	1,008.67	12,104.04
25502 Deprec. Expense Water	569.42	6,833.04
26001 Amort. C.I.A.C., Sewer	(99.42)	(1,193.04)
26002 Amort. C.I.A.C., Water	(137.33)	(1,647.96)
26501 Amort. Expense Sewer	127.42	1,529.04
26502 Amort. Expense Water	81.58	978.96
27501 Interest Expense Sewer	910.55	910.55
27502 Interest Expense Water	910.55	910.55
28001 Int. on L-T Debt Sewer	891.52	9,762.12
28002 Int. on L-T Debt Water	891.53	9,761.91
28501 Amort. Debt Sewer	50.75	609.00
	-----	-----
Total Other Expenses	5,205.24	40,558.21
	-----	-----
TOTAL EXPENSES	8,076.86	76,115.38
	-----	-----
NET INCOME	(5,206.83)	(42,756.64)
=====		

Balance Sheet
 AS OF 12/31/96

ASSETS

CURRENT ASSETS

005 Cash Peoples First 775704 1,779.75

Total Current Assets 1,779.75

PROPERTY AND EQUIPMENT

11002 Supply Main - Wildwood 4,903.95
 12002 Distribution Mains-Water 108,058.58
 2502 Services 28,086.53
 3002 Meters, Valves, etc. 34,144.22
 3502 Hydrants, Fire 1,828.00
 3601 Pumps, Sewer 3,197.40
 4001 Office Furniture & Equip. 1,387.50
 4002 Office Furniture & Equip. 1,387.50
 4501 Transportation Equipment 8,961.65
 4502 Transportation Equipment 8,961.64
 5001 Collection Sewers-Force 43,841.48
 5501 Collection Sewers-Gravity 75,263.00
 6001 Treatment & Disposal 196,560.00
 0501 Accumulated Depreciation (154,935.16)
 0502 Accumulated Depreciation (107,543.16)

Net Property & Equipment 245,883.13

OTHER ASSETS

0001 Sewer Unamort. Loan Costs 3,655.00
 02 Non-Utility Property 20,000.00
 0502 Extraordinary Property 41,250.27
 5001 Misc. Deferred Debits (1,532.16)
 5002 Misc. Deferred Debits (978.84)

Total Other Assets 62,394.27

TOTAL ASSETS 310,057.15

LIABILITIES & EQUITY

CURRENT LIABILITIES

005 Accounts Payable 14.49
 8 Payable to Bayside Park 5,000.00
 101 Sew. Reg. Assmnt. Accrual 5,885.36
 102 Water Reg. Assmnt Accrual 1,802.08
 301 Unearned Income, Sewer 2,914.92
 302 Unearned Income, Water 3,060.14

Balance Sheet
AS OF 12/31/96

02501 Contrib. in Aid of Const.	40,344.00
02502 Contrib. in Aid of Const.	52,911.00
02701 Accum. Amort. CIAC	(26,469.16)
02702 Accum. Amort. CIAC	(36,087.84)

Total Current Liabilities 49,374.99

LONG TERM DEBT

106 Note Payable SBA Loan	24,378.00
11501 Sewer Adv. From Asso. Co.	26,779.92
11502 Water Adv. From Asso. Co.	39,890.07

Total Long-Term Debt 91,047.99

TOTAL LIABILITIES 140,422.98

EQUITY

005 Common Stock Issued	500.00
010 Paid in Capital	168,865.00
025 Current Earnings	269.17

Total Equity 169,634.17

TOTAL LIAB. & EQUITY 310,057.15

=====

Balance Sheet
 AS OF 09/30/97

ASSETS

CURRENT ASSETS

1005	Cash Peoples First 775704	5,063.50
1020	Customer Accounts Rec.	8,866.20

Total Current Assets 13,929.70

PROPERTY AND EQUIPMENT

11002	Supply Main - Wildwood	4,903.95
12002	Distribution Mains-Water	106,058.58
12502	Services	26,066.53
13002	Meters, Valves, etc.	34,144.22
13502	Hydrants, Fire	1,828.00
13601	Pumps, Sewer	3,197.40
14001	Office Furniture & Equip.	1,387.50
14002	Office Furniture & Equip.	1,387.50
14501	Transportation Equipment	6,961.65
14502	Transportation Equipment	6,961.64
15001	Collection Sewers-Force	43,641.48
15501	Collection Sewers-Gravity	75,263.00
16001	Treatment & Disposal	196,560.00
20501	Accumulated Depreciation	(164,013.19)
30502	Accumulated Depreciation	(112,667.94)

Net Property & Equipment 231,680.32

OTHER ASSETS

30001	Sewer Unamort. Loan Costs	3,198.25
302	Non-Utility Property	20,000.00
30502	Extraordinary Property	41,250.27
5001	Misc. Deferred Debits	(2,678.94)
5002	Misc. Deferred Debits	(1,713.06)

Total Other Assets 60,056.52

TOTAL ASSETS 305,666.54

LIABILITIES & EQUITY

CURRENT LIABILITIES

105	Accounts Payable	0.00
118	Payable to Bayside Park	9,200.00
2101	Sew. Reg. Assmnt. Accrual	6,830.68
2102	Water Reg. Assmnt Accrual	2,478.12
2301	Unearned Income, Sewer	2,914.92

Balance Sheet
AS OF 09/30/97

2302 Unearned Income, Water	3,060.14
2501 Contrib. in Aid of Const.	40,344.00
2502 Contrib. in Aid of Const.	52,911.00
2701 Accum. Amort. CIAC	(27,363.94)
2702 Accum. Amort. CIAC	(37,323.81)

Total Current Liabilities 53,051.11

LONG TERM DEBT

05 Note-Bayside Partnership	193,950.04
06 Note Payable SBA Loan	24,345.55
1501 Sewer Adv. From Asso. Co.	26,779.92
1502 Water Adv. From Asso. Co.	39,890.07

Total Long-Term Debt 284,965.58

TOTAL LIABILITIES 338,016.69

EQUITY

05 Common Stock Issued	500.00
10 Paid in Capital	168,865.00
25 Current Earnings	(201,715.15)

Total Equity (32,350.15)

TOTAL LIAB. & EQUITY 305,666.54

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INCOME STATEMENT
FOR THE MONTH ENDING 09/30/97

	THIS MONTH	9 MONTHS
REVENUE		
015 Water, Metered	2,195.59	15,386.94
020 Sewer, Metered	2,459.57	19,935.01
025 Water, BFC	2,589.74	22,335.28
030 Sewer, BFC	2,472.17	21,345.65
050 Misc. Income and Sales	55.00	5,320.20
GROSS REVENUE	9,772.07	84,323.08
COST OF SALES		
00501 Purchased Sewer	2,053.75	17,782.55
00502 Purchased Water	3,129.77	21,194.94
TOTAL COST OF SALES	5,183.52	38,977.49
NET REVENUE	4,588.55	45,345.59
CURRENT EXPENSES		
010 Salary Expense, Gross	2,196.80	9,206.20
017 FICA,SS Employers Expense	168.05	704.28
02001 Rental of Building Sewer	106.50	958.50
02002 Rental of Building Water	106.50	958.50
02502 Rental Equip. Water	0.00	110.99
03501 Purchased Power-Sewer	109.66	419.67
036 Telephone Expense	0.00	302.20
04001 Equipment Repair, Sewer	15.93	915.92
04002 Equipment Repair, Water	15.93	364.03
04501 Mater.& Supp. Sewer	30.00	7,913.41
04502 Mater.& Supp. Water	30.00	684.12
05501 Contract Ser. Eng. Sewer	0.00	95.00
06001 Contract Ser. Acc. Sewer	0.00	450.00
06002 Contract Ser. Acc. Water	0.00	450.00
07501 Contract Labor Sewer	866.43	2,392.06
07502 Contract Labor Water	666.80	1,748.80
08001 Insurance Vehic. Sewer	0.00	252.34
08002 Insurance Vehic. Water	0.00	252.35
09501 Insurance Expense, Sewer	0.00	586.72
09502 Insurance Expense, Water	0.00	586.72
10001 Auto Expense Sewer	0.00	987.72
10002 Auto Expense Water	0.00	184.39
1001 Regulatory Comm. Sewer	239.42	2,154.78
1002 Regulatory Comm. Water	209.50	1,885.50
1501 Bad Debt Expense Sewer	0.00	169.39
1502 Bad Debt Expense Water	0.00	171.69
2001 Misc. Expense Sewer	29.34	31.84
2002 Misc. Expense Water	0.00	5.00
25 Misc. Expense-other	316.87	214.37
Total Current Expenses	5,107.73	35,156.49

RES

DOCKET NO. 971401-WS
EXHIBIT DJB-2

-State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: AUGUST 20, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF WATER AND WASTEWATER (CASEY, DAVIS, LINGO)
DIVISION OF LEGAL SERVICES (JAEGER, FLEMING)

RE: DOCKET NO. 971401-WS - APPLICATION FOR STAFF-ASSISTED RATE
CASE BY BAYSIDE UTILITIES, INC.
COUNTY: BAY

AGENDA: 09/01/98 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
EXCEPT ISSUE NO. 15 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 15-MONTH EFFECTIVE DATE: 06/27/99 (SARC)

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\971401.RCM

Exhibit DJB-2

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CASE BACKGROUND

Bayside Utilities, Inc. (Bayside or utility) is a class C water and wastewater utility currently serving approximately 218 residential and 10 recreational vehicle customers. These amounts do not include vacant lots which are connected in the mobile home park. Bayside is a reseller utility purchasing water and wastewater service from the City of Panama City Beach and is considered non-jurisdictional by the Northwest Florida Water Management District. The utility has been providing wastewater service since 1973, but the certification process was delayed due to legal proceedings involving a former owner. The Commission granted wastewater operating certificate No. 358-S to Buckaroo Ranch, Inc., d/b/a Bayside Mobile Home Park by Order No. 12760, issued December 9, 1983. On May 23, 1984, the Commission received an application for a transfer of Sewer Certificate No. 358-S from Buckaroo Ranch, Inc. (d/b/a Bayside Mobile Home Park), to Jevne Enterprises and Whitton Corporation (a partnership d/b/a Bayside Partnership). The Commission granted the transfer by Order No. 15205, issued October 8, 1985.

The utility originally claimed exemption under Section 367.022(8), Florida Statutes, for its water service because they are a consecutive water system providing water to customers which is purchased from Bay County. However, the utility never filed reports as required by Section 367.022(8), Florida Statutes. Faced with a possible show cause action, the utility decided to apply for a water certificate. The utility filed for and received water certificate No. 469-W by Order No. 16414, issued July 24, 1986.

The Commission has processed two staff assisted rate cases for the utility, in Docket Nos. 860015-SU, and 870093-WS. Stipulations from the wastewater rate case resulted in the interconnect with the City of Panama City Beach for wastewater service. The utility funded the interconnect and impact fees which were amortized over a 28 year estimated life. The utility has also been granted price index rate adjustments in 1986, 1989, 1990, 1993, and 1995. In addition, the utility has also been granted pass-through rate adjustments in 1986, 1993, and 1995.

In August 1997, the utility added a surcharge of \$16.16 to each customer's bill for repairs to the utility's plant. Staff learned of the surcharge through a customer complaint received by phone on August 5, 1997. On August 7, 1997, staff sent a certified letter to the utility advising them that the utility may only collect rates and charges approved by the Commission, and that the surcharge should be refunded with interest per Rule 25-30.360(4),

Florida Administrative Code. The utility issued a refund (which included interest) to customers on October 22, 1997.

On October 20, 1997, staff received a letter from the utility which included an application for a pass-through rate adjustment as allowed by Section 367.081(4)(b), Florida Statutes. The utility stated the increase request was due to an increase in rates by the City of Panama City Beach. They also stated that no allowances were made in the original rates for the payment of regulatory assessment fees and requested that the regulatory assessment fees be included in the utility's rates.

After reviewing the utility's application, staff sent a letter dated October 22, 1997 to the utility stating that the requested increases could not be processed. The utility's last staff assisted rate case (SARC) (Docket 870093-WS) included 2 1/2% regulatory assessment fees in the utility's rates. A pass through application processed in 1995 passed through an additional 2% in regulatory assessment fees due to the increase in fees by the PSC, which brought the fees up to the current 4 1/2%. The utility's request to pass through increases in purchased water and wastewater cost increases from the City of Panama Beach could not be processed because of a requirement in Section 367.081(4)(b), Florida Statutes, which states a utility cannot pass through an increase in cost of purchased water or sewer services which increase was initiated more than 12 months before the filing by the utility. Panama City Beach last increased its water and wastewater rates on May 11, 1995 through Ordinance No. 446.

Since the utility stated it is continuing to operate at a loss and has been unable to make its mortgage payments because of cash flow, staff recommended the utility apply for a SARC, which it did, through an application received October 22, 1997.

A subsequent utility letter requested the utility be allowed to institute emergency interim rates during this SARC. The utility provided staff with financial statements for the first nine months of 1997. A staff review showed the utility was meeting its necessary day-to-day expenses, showing a \$6,628 water operating income and \$3,259 wastewater operating income before depreciation, amortization, and return on capital, for the nine-month period ending September 30, 1997. Staff advised the utility that past Commission practice has been to allow recovery of only necessary day-to-day operating expenses and taxes in emergency rates, and only where there is immediate and urgent need in very unique circumstances, such as a receivership. An October 31, 1997 letter to the utility included staff's analysis and recommended the

utility withdraw its request for emergency interim rates, which it did in a November 11, 1997 letter to the Commission.

In preparation for this recommendation, staff audited the utility's records for compliance with Commission rules and orders and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the water distribution and wastewater collection facilities along with the service area. The utility's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, utility plant in service, and quality of service. Staff has selected a historical test year ended December 31, 1997 for this rate case.

Based on staff's analysis, the utility's test year revenue was \$59,617 for the water system and \$65,452 for the wastewater system. Test year operating expenses were \$55,846 for water and \$64,372 for wastewater. This resulted in a net operating income of \$3,772 for water, and \$1,081 for wastewater.

A customer meeting was conducted at 6:30 pm on July 29, 1998 at the Optimist Club Center in Panama City Beach. Approximately 92 customers and 4 utility personnel attended the meeting along with 2 representatives of Bay County, and the Florida Public Service Commission (PSC) staff. Approximately seventeen customers chose to give comments regarding the utility's quality of service, the proposed rate increase, and other issues related to the case. In addition to the general customer evening meeting, staff met with members of the Bayside Homeowners Association in the afternoon prior to the meeting to answer questions and explain the staff assisted rate case process. Quality of Service and Customer Service issues are discussed in Issue Nos. 1 and 7.

The Bayside Homeowners Association and representatives of the utility also met with Bay County representatives the day before the July 29, 1998 customer meeting to inquire if there was any interest in having the city or county purchase Bayside. The owner of the utility has expressed interest in selling the utility to either the City of Panama City Beach or Bay County. The County representatives stated they are not in the business of buying utilities and would not be interested in a purchase, although they may consider a transfer to the City of Panama City Beach who has the franchise for utility services in that area. No representatives of the City of Panama Beach were at the meeting. Once staff was advised of Bay County's interest in this rate case, staff contacted the Bay County Manager and offered to meet with any

DOCKET NO. 971401-WS
DATE: AUGUST 20, 1998

county representatives to answer questions or explain the SARC process. He stated that county representatives would be at the evening customer meeting and could get any questions answered there. Based on the results of the meeting, a transfer is not likely because of the outstanding debt of the utility. The president of the homeowner's association vowed to keep trying to negotiate a settlement for takeover, but it would be a "slow process."

DISCUSSION OF ISSUES

ISSUE 1: Is the quality of service provided by Bayside Utilities, Inc. in Bay County satisfactory?

RECOMMENDATION: The quality of water and wastewater service provided by Bayside Utilities, Inc. should be considered satisfactory. However, the docket should be held open for 90 days from the issuance date of the Order to remove all non-utility related users from the power meter at the "Eastern" lift station, and to install emergency lights for each lift station where they can be seen from the nearest road. (DAVIS)

STAFF ANALYSIS: The overall quality of service provided by the utility is derived from the evaluation of three separate components of the Water or Wastewater Utility Operations: (1) Quality of Utility's Product (water and wastewater compliance with regulatory standards), (2) Operational Conditions of Utility's Plant or Facilities, and (3) Customer Satisfaction of drinking water and domestic wastewater service.

QUALITY OF UTILITY'S PRODUCT

Bayside Utilities has neither a water treatment plant or a wastewater treatment plant. Water and wastewater disposal service is purchased from the City of Panama City Beach. The City of Panama City Beach is a municipality that must comply with standards set by the Environmental Protection Agency (EPA) and enforced by the State of Florida Department of Environmental Protection (DEP). The DEP has no citations or corrective orders pending against the City of Panama City Beach. Water and wastewater services provided to Bayside meets or exceeds all quality standards for safe drinking water.

Since the water and wastewater services are provided by a municipality that is meeting or exceeding the required standards, the quality of the utility's product is considered satisfactory.

OPERATIONAL CONDITIONS OF UTILITY'S PLANT(S) AND FACILITIES

Since there is neither a water treatment plant or a wastewater treatment plant, the issue of operational conditions at the plant is moot. However, after reviewing the amount of water purchased versus the amount of water sold, staff determined the utility has an unacceptable amount of unaccounted-for water. Historically, an unaccounted for water percentage of 10% has been acceptable to the PSC. Bayside's unaccounted for water exceeds 10% by 435,000

gallons per year. Normally, staff would make adjustments to electric power and chemical expense for unaccounted for water. In this case, Bayside is a reseller which does not pump or chemically treat its water. Staff believes an adjustment of \$635 (435,000 gallons x \$1.46/1,000 gallons cost) is warranted to reduce the cost of purchased water from the City of Panama City Beach. This adjustment is discussed in Issue No. 7 of this recommendation.

CUSTOMER SATISFACTION OF WATER AND WASTEWATER SERVICE

As stated in the case background, a customer/homeowner's association meeting was held during the afternoon of July 29, 1998, in the Optimist Club Center in Panama City Beach, Florida. Attending this meeting was Mr. Tarver Kitchens (President of the homeowner's association), Mr. Jim Warton (homeowner), and Mr. Bobby Pattillo (homeowner). Mr. Kitchens presented the staff with a list of questions and concerns. Staff and the homeowners went through the list during the course of this meeting, all but one issue was found to either be rate or accounting related. The one engineering issue relating to operations concerned the electric meter at a lift station known as the "Eastern" lift station. The utility has allowed at least one other user to share the electric meter measuring consumed power at this lift station. Both the customers and staff consider this situation to have the appearance of impropriety. Since an accurate amount for purchased power (at this one lift station) could not be specifically identified, the staff engineer had already recommended a reasonable and prudent allowance for purchased power (based on power used by a similar lift station) to be used in the setting of rates for this utility. Staff believes that, from this point forward, the utility should have an electric meter solely dedicated to the "Eastern" lift station. It is recommended that the utility be required to remove all non-utility related users from the power meter at the "Eastern" lift station within 90 days of the date of the Order.

At the evening meeting held on July 29, 1998, approximately 92 customers and four utility persons were present. Mr. Tarver Kitchens, president of the homeowners' association, addressed the meeting by updating those in attendance concerning the earlier meeting that was held with staff. After Mr. Kitchens' presentation, nine customers came forward with comments and concerns. One customer related an incident of her sewage backing up during July, 1993. Another customer had a similar incident occur within the last year. Still another customer made comments about black sand in the water. After the customer meeting had adjourned, one customer came to staff with the belief that the utility falsified records concerning the new force main addition.

This customer lives in the park "year round" on the street (Big Daddy Drive) where the force main was installed. Since he had not seen trenching equipment and construction underway, it was his contention that the force main was not there.

Concerning those customers that have experienced problems with sewage back-ups, it is difficult to determine if the customer's backup problems are due to lift station malfunctions or clogs in the customer's laterals. Should the problem be with the lift stations, the problem appears to have been corrected with recent upgrades (central lift station now has dual pumps). However, it was noted during the latest inspection that emergency lights at each lift station are not visible from the nearest road. These lights are the primary indicator of a malfunction, and alerts the utility and the general public, giving them time to correct any and all problems before they become health hazards. It is recommended that the utility install emergency lights for each lift station where customers can easily see the light when it is on, indicating a malfunction, and can call the utility. The utility should be given 90 days from the date of the Order to properly install lift station emergency lights.

The service area is primarily a mobile home park that was built in the late sixties to early seventies. Four-inch lines were used as service laterals which "Y" together in pairs (and possibly in triplet on a couple of connections) before reaching the utility's main collection system. Tree roots and other encumbrances periodically clog these laterals which require the lines to be cleared of obstruction. It appears from customer testimony, that when this happens, a dispute occurs between the customer and the utility as to who is responsible. These are old lines and only a licensed plumber can determine and verify if the clog is located beyond the customer's property. Therefore, it is recommended that the customer call a plumber of his/her choice, and if it is determined by the licensed plumber (stated on the bill) that the clog is beyond the customer's property, the utility has agreed to be responsible for the bill. Otherwise, the customer should be held responsible.

The staff engineer has been to this service area three times during the course of this rate case. Upon each visit, the staff engineer has sampled and visually inspected the water. The second and third visits were after the customer meeting and particular attention was given to finding black sand in the water. None was found. It is common to find sand and other organic particles in the water after a repair has been made or a new customer has been "tapped-in" to the water main. When this occurs, the customer

finding this problem should report their findings to the utility so the lines can be flushed and the foreign matter can be purged from the mains.

Of all the comments and customer concerns, the staff engineer was most alarmed over the allegation that the utility deceived the Commission into believing there was construction of a force main that never took place. Because the customer was so forthright with his opinion, staff decided that it was best to verify the construction with the customer present. The next day after the customer meeting, staff scheduled with the utility to dig and expose the newly constructed force main on August 5, 1998. On that date, the utility exposed the force main in three different locations along Big Daddy Drive. The customer that made the allegation was present and verified that the line was indeed installed.

All things considered, the quality of customer satisfaction for drinking water and domestic wastewater service should be considered satisfactory. However, it is recommended that the utility be given 90 days from the issuance date of the Order to remove all non-utility related users from the power meter at the "Eastern" lift station, and to properly install an emergency light for each lift station where they can easily be seen from the nearest road. Customer relations with the utility will be further discussed in Issue No. 7.

ISSUE 2: What portions of water and wastewater plants-in-service are used and useful?

RECOMMENDATION: A used and useful analysis of the water and wastewater treatment plants is not applicable; the water distribution and wastewater collection systems should be considered 100% used and useful. (DAVIS)

STAFF ANALYSIS: Since the utility no longer has water and wastewater treatment plant facilities, a calculation for a used and useful percentage for plant accounts is not applicable. There is not a water treatment facility to evaluate other than the interconnecting pipe work to the city's main which is considered a component of the distribution system. Likewise, there is not a wastewater treatment plant to evaluate. Wastewater generated by the residents of the Bayside is transported to the City of Panama City Beach via three (3) in-line lift stations which are considered components of the collection system.

The network of water distribution and wastewater collection mains are engineered and constructed to adequately serve the potential capacity of 283 customer connections estimated to be 283 ERCs. A final count revealed that the utility served 22 single family residences, 207 mobile homes, nine (9) camper/trailer/RVs, a total of 238 ERCs. In addition, the utility should charge a base facility charge for the 55 vacant lots since there are connections available, which brings the total to 283 connections. During the last rate case, it was determined that nothing less than the existing network of mains could serve the current number of customers, and the Commission determined that the mains were 100% used and useful. It is recommended in this rate proceeding that the same hold true and the utility be considered 100% used and useful (See Attachments "A" and "B").

Therefore, it is recommended that all accounts relating to both the distribution system and the wastewater collection system be considered 100% used and useful.

ISSUE 3: What is the appropriate treatment of the CIAC associated with the wastewater treatment plant?

RECOMMENDATION: The appropriate treatment of the CIAC should be to retire the amount associated with the wastewater treatment plant. Staff is recommending that \$40,344 of wastewater CIAC and \$27,662 of wastewater accumulated amortization of CIAC shown on the utility's books be retired. (CASEY)

STAFF ANALYSIS: The utility interconnected its wastewater system to the City of Panama City Beach in 1988. At that time, the utility retired the appropriate wastewater plant and retired the accumulated depreciation balances as of the retirement date. Order No. 18624, issued January 4, 1988, allowed an extraordinary loss of \$23,417 amortized over 10 years for this retirement. The \$23,417 calculation did not include any retirement of wastewater CIAC, CIAC accumulated amortization, or an additional \$71,043 in wastewater plant which was retired.

Staff recalculated the appropriate net loss for the retirement which included all retired plant, retired accumulated depreciation, retired CIAC, retired CIAC accumulated amortization, and the salvage value of the retired plant. The result was a net loss of \$15,699. The calculations show the utility was afforded an additional amortization expense of \$7,718, or \$772 per year, over a ten-year period. Since the utility showed no overearnings during these years, the additional amortization of \$772 per year was viewed as immaterial by staff.

Bayside's only service availability charge has been a \$300 wastewater plant capacity charge, which is addressed in Issue No. 14. Since all wastewater treatment plant and associated accumulated depreciation has been retired, the \$40,344 of wastewater CIAC and \$27,662 of accumulated amortization shown on the utility's books, should be retired. Staff's calculations of the interconnection net loss are shown on Schedule No. 1B.

ISSUE 4: What is the appropriate average amount of test year rate base for each system?

RECOMMENDATION: The appropriate average amount of test year rate base for Bayside Utilities, Inc. should be \$67,580 for water and \$214,694 for wastewater. (CASEY, DAVIS)

STAFF ANALYSIS: The appropriate components of Bayside's rate base include depreciable plant in service, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and working capital allowance. Utility plant, depreciation, and CIAC balances were last determined as of December 31, 1987 in the utility's last staff assisted rate case by Order No. 18624, issued January 4, 1988. Staff used the amounts set forth in that Order as a base for rate base components updated in this recommendation. Further adjustments are necessary to reflect test year changes. A discussion of each component follows.

Depreciable Plant in Service: Bayside Utilities is a reseller utility which purchases water from the City of Panama City Beach via a transmission main. Bayside Utilities has no water treatment plant facilities.

According to the plans and records reviewed, the distribution system is a composite network of approximately 4,825 linear feet of eight (8) inch ductile iron pipe, approximately 3,530 linear feet of six (6) inch PVC pipe, approximately 8,840 linear feet of four (4) inch PVC pipe, approximately 4,470 linear feet of two (2) inch PVC pipe, and approximately 4,700 linear feet of one (1) inch PVC pipe. The distribution system contains seven (7) fire hydrants located in various places along the utility's six (6) inch mains.

There is also no wastewater treatment plant facility. Wastewater generated by the residents of Bayside is transported to the City of Panama City Beach via a force main. This force main interconnects with the utility's three (3) lift stations to centralize and transport raw wastewater to the city's collection system.

According to the records reviewed, the collection system is a network of approximately 5,000 linear feet of ten inch (10") gravity pipe, about 2,700 linear feet of six inch (6") PVC gravity pipe, and over 17,000 linear feet of four inch (4") lateral service connectors. A newly replaced four inch (4") PVC force main that is about 2,640 linear feet was added to the utility's existing 3,670 linear feet of ten inch (10") force main.

The utility recorded utility plant in service balances of \$181,352 for water and \$349,524 for wastewater at the end of the test year. Staff calculated utility plant by starting with Order No. 18624, which established utility plant of \$164,898 for water and \$387,736 for wastewater as of December 31, 1987, and made adjustments for plant additions and retirements through the test year. Staff made adjustments to wastewater plant to reflect \$5,000 of pro forma plant required by the Department of Environmental Protection (DEP), and to reflect \$2,694 of staff recommended pro forma plant. The DEP required pro forma plant consists of the replacement of two lift station pumps, and the staff recommended pro forma plant includes replacement of five rubberized plastic manhole lids, replacement of an electrical panel box, and replacement of a sewage flow meter. An averaging adjustment of (\$7,506) was also made to wastewater plant. Total recommended utility plant in service is \$181,352 for water and \$349,712 for wastewater.

Non-Used and Useful Plant: As discussed in Issue No. 2 of this recommendation, all distribution and collection system accounts should be considered 100% used and useful.

Contributions in Aid of Construction: The utility recorded CIAC balances of (\$52,911) for water and (\$40,344) for wastewater at the end of the test year. By Order No. 18624, the Commission established water CIAC of (\$52,911) and wastewater CIAC of (\$74,026). No additional CIAC has been added since the last rate case. Staff made an adjustment of (\$40,344) to wastewater CIAC to reflect staff's recommendation in Issue No. 3 of this recommendation to retire wastewater plant CIAC. Staff recommends water CIAC of (\$52,911) and wastewater CIAC of \$0.

Accumulated Depreciation: The utility books reflected accumulated depreciation balances of (\$112,502) for water and (\$171,788) for wastewater at the end of the test year. Staff calculated accumulated depreciation starting with balances from Order No. 18624 and used the depreciation rates set forth in that Order to calculate depreciation up to the test year. Staff made adjustments of \$5,509 to water and \$27,806 to wastewater to bring the utility's figures to staff's calculated amount. Pro forma plant depreciation of (\$1,382) was included in wastewater accumulated depreciation. Averaging adjustments of \$3,501 for water and \$4,560 for wastewater were also made. Staff recommends accumulated depreciation balances of (\$103,492) for water and (\$140,804) for wastewater.

Accumulated Amortization: The utility recorded accumulated amortization balances of \$37,736 for water, and \$27,662 for wastewater at the end of the test year. Staff calculated amortization of CIAC by starting with balances from Order No. 18624, and amortized CIAC by using a yearly composite rate. As discussed in Issue No. 3, wastewater CIAC amortization should be retired due to the interconnection with the City of Panama City. Staff made an adjustment of (\$27,662) to reflect the removal of the wastewater plant CIAC amortization. An averaging adjustment of (\$1,021) for water brings the total recommended accumulated amortization balances to \$36,715 for water and \$0 for wastewater.

Working Capital Allowance: Consistent with Rule 25-30.443, Florida Administrative Code, 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 \$5,916 for water and \$5,786 for wastewater (based on O&M of \$47,327 for water and \$46,288 for wastewater).

Rate Base Summary: Based on the foregoing, the appropriate balance of Bayside Utilities, Inc. test year rate base should be \$67,580 for water and \$214,694 for wastewater. Rate base is shown on Schedules Nos. 1 and 1A and adjustments are shown on Schedule No. 1C.

ISSUE 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity should be 10.46% with a range of 9.46% - 11.46% and the appropriate overall rate of return should be 9.53%. (CASEY)

STAFF ANALYSIS: Based on the staff audit, the utility's capital structure consists of \$9,500 of notes payable with an interest rate of 10.00%, \$272,820 of notes payable with an interest rate of 10.00%, \$24,242 of notes payable with an interest rate of 4.00%, and negative retained earnings of \$42,935. Using the current leverage formula approved under Docket No. 970006-WS, Order No. PSC-97-0660-FOF-WS, issued June 10, 1997, the rate of return on common equity should be 10.46% with a range of 9.46% - 11.46% for utilities with equity ratios of less than 40%, which includes Bayside. Since including a negative common equity would penalize the utility's capital structure by understating the overall rate of return, staff has adjusted the negative common equity to zero.

Applying the weighted average method to the total capital structure yields an overall rate of return of 9.53%. The company's test year capital structure balance has been adjusted to match the total of the water and wastewater rate bases.

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

ISSUE 6: What are the appropriate test year operating revenues for each system?

RECOMMENDATION: The appropriate test year operating revenues should be \$59,617 for water and \$65,452 for wastewater. (CASEY)

STAFF ANALYSIS: The utility recorded water revenues of \$52,199 and wastewater revenues of \$58,370 during the test period. These amounts did not include base facility charges on vacant lots which are connected in the mobile home park. Order No. 18624, issued January 4, 1988, stated:

"The Office of Public Counsel has asked that this Order expressly confirm that, as indicated during our consideration of this matter at agenda conference, the park owner shall bear the cost of the base facility charges associated with all vacant lots that may be connected to the system. In any event, we confirm that such charges will not be borne by the general body of ratepayers. This has been accomplished in the Commission's design of rates approved in this order, so as to ensure that vacancy costs are charged to the park owner, rather than the utility."

Because the number of vacant lots was in question, Commission staff conducted a physical count of the vacant lots on the morning following the July 29, 1998 customer meeting. A total of 283 connected lots were counted by staff. Staff auditors supplied a billing analysis for 1997 which showed an average of 228 customers for 1997. Staff imputed water revenues of \$7,418, and wastewater revenues of \$7,082, which included base facility charges for 55 additional connected vacant lots for the test year. Staff recommends test year water revenue of \$59,617 and test year wastewater revenue of \$65,452.

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

RECOMMENDATION: The appropriate amounts for operating expense should be \$55,971 for water and \$65,284 for wastewater. The utility should be ordered to make arrangements to remove all non-utility related users so as to have a separate electric meter dedicated solely to the Eastern lift station. (CASEY, DAVIS)

STAFF ANALYSIS: The utility recorded operating expenses of \$56,232 for water and \$66,893 for wastewater. The components of these expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes.

The utility's test year operating expenses have been reviewed and invoices and other supporting documentation have been examined. Adjustments have been made to reflect unrecorded test year expenses and to reflect recommended allowances for plant operations.

Operation and Maintenance Expenses (O & M): The utility charged \$51,466 to water O & M and \$49,515 to wastewater O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

Salaries and Wages - Employees - The utility recorded employee salaries and wages of \$6,235 for water and \$6,235 for wastewater. The company's amounts were not fully supported by the utility's books and records. Staff auditors found salaries and wages amounts of \$5,321 for water and \$5,321 for wastewater on the utility's books during the test year.

Staff's original intention was to increase salaries based on the Commission approved yearly indexes, starting with the amounts approved in Order 18624. Information obtained at the customer meetings indicate the relations between the utility and its customers are very poor and have not improved since Order No. 18624 was issued. In that order, the utility was ordered to prepare a log of every written complaint that it received. The log was to describe the nature of each complaint, the utility's response, and explain whether customer satisfaction was received. The log was submitted on a quarterly basis to the Commission for a period of one year. The primary complaint at the customer meetings for this rate case was the alleged harassment and verbal abuse customers receive from employees of the utility. Some customers at the customer meeting for this rate case advised staff they could not give their comments on record because of a fear of being evicted by

the mobile home park which has the same owner as the utility. Other customers alleged that utility employees were told that they were not allowed to talk to customers.

Order No. 18624, issued January 4, 1988, granted salaries and wages of \$13,771 for water and \$12,597 for wastewater. These amounts were based on estimated labor for utility operations after the interconnections with the City of Panama Beach. Although the utility was allowed these amounts in its last rate case, it has only booked approximately 47% of those totals during the test year. Because it appears customer relations appear to be just as bad, or worse, since the last rate case when the utility, according to Order 18624, "expressed a willingness to improve customer relations," staff is recommending maintaining the amount of salaries which were booked by the utility in the test year with the exception of the maintenance man/meter reader. Customers also alleged that meters are not being read on a monthly basis, but according to the utility, meters are read on the 20th of each month. Staff is recommending increasing the maintenance man/meter reader's salary by \$408 for water and \$408 for wastewater to insure an appropriate amount for monthly meter reading and maintenance. Staff recommends employee salaries and wages of \$5,729 for water and \$5,729 for wastewater.

Purchased Utility Services - The utility recorded purchased water expense of \$28,939, and purchased sewage treatment of \$23,308 during the test year. Staff made an adjustment of (\$635) to reduce the amount of purchased water cost due to an unacceptable level of unaccounted for water as discussed in Issue No. 1. Staff also made an adjustment of \$1,674 to purchased water, and \$1,674 to purchased sewage treatment, to increase the amount of base facility charge cost paid by the utility to the City of Panama City Beach. As discussed in Issue No. 6, staff determined the number of lots with available service in the mobile home park is 283. The City of Panama City Beach charges Bayside by the number of lots with available service. Presently the City of Panama Beach charges Bayside for 265 lots. Since the physical count of the number of lots (including vacant lots) total 283, staff included water and wastewater base facility charge costs for an additional 18 lots. Staff recommends purchased water cost of \$29,978, and purchased sewage treatment cost of \$24,982.

Sludge Removal Expense - The utility recorded no sludge removal expense during the test year. Upon inspection, odors were detected at the middle lift station. In addition to recommending the enzyme pretreatment addressed in chemicals expense, it is recommended that sludge removal of the three lift stations be part of the utility's

regular maintenance. Sludge hauling should occur when telltale signs such as odor and sludge buildup deem it appropriate. Since the customer base appears seasonal, one clean-out per lift station every three years after the peak season at a typical cost of \$275 per clean-out is appropriate for this utility. Staff recommends \$275 for wastewater sludge removal expense.

Purchased Power - The utility recorded no purchased power expense for water and \$507 for wastewater during the test year. There was no water purchased power expense due to the utility purchasing water for resale. Power consumption for the wastewater collection system relates solely to the three lift stations. Two of the three lift stations are metered separately and have undisputed amounts for purchased power. The third lift station draws power through a meter that is common with at least one other user. During the test period, the Tiki lift station averaged \$35.71 per month, and the Middle lift station averaged \$14.96 per month. The third lift station (Eastern lift station) is closely comparable to the Tiki lift station, and is anticipated to consume approximately the same amount of power that the Tiki lift station did during the test year. Staff recommends wastewater purchased power expense of \$1,037 ($\$35.71 + \$35.71 + \14.96×12 months).

Chemicals - The utility recorded no water or wastewater chemical expense during the test year. All water treatment is performed by the City of Panama City Beach, and no chemicals for additional treatment are necessary. Currently, the utility does not purchase chemicals to pretreat wastewater influent at the lift stations. Upon the engineer's field audit, the middle lift station had a build-up of sludge/grease that was creating some septic odors. There is an enzyme pretreatment which will reduce unwanted buildup and temporarily keep odors under control. This enzyme can be purchased for approximately \$10 per container. One container per month would be sufficient to treat all three lift stations. Staff recommends \$120 (12 containers \times \$10 ea.) of wastewater chemical expense.

Contractual Services - Professional - The utility recorded professional contractual services of \$450 for water and \$545 for wastewater for accounting and engineering fees. The staff engineer is recommending repair of fifteen manholes which are showing signs of age and are suspected of leaking, at an estimated cost of \$4,875 over a five year period. The staff engineer recommends including \$975 per year in wastewater professional contractual services for the repair of these manholes. Staff recommends test year professional contractual services of \$450 for water and \$1,520 for wastewater.

Contractual Services - Testing - The utility recorded no contractual services - testing expenses during the test year. DEP considers this utility to be a reseller utility, and as such, requires monthly microbiological monitoring and normal lead and copper testing. The required tests and frequency at which those test must be repeated are:

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-550.518F.A.C.	Microbiological	monthly	\$300/yr
17-551F.A.C.	Lead & Copper	biannual/subseq annual	<u>150/yr</u>
		Total	<u>\$450/yr</u>

No testing requirements are currently being imposed on the wastewater system. Staff recommends water contractual services - testing of \$450 for the test year.

Transportation Expenses - The utility recorded water transportation expense of \$340, and wastewater transportation expense of \$1,176, for a total of \$1,516 for the test year. In the utility's last rate case, the Commission allowed transportation expenses of \$1,389 for water and \$1,389 for wastewater which were estimates of transportation costs after the interconnections with Panama City Beach. Staff believes an updated appropriate figure for transportation expense would be \$1,000 per system or \$2,000 total, which is a \$484 increase over what was recorded in the test year.

Insurance Expense - A customer at the utility customer meeting was concerned about the fact that the utility had no insurance when Hurricane Opal damaged the utility property. Since the utility did not have insurance to cover the damage caused by the hurricane, it was able to obtain a Small Business Administration Loan and restore utility service. As a requirement of this loan, the utility had to obtain hazard and flood insurance, which is presently in effect. Staff recommends insurance expense of \$839 for water and \$839 for wastewater.

Regulatory Commission Expense - The utility recorded regulatory commission expenses of \$2,264 for water and \$2,417 for wastewater during the test year. Staff made adjustments of (\$2,264) to water regulatory commission expense and (\$2,417) to wastewater regulatory commission expense to reclassify regulatory assessment fees to taxes other than income. The filing fee for this SARC amounted to \$1,000 for water and \$1,000 for wastewater. Staff made an adjustment of \$250 to water regulatory commission expense and \$250 to wastewater regulatory commission expense to amortize the filing fee for this SARC over four years (\$1,000/4). Staff recommends

regulatory commission expense of \$250 for water and \$250 for wastewater.

Bad Debt Expense - The utility recorded bad debt expense of \$4,513 for water and \$4,697 for wastewater during the test year. The utility amounts are bad debt expenses compiled over a number of years and written off in 1997. Disclosure No. 1 of staff's audit recommends the utility's bad debt expenses be reduced to \$745 for water and \$745 for wastewater. Issue No. 12 of this report recommends the utility initiate a customer deposit policy to reduce the amount of bad debt the utility is experiencing. Staff made an adjustment of (\$3,768) to water and (\$3,952) to wastewater, which result in test year recommended bad debt expenses of \$745 for water and \$745 for wastewater.

Operation and Maintenance Expenses (O & M) Summary: Total operation and maintenance adjustments are (\$4,140) for water and (\$3,228) for wastewater. Staff recommends operation and maintenance expenses of \$47,327 for water and \$46,288 for wastewater. Operation and maintenance expenses are shown in Schedule Nos. 3C and 3D.

Depreciation Expense (Net of Amortization of CIAC): The utility recorded \$4,201 of water depreciation expense and \$16,633 of wastewater depreciation expense on their books for the test year. Consistent with Commission practice, staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code. Staff made a \$2,801 adjustment to water depreciation expense and a (\$4,317) adjustment to wastewater depreciation expense to bring the utility balances to the staff's recommended amounts. As allowed by Rule 25-30.140, Florida Administrative Code, staff made a change in the useful life of pumping equipment contained in Account No. 370. Because of the location of the utility on the gulf, salt water causes the pumping equipment in the lift stations to wear out more quickly than the 15 years recommended in Rule 25-30.140, Florida Administrative Code. Staff is recommending a useful life of five years for the pumping equipment in this account. A CIAC amortization adjustment amounted to (\$2,043) for water. Staff also made an adjustment of \$1,766 to wastewater to include depreciation expense on pro forma plant. Staff recommends depreciation expenses net of CIAC of \$4,959 for water and \$14,082 for wastewater for the test year.

Taxes Other Than Income Taxes: The utility recorded taxes other than income of \$565 for water and \$745 for wastewater. Staff made adjustments to water taxes other than income to reclassify \$2,264 of regulatory assessment fees from O & M, increase regulatory

assessment fees by \$419 to reflect regulatory assessment fees on staff's recommended test year revenue, and include payroll taxes of \$312 on staff's recommended salaries and wages. Staff made adjustments to wastewater taxes other than income to reclassify \$2,417 of regulatory assessment fees from O & M, increase regulatory assessment fees by \$528 to reflect regulatory assessment fees on staff's recommended test year revenue, and include payroll taxes of \$312 on staff's recommended salaries and wages. Staff recommends test year taxes other than income of \$3,560 for water and \$4,002 for wastewater.

Operating Revenues: Revenues have been adjusted by \$2,791 for water and \$20,283 for wastewater to reflect the increase in revenue required to cover expenses and allow the recommended rate of return on investment.

Taxes Other Than Income Taxes: This expense has been increased by \$126 for water and \$913 for wastewater to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary: The application of staff's recommended adjustments to the utility's test year operating expenses results in staff's recommended operating expenses of \$55,971 for water and \$65,284 for wastewater.

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

ISSUE 8: What is the appropriate revenue requirement for each system?

RECOMMENDATION: The appropriate revenue requirement should be \$62,408 for water and \$85,35 for wastewater. (CASEY)

STAFF ANALYSIS: The utility should be allowed an annual increase in revenue of \$2,791 (4.68%) for water and an annual increase of \$20,283 (30.99%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn the recommended 9.53% return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$ 67,580	\$ 214,694
Rate of Return	x <u>.0953</u>	x <u>.0953</u>
Return on Investment	\$ 6,436	\$ 20,450
Adjusted Operation Expenses	47,327	46,288
Depreciation Expense (Net)	4,959	14,082
Taxes Other Than Income Taxes	<u>3,686</u>	<u>4,915</u>
Revenue Requirement	<u>\$ 62,408</u>	<u>\$ 85,735</u>
Annual Revenue Increase	\$ 2,791	\$ 20,283
Percentage Increase/(Decrease)	<u>4.68%</u>	<u>30.99%</u>

The revenue requirements and resulting annual increases are shown on Schedules Nos. 3 and 3A.

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ISSUE 9: Are repression adjustments to consumption appropriate in this instance, and, if so, what are the appropriate adjustments?

RECOMMENDATION: No, repression adjustments are not appropriate in this instance. (LINGO)

STAFF ANALYSIS: As discussed previously, Staff's recommended revenue requirement increases are \$2,791 for the water system and \$20,283 for the wastewater system, representing annual increases of \$0.82/ERC and \$5.97/ERC, respectively.

This case represents only the second instance in which Staff has contemplated recommending that a repression adjustment be made; and, as such, we have no established, previously-approved methodology to calculate an appropriate adjustment. Until we do have approved methodologies in place, we believe it is appropriate to err on the side of caution when considering the magnitude of our recommended adjustments. Based on the analysis above, we do not believe that Staff's recommended increases for the water and wastewater systems will result in customers repressing consumption for the respective systems. Therefore, we believe the conservative approach is to predict no anticipated consumption reductions for Bayside's water and wastewater systems.

ISSUE 10: What is the appropriate rate structure and what are the recommended rates for this utility?

RECOMMENDATION: The recommended rates should be designed to produce revenues of \$62,408 for water and \$85,735 for wastewater. The recreational vehicle (RV) base facility charge should be eliminated. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet 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 within 10 days after the date of the notice. (CASEY)

STAFF ANALYSIS: During the test year, Bayside provided water and wastewater service to approximately 218 residential and 10 recreational vehicle customers. These amounts did not include vacant lots which are connected in the mobile home park. Order No. 18624, issued January 4, 1988 stated:

"The Office of Public Counsel has asked that this Order expressly confirm that, as indicated during our consideration of this matter at agenda conference, the park owner shall bear the cost of the base facility charges associated with all vacant lots that may be connected to the system. In any event, we confirm that such charges will not be borne by the general body of ratepayers. This has been accomplished in the Commission's design of rates approved in this order, so as to ensure that vacancy costs are charged to the park owner, rather than the utility."

Because the number of vacant lots was in question, Commission staff conducted a physical count of the vacant lots on the morning following the July 29, 1998 customer meeting. A total of 283 connected lots were counted by staff. Therefore, staff included and additional 55 connections for ratemaking purposes.

In addition, staff discovered the RV base facility charge which was set in the last rate case for temporary customers no longer should apply. The RV base facility charge was based on 40% of the 5/8" x 3/4" base facility charge used for permanent residents. The utility customers who now live in RVs are long-term residents of the park, and are pretty much equivalent to any other mobile home resident. As such, they should be charged as other customers of the utility using the 5/8" x 3/4" meters. Staff is

recommending discontinuing the RV base facility charge in the utility's tariff.

The utility's tariff provides for a base facility/gallage charge rate structure for all customers. The Commission has a memorandum of understanding with the Florida Water Management Districts which recognizes that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy. The utility is a reseller utility (purchases water for resale) which is considered non-jurisdictional by the Northwest Florida Water Management District and is not required to file for a consumptive use permit. The 5/8" x 3/4" meter residential customers average consumption is approximately 4,185 gallons per month, which is not considered excessive.

Staff has calculated a recommended base facility / gallage charge for water and wastewater customers based on test year data. The base facility / gallage charge rate structure is the preferred rate structure because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the costs of providing service through the consumption or gallage charge and also pay their share of the fixed costs of providing service through the base facility charge.

Approximately 65% (or \$40,669) of the water revenue requirement and 61% (or \$52,395) of the wastewater revenue requirement are associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored Equivalent Residential Connections (ERC's). The remaining 35% (or \$21,740) of the water revenue requirement and 39% (or \$33,341) of the wastewater revenue requirement represent the consumption charge based on the estimated number of gallons consumed during the test period. Schedules of the utility's existing rates and staff's preliminary rates are shown on the following page.

RESIDENTIAL WATER RATES

<u>Type of Service</u>	Existing	Staff
	Base Facility	Recommended
	<u>Charge</u>	<u>Base Facility</u>
5/8" x 3/4"	\$ 11.24	\$ 11.98
3/4"	16.88	17.96
1"	28.13	29.94
<u>Type of Service</u>		
Gallonage Charge		
Per 1,000 gallons	\$ 1.82	\$ 1.90

GENERAL SERVICE WATER RATES

Base Facility	Existing	Staff
	Monthly	Recommended
<u>Charge</u>	<u>Monthly</u>	<u>Monthly</u>
<u>Meter Size</u>	<u>Rate</u>	<u>Rate</u>
5/8" x 3/4"	\$ 11.24	\$ 11.98
3/4"	16.88	17.96
1"	28.13	29.94
1-1/2"	56.23	59.88
2"	89.96	95.80
3"	179.93	191.61
4"	281.14	299.39
6"	562.28	598.77
Gallonage Charge		
Per 1,000 gallons	\$ 1.82	\$ 1.90

RESIDENTIAL WASTEWATER RATES

<u>Type of Service</u>	Existing	Staff
	Base Facility	Recommended
	<u>Charge</u>	<u>Charge</u>
All meter sizes	\$ 10.73	\$ 15.43
Gallonge Charge		
Per 1,000 gallons	\$ 3.15	\$ 3.80
(6,000 gallon maximum per month)		

GENERAL SERVICE WASTEWATER RATES

Base Facility	Existing	Staff
	Monthly	Recommended
<u>Charge</u>	<u>Monthly</u>	<u>Monthly</u>
<u>Meter Size</u>	<u>Rate</u>	<u>Rate</u>
5/8" x 3/4"	\$ 10.73	\$ 15.43
3/4"	16.07	23.14
1"	26.82	38.57
1-1/2"	53.63	77.14
2"	85.80	123.43
3"	171.61	246.85
4"	268.16	385.71
6"	536.31	771.42
Gallonge Charge		
Per 1,000 gallons	\$ 3.73	\$ 4.56
(No Maximum)		

Using the 228 test year residential water customers currently being served with an average use of 4,185 gallons/month per customer, an average residential MONTHLY water bill comparison would be as follows:

	Average <u>MONTHLY</u> Bill Using Existing <u>Rates</u>	Average <u>MONTHLY</u> Bill Using Recommended <u>Rates</u>	Percent <u>Increase</u>
Base Facility Charge	\$11.24	\$ 11.98	
Gallonge Charge	<u>7.62</u>	<u>7.95</u>	
Total	\$18.86	\$ 19.93	5.67%

Using the 228 test year residential wastewater customers currently being served with an average use of 3,208 gallons/month per customer, an average residential MONTHLY wastewater bill comparison would be as follows:

	Average <u>MONTHLY</u> Bill Using Existing <u>Rates</u>	Average <u>MONTHLY</u> Bill Using Recommended <u>Rates</u>	Percent <u>Increase</u>
Base Facility Charge	\$10.73	\$ 15.43	
Gallonge Charge	<u>10.11</u>	<u>12.19</u>	
Total	\$20.84	\$ 27.62	32.53%

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The rates should be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision, and that the customer notice is adequate. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge should be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge should be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event should the rates be effective for service rendered prior to the stamped approval date.

ISSUE 11: 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: The water and wastewater rates should be reduced as shown on Schedules No. 4 and 4-A, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reduction not later than one month prior to the actual date of the required rate reduction. (CASEY)

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 revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$262 annually for each water and wastewater system. The reduction in revenues will result in the rates recommended by staff on Schedules Nos. 4 and 4A.

The utility should be required to file revised tariff sheets 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 the reduction in the rates due to the amortized rate case expense.

ISSUE 12: Should the utility's tariff have a provision for customer deposits, and if so, what should be the appropriate amount of customer deposits?

RECOMMENDATION: The utility should be allowed a provision for customer deposits in its tariff. The appropriate amount of customer deposits should be \$40.00 for water and \$55.00 for wastewater for 5/8" x 3/4" meters. The deposit amounts should be effective in accordance with Rule 25-30.475, Florida Administrative Code. (CASEY)

STAFF ANALYSIS: The utility presently does not have a provision for customer deposits in its tariff. Rule 25-30.311(1), Florida Administrative Code, states, "Each utility may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with utilities' rules for prompt payment of bills." Rule 25-30.311(7), Florida Administrative Code, states

"A utility may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required deposit shall not exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12 month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the utility shall base its new or additional deposit upon the average monthly billing available."

Pursuant to Rule 25-30.311(5), Florida Administrative Code, if a customer has established a satisfactory payment record, and has had continuous service for a period of 23 months, the deposit shall be refunded. Therefore, for those customers who meet this requirement, the utility should not charge any additional deposit.

The utility has experienced a high amount of bad debt expense over the past few years, largely due to loss of customers from Hurricane Opal and its transient customer base. Staff is recommending the utility initiate a customer deposit provision in its tariff to reduce the amount of bad debt expense. Staff's recommendation is to approve customer deposits of \$40.00 for water

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and \$55.00 for wastewater for 5/8" x 3/4" meters. The deposit amounts should be effective in accordance with Rule 25-30.475, Florida Administrative Code.

ISSUE 13: Are the utility's existing miscellaneous service charges appropriate, and if not, what should they be?

RECOMMENDATION: The utility's existing miscellaneous service charges were approved in Commission Order No. 18624, issued January 4, 1988. The appropriate charges should be those recommended in the staff analysis. The miscellaneous service charge amounts should be effective in accordance with Rule 25-30.475, Florida Administrative Code. (CASEY)

STAFF ANALYSIS: The utility's current tariff contains miscellaneous service charges which were approved in Commission Order No. 18624, issued January 4, 1988. Staff believes these charges should be updated and recommends that the following charges be authorized:

Existing Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	Normal <u>Hours</u>	After <u>Hours</u>	Normal <u>Hours</u>	After <u>Hours</u>
Initial Connection	\$10.00	\$15.00	\$10.00	\$15.00
Normal Reconnection	\$10.00	\$15.00	\$10.00	\$15.00
Violation Reconnection	\$10.00	\$15.00	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	\$ 5.00	N/A	\$ 5.00	N/A

Staff Recommended Miscellaneous Service Charges

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

The four types of miscellaneous service charges are:

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

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

Therefore, staff recommends that the utility's tariff be revised to incorporate the charges discussed above. The miscellaneous service charge amounts should be effective in accordance with Rule 25-30.475, Florida Administrative Code.

ISSUE 14: Should the utility's wastewater tariff service availability charges be revised?

RECOMMENDATION: Yes, the utility's wastewater service availability charges should be revised. The existing \$300 plant capacity charge should be discontinued, and a main extension charge of \$300 should be initiated for all future customers. The utility should be ordered to file a revised tariff sheet within 10 days of the effective date of the Order, which is consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheet upon staff's verification that the tariffs are consistent with the Commission's decision. If the Commission Order is protested, the utility should maintain the existing service availability charges until the final Order is issued. If no protest is filed and the revised tariff sheet is approved, the charges should become effective for new connections made on or after the stamped approval date of the revised tariff sheet pursuant to Rule 25-30.475(2), Florida Administrative Code. (CASEY)

STAFF ANALYSIS: The utility's wastewater tariff Second Revised Sheet No. 25.0 provides for a wastewater plant capacity charge of \$300 per ERC and actual cost for all others. Since the utility interconnected to the City of Panama City Beach for wastewater treatment and disposal, the plant capacity charge is no longer applicable.

As a result of the retirement of the wastewater treatment plant and related CIAC, the utility's level of CIAC would be lower than what is prescribed in Rule 25-30.580(1)(b), Florida Administrative Code. Pursuant to Rule 25-30.580(1)(b), Florida Administrative Code, the minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems. Since the utility's CIAC level would be lower than minimum, as prescribed by rule, staff is recommending that the \$300 plant capacity fee be revised to reflect a \$300 main extension charge. Staff believes that the \$300 main extension charge would allow the utility to increase its CIAC level and would help to ensure that future customers would pay their pro-rata share of the cost of the interconnect.

The utility should be required to file a revised tariff sheet within 10 days of the effective date of the order issued in this case, which is consistent with the Commission's vote. Upon timely receipt and staff's verification that the tariffs are consistent

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with the Commission's decision, staff should be given administrative authority to approve the revised tariff sheet. If the Commission Order is protested, the utility should maintain the existing service availability charges until the final Order is issued. If no protest is filed and the revised tariff sheet is approved, the charges should become effective for connections made on or after the stamped approval date of the revised tariff sheet pursuant to Rule 25-30.475(2), Florida Administrative Code.

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

RECOMMENDATION: Yes, the recommended rates should be approved on a temporary basis in the event of a 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, a copy of the proposed customer notice, and revised tariff sheets. (CASEY)

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 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 security for both the potential refund and a copy of the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of \$15,953. 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 a 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.

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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 the Commission order Bayside to show cause, in writing within twenty days, why it should not be fined an amount up to \$5,000 for each violation of Rules 25-30.115 and 25-30.110(1)(a), Florida Administrative Code?

RECOMMENDATION: No, show cause proceedings should not be initiated. However, the utility should be ordered to maintain its books and records in conformity with the 1996 NARUC Uniform System of Accounts (USOA), and preserve its records in accordance with the "Regulations to Govern the Preservation of Records of Electric, Gas, and Water Utilities" as issued by the National Association of Regulatory Utility Commissioners (NARUC), as revised May 1985." The utility should also be placed on a monitor status and staff auditors should review the utility books and records within 12 months to verify the utility is following the NARUC system of accounts. (JAEGER, FLEMING, CASEY)

STAFF ANALYSIS: During the test year, the utility's books were not maintained in conformity with the USOA. Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

Water and Sewer Utilities shall, effective January 1, 1998, maintain its [sic] accounts and records in conformity with the 1996 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

Although the test year for this rate case ended December 31, 1997, the utility did not maintain its books consistent with the prior 1984 NARUC system of accounts. Violations included depreciation which was not calculated using Rule 25-30.140, Florida Administrative Code, CIAC which was not calculated properly, some unsupported operation and maintenance expenses in 1997, and sewer pipe which was not accounted for correctly. Staff believes the utility has the expertise necessary to maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. In 1986, the utility set up its books and records in accordance with Commission requirements, and by Order No. 18624, issued January 4, 1988, the Commission allowed the expense of setting up its books to be amortized over a ten-year period. Staff recommends that the utility be ordered to maintain its books and records in conformity with the 1996 NARUC Uniform System of Accounts. Also, the utility should be placed on a monitor status and staff auditors should review the utility books and records within 12 months to verify the utility is following the NARUC system of accounts.

Staff auditors also discovered all utility records prior to November 1995 were destroyed by Hurricane Opal and the Commission was not notified. Rule 25-30.110(1)(a), Florida Administrative Code, states "Each utility shall preserve its records in accordance with the "Regulations to Govern the Preservation of Records of Electric, Gas, and Water Utilities" as issued by the National Association of Regulatory Utility Commissioners (NARUC), as revised May 1985".

The NARUC Regulations to Govern the Preservation of Records General Instructions state "The public utility or licensee shall provide reasonable protection for records subject to the regulations in this part from damages by fires, floods, and other hazards and, in the selection of storage spaces, safeguard the records from unnecessary exposure to deterioration from excessive humidity, dryness, or lack of proper ventilation."

The NARUC Regulations to Govern the Preservation of Records General Instructions further state "When any records are destroyed before the expiration of the prescribed period of retention, a certified statement listing, as far as may be determined, the records destroyed and describing the circumstances of accidental or other premature destruction shall be filed with the Commission within (90) days from the date of discovery of such destruction. Discovery of loss of records is to be treated in the same manner as in the case of premature destruction."

Section 367.161, Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 per day for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's continuing to charge the final rates and failing to file a motion to vacate the stay, would meet the standard for a "willful violation." In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, entitled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., the Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Although staff recognizes that the utility did not maintain its books in accordance with the NARUC Uniform System of Accounts, and did not notify the Commission of the loss of its books and records within 90 days, staff believes that a show cause proceeding in this case is not warranted and should not be initiated. Staff believes the violations of maintaining its books in compliance with the NARUC Uniform System of Accounts were minor. While it is true that the utility did not notify the Commission of the loss of its books and records within 90 days, it was due to the amount of destruction caused by Hurricane Opal. The utility's office was flooded by saltwater due to the force of the hurricane. All utility efforts after the hurricane were geared to restoring utility operations.

Therefore, staff recommends that the Commission not order Bayside to show cause for violation of violation of Rules 25-30.115 and 25-30.110(1)(a), Florida Administrative Code. However, the utility should be ordered to maintain its books and records in conformity with the 1996 NARUC Uniform System of Accounts, and preserve its records in accordance with the "Regulations to Govern the Preservation of Records of Electric, Gas, and Water Utilities" as issued by the National Association of Regulatory Utility Commissioners (NARUC), as revised May 1985." The utility should also be placed on a monitor status and staff auditors should review the utility books and records within 12 months to verify the utility is following the NARUC system of accounts.

ISSUE 17: Should this docket be closed?

RECOMMENDATION: No, if no timely protest is received upon expiration of the protest period, this docket should remain open for an additional ninety days from the effective date of the Order to allow staff to verify that the utility removed all non-utility related users from the power meter at the "Eastern" lift station, and properly installed emergency lights for each lift station where they can be seen from the nearest road. Once staff has verified that this work has been completed, the docket should be closed administratively. (JAEGER, FLEMING, CASEY, DAVIS)

STAFF ANALYSIS: Staff has recommended that the utility remove all non-utility related users from the power meter at the "Eastern" lift station, and properly install emergency lights for each lift station where they can be seen from the nearest road. If no timely protest is received upon expiration of the protest period, this docket should remain open for an additional ninety days from the effective date of the Order to verify that this work has been completed, then the docket should be closed administratively.

Also, as stated in Issue No. 16, the utility should be placed on a monitor status and staff auditors should review the utility books and records within 12 months of the issue date of the Order to verify the utility is following the NARUC system of accounts. The utility should also submit proof of completion of proforma plant which has been allowed in this rate case, within 12 months of the issue date of the Order.

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SCHEDULE NO. 1
 DOCKET NO. 971401-WS

BAYSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WATER RATE BASE

	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER
UTILITY PLANT IN SERVICE	\$ 181,352	\$ 0	\$ 181,352
LAND/NON-DEPRECIABLE ASSETS	0	0	0
NON-USED AND USEFUL PLANT	0	0	0
CIAC	(52,911)	0	(52,911)
ACCUMULATED DEPRECIATION	(112,502)	9,010 C	(103,492)
AMORTIZATION OF CIAC	37,736	(1,021) D	36,715
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>5,916 E</u>	<u>5,916</u>
WATER RATE BASE	\$ 53,675	\$ 13,905	\$ 67,580

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BAYSIDE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1997
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1A
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	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER
UTILITY PLANT IN SERVICE	\$ 349,524	\$ 188 A	\$ 349,712
LAND/NON-DEPRECIABLE ASSETS	0	0	0
NON-USED AND USEFUL PLANT	0	0	0
CIAC	(40,344)	40,344 B	0
ACCUMULATED DEPRECIATION	(171,788)	30,984 C	(140,804)
AMORTIZATION OF CIAC	27,662	(27,662) D	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>5,786 E</u>	<u>5,786</u>
WASTEWATER RATE BASE	\$ 165,054	\$ 49,640	\$ <u>214,694</u>

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BAYSIDE UTILITIES, INC.
DOCKET NO. 971401-WS

SCHEDULE NO. 1B

CALCULATION OF NET LOSS FOR RETIREMENTS

CALCULATION PER ORDER NO. 18624, ISSUED JANUARY 4, 1988

Original Cost	\$41,337	
Accumulated Depreciation (less)	(\$17,920)	
NET LOSS	<u>\$23,417</u>	\$23,417

RECALCULATED NET LOSS

Original Cost	\$112,380	
Accumulated Depreciation (less)	(\$48,718)	
Contribution-in-aid-of construction (less)	(\$74,026)	
Accumulated CIAC (add)	\$28,063	
Net Costs Incurred (add) (Salvage value - Removal Cost)	(\$2,000)	
NET LOSS RECALCULATED	<u>\$15,699</u>	(\$15,699)

DIFFERENCE IN CALCULATION OF NET LOSS

\$7,718

BAVENSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1C
 DOCKET NO. 971401-WS

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To reflect averaging adjustment.	\$ 0	\$ (7,507)
2. To include DEP required pro forma plant.	0	5,000
3. To include staff recommended average pro forma plant.	0	2,694
	<u>\$ 0</u>	<u>\$ 157</u>
B. <u>CIMC</u>		
1. To reflect retirement of plant.	\$ 0	\$ 40,344
C. <u>ACCUMULATED DEPRECIATION</u>		
1. To bring utility balance to staff's recommended amount.	\$ 5,509	\$ 27,806
2. To include depreciation on pro forma plant.	3,501	(1,382)
3. To reflect averaging adjustment.	<u>\$ 9,010</u>	<u>\$ 4,560</u>
		\$ 30,984
D. <u>AMORTIZATION OF CIMC</u>		
1. To reflect retirement of plant.	\$ 0	\$ (27,662)
2. To reflect averaging adjustment.	(1,021)	0
	<u>\$ (1,021)</u>	<u>\$ (27,662)</u>
E. <u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses.	\$ 5,916	\$ 5,786

DOCKET NO. 971401-WS
 DATE: AUGUST 20, 1998

BAYSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 971401-WS

	<u>PER UTILITY</u>	<u>SPECIFIC ADJUSTMENTS</u>	<u>BALANCE BEFORE PRO RATA ADJUSTMENTS</u>	<u>PRO RATA ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
RETAINED EARNINGS	\$ (42,935)	\$ 42,935	\$ 0	\$ 0	\$ 0	0.00%	10.46%	0.00%
NOTES PAYABLE	9,500	0	9,500	(753)	8,747	3.10%	10.00%	0.31%
NOTES PAYABLE	272,820	0	272,820	(21,615)	251,205	88.99%	10.00%	8.90%
NOTES PAYABLE	24,242	0	24,242	(1,921)	22,321	7.91%	4.00%	0.32%
CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
TOTAL	\$ 263,627	\$ 42,935	\$ 306,562	\$ (24,288)	\$ 282,274	100.00%		<u>9.53%</u>

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.46%	11.46%
OVERALL RATE OF RETURN	9.53%	9.53%

DOCKET NO. 971401-WS
 DATE: AUGUST 20, 1998

BAYSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 971401-WS

	<u>TEST YEAR PER UTILITY</u>	<u>STAFF ADJ. TO UTILITY</u>	<u>STAFF ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER STAFF</u>
OPERATING REVENUES	\$ <u>52,199</u>	\$ <u>7,418</u> A	\$ <u>59,617</u>	\$ <u>2,791</u> E 4.68%	\$ <u>62,408</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	51,466	(4,140) B	47,327	0	47,327
DEPRECIATION (NET)	4,201	758 C	4,959	0	4,959
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	565	2,995 D	3,560	126 F	3,686
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>56,232</u>	\$ <u>(387)</u>	\$ <u>55,846</u>	\$ <u>126</u>	\$ <u>55,971</u>
OPERATING INCOME/(LOSS)	\$ <u>(4,033)</u>		\$ <u>3,772</u>		\$ <u>6,437</u>
WATER RATE BASE	\$ <u>53,675</u>		\$ <u>67,580</u>		\$ <u>67,580</u>
RATE OF RETURN	<u>-7.51%</u>		<u>5.58%</u>		<u>9.53%</u>

DOCKET NO. 971401-WS
 DATE: AUGUST 20, 1998

BAYSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3A
 DOCKET NO. 971401-WS

	<u>TEST YEAR PER UTILITY</u>	<u>STAFF ADJ. TO UTILITY</u>	<u>STAFF ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER STAFF</u>
OPERATING REVENUES	\$ <u>58,370</u>	\$ <u>7,082</u> A	\$ <u>65,452</u>	\$ <u>20,283</u> E 30.99%	\$ <u>85,735</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	49,515	(3,228) B	46,288	0	46,288
DEPRECIATION (NET)	16,633	(2,551) C	14,082	0	14,082
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	745	3,257 D	4,002	913 F	4,915
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>66,893</u>	\$ <u>(2,522)</u>	\$ <u>64,372</u>	\$ <u>913</u>	\$ <u>65,284</u>
OPERATING INCOME/(LOSS)	\$ <u>(8,523)</u>		\$ <u>1,081</u>		\$ <u>20,451</u>
WASTEWATER RATE BASE	\$ <u>165,054</u>		\$ <u>214,694</u>		\$ <u>214,694</u>
RATE OF RETURN	<u>-5.16%</u>		<u>0.50%</u>		<u>9.53%</u>

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 DATE: AUGUST 20, 1998

BAYSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 30
 DOCKET NO. 971401-WS

	<u>WATER</u>	<u>WASTEWATER</u>
A. OPERATING REVENUES		
1. To impute revenue for 55 vacant connected lots as ordered in Order 18624, issued January 4, 1998.	\$ 7,418	\$ 7,422
B. OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages - Employees		
a. To reduce payroll by overstated amount per auditor's findings.	\$ (918)	\$ (918)
b. To bring employee salaries to staff's recommended amount.	\$ 408	\$ 408
	<u>\$ (510)</u>	<u>\$ (510)</u>
2. Purchased Water		
a. To reflect an adjustment for unaccounted-for water over the allowable 10% figure.	\$ (435)	\$ 0
b. To allow for an additional 18 units charged by the City of Panama City Beach (293 - 265).	\$ 1,674	\$ 1,674
	<u>\$ 1,239</u>	<u>\$ 1,674</u>
3. Sludge Removal Expense		
a. To reflect engineer recommended test year sludge expense.	\$ 0	\$ 275
4. Purchased Power		
a. To adjust to engineer recommended purchased power expense.	\$ 0	\$ 520
5. Chemicals		
a. To allow engineer recommended chemical expense.	\$ 0	\$ 120
6. Contractual Services - Professional		
a. To include pro forma replacement of 13 manholes.	\$ 0	\$ 975
7. Contractual Services - Testing		
a. To include engineer recommended testing amount.	\$ 400	\$ 0
8. Transportation Expenses		
a. To reflect staff recommended transportation expense.	\$ 660	\$ (1,761)
9. Regulatory Commission Expense		
a. To include \$1,000 per system SARC filing fee amortized over 4 years.	\$ 250	\$ 250
b. To reclassify regulatory assessment fees to taxes other than	<u>(2,264)</u>	<u>(2,417)</u>
	<u>\$ (2,014)</u>	<u>\$ (2,167)</u>
10. Bad Debt Expense		
a. To adjust bad debt expense to test year amount.	\$ (2,768)	\$ (2,852)
TOTAL O & M ADJUSTMENTS	<u>\$ (4,542)</u>	<u>\$ (4,542)</u>
C. DEPRECIATION EXPENSE		
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$ 2,801	\$ (4,317)
2. To reflect test year amortization expense.	(2,043)	0
3. To include depreciation expense on pro forma plant.	0	1,768
	<u>\$ 758</u>	<u>\$ (2,549)</u>
D. TAXES OTHER THAN INCOME		
1. To reclassify regulatory assessment fees from O & M.	\$ 2,264	\$ 2,417
2. To adjust to correct test year regulatory assessment fees.	419	528
3. To adjust payroll tax for recommended salaries.	312	312
	<u>\$ 2,995</u>	<u>\$ 3,257</u>
E. OPERATING REVENUES		
1. To reflect staff's recommended increase in revenue	\$ 2,791	\$ 20,283
F. TAXES OTHER THAN INCOME		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement	\$ 176	\$ 912

DOCKET NO. 971401-WS
 DATE: AUGUST 20, 1998

BAYSIDE UTILITIES, INC.
 TEST YEAR ENDING DECEMBER 31, 1997
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3C
 DOCKET NO. 971401-WS

	TOTAL PER UTIL.	STAFF ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$ 6,235	\$ (507)	\$ 5,729
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	28,939	1,039	29,978
(615) PURCHASED POWER	0	0	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	2,073	0	2,073
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	450	0	450
(635) CONTRACTUAL SERVICES - TESTING	0	450	450
(636) CONTRACTUAL SERVICES - OTHER	3,631	0	3,631
(640) RENTS	1,919	0	1,919
(650) TRANSPORTATION EXPENSE	340	660	1,000
(655) INSURANCE EXPENSE	839	0	839
(655) REGULATORY COMMISSION EXPENSE	2,264	(2,014)	250
(670) BAD DEBT EXPENSE	4,513	(3,768)	745
(675) MISCELLANEOUS EXPENSES	263	0	263
	\$ 51,466	\$ (4,140)	\$ 47,327

DOCKET NO. 971401-WS
DATE: AUGUST 20, 1998

BAYSIDE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1997
ANALYSIS OF WASTEWATER OPERATION AND
MAINTENANCE EXPENSE

SCHEDULE NO. 3D
DOCKET NO. 971401-WS

	<u>TOTAL</u>	<u>STAFF</u>	<u>TOTAL</u>
	<u>PER UTIL.</u>	<u>ADJUST.</u>	<u>PER STAFF</u>
(701) SALARIES AND WAGES - EMPLOYEES	\$ 6,235	\$ (507)	\$ 5,729
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	23,308	1,674	24,982
(711) SLUDGE REMOVAL EXPENSE	0	275	275
(715) PURCHASED POWER	507	530	1,037
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	120	120
(720) MATERIALS AND SUPPLIES	4,220	0	4,220
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	545	975	1,520
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	2,467	0	2,467
(740) RENTS	1,385	0	1,385
(750) TRANSPORTATION EXPENSE	1,176	(176)	1,000
(755) INSURANCE EXPENSE	839	0	839
(765) REGULATORY COMMISSION EXPENSES	2,417	(2,167)	250
(770) BAD DEBT EXPENSE	4,697	(3,952)	745
(775) MISCELLANEOUS EXPENSES	1,719	0	1,719
	<u>\$ 49,515</u>	<u>\$ (3,228)</u>	<u>\$ 46,288</u>

DOCKET NO. 971401-WS
DATE: AUGUST 20, 1998

RECOMMENDED RATE REDUCTION SCHEDULE

BAYSIDE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1998

SCHEDULE NO. 4
DOCKET NO.

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

MONTHLY WATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTIO</u>
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BASE FACILITY CHARGE:
Meter Size:

5/8"X3/4"	\$ 11.98	0.05
3/4"	17.96	0.08
1"	29.94	0.13
1-1/2"	59.88	0.25
2"	95.80	0.40
3"	191.61	0.80
4"	299.39	1.26
6"	598.77	2.51

RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.90	0.01
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DOCKET NO. 971401-WS
DATE: AUGUST 20, 1998

RECOMMENDED RATE REDUCTION SCHEDULE

BAYSIDE UTILITIES, INC.
TEST YEAR ENDING DECEMBER 31, 1997

SCHEDULE NO. 4A
DOCKET NO. 971401-

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

MONTHLY WASTEWATER RATES

	MONTHLY RECOMMENDED RATES	MONTHLY RATE REDUCTION
<u>RESIDENTIAL SERVICE</u>		
All Meter Sizes	\$ 15.43	\$ 0.05
<u>GENERAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 15.43	0.05
3/4"	23.14	0.07
1"	38.57	0.12
1-1/2"	77.14	0.24
2"	123.43	0.38
3"	246.85	0.75
4"	385.71	1.18
6"	771.42	2.36
RESIDENTIAL GALLONAGE CHARGE		
PER 1,000 GALLONS	\$ 3.80	0.01
(10,000 GALLON MAX. PER MONTH)		
GENERAL SERVICE GALLONAGE CHARGE		
PER 1,000 GALLONS	\$ 4.56	0.01

WATER DISTRIBUTION SYSTEM

USED AND USEFUL DATA

Docket No. 971401-WS Utility BAYSIDE UTILITIES, INC.

Date 08/09/98

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{\text{-----}} \times \frac{*}{1} = 100\% \text{ Used and Useful}$$

1) Capacity (No. of potential customers without expansion) = 283 ERC's

2) Average number of TEST YEAR Connections
= 283 ERC's

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

a) Average yearly customer growth in ERC's
for most recent 5 Years 1
ERC's

b) Construction Time for Additional Capacity 18 months

$$(3a) \times \frac{(3B)}{12 \text{ MOS.}} = \frac{2}{1} \text{ ERC's Margin Reserve}$$

* It is considered that no less of a network of mains could serve the existing customers and the water distribution mains should be 100% used and useful.

Robert T. Davis - Engineer

WASTEWATER COLLECTION SYSTEM

USED AND USEFUL DATA

Docket No. 971401-WS Utility BAYSIDE UTILITIES, INC.

Date 08/09/98

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \frac{*}{1} \text{ 100\% Used and Useful}$$

- 1) Capacity (No. of potential customers without expansion) = 283 ERC's
- 2) Average number of TEST YEAR Connections
= 283 ERC's
- 3) Margin Reserve (Not to exceed 20% of present ERC's)
 - a) Average yearly customer growth in ERC's
for most recent 5 Years 1 ERC's
 - c) Construction Time for Additional Capacity 10 months

$$(3a) \times \frac{(3B)}{12 \text{ MOS.}} = \frac{2}{12} \text{ ERC's Margin Reserve}$$

* It is believed that no less of a collection system could serve the existing number of customers and the collection system should be considered 100% used and useful.

Robert T. Davis - Engineer