

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate ) DOCKET NO. 950387-SU  
increase for North Ft. Myers ) ORDER NO. PSC-95-1360-FOF-SU  
Division in Lee County by ) ISSUED: November 2, 1995  
Florida Cities Water Company - )  
Lee County Division )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION

ORDER GRANTING FINAL RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Florida Cities Water Company (FCWC or utility) is a Class A utility that has two wastewater service divisions in Ft. Myers, Florida: a northern division and a southern division. The North Ft. Myers wastewater system, the applicant in this proceeding, was serving about 2,559 customers at December 31, 1994. Because many multi-family units are master-metered, about 4,590 equivalent residential connections (ERCs) were actually being served. The utility serves an area that has been designated by the South Florida Water Management District (SFWMD) as a critical use area. Wastewater treatment is provided by a 1.0 MGD (million gallons per day) advanced wastewater treatment (AWT) facility, presently being expanded to 1.25 MGD. Effluent is disposed of by discharge to the Caloosahatchee River, and will soon be provided to a golf course in the service area.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING 00455

On May 2, 1995, the utility filed an application for increased rates pursuant to Section 367.081, Florida Statutes. The petition did not satisfy the minimum filing requirements (MFRs) and submission of additional data was necessary. The missing information was received on May 19, 1995, which date was declared the official date of filing pursuant to Section 367.083, Florida Statutes. The utility's last rate case was finalized on July 1, 1992, by Order No. PSC-92-0594-FOF-SU, Docket No. 910756-SU. In 1994, the utility's rates were increased due to an index proceeding. The utility has asked the Commission to process this application under the proposed agency action (PAA) procedures identified in Section 367.081(8), Florida Statutes.

The utility did not request interim rates. Schedules in the filing indicate receipt of a 6.71 percent return on average investment in 1994. The utility's last allowed overall rate of return was 9.14 percent. The utility reported that rate indexing procedures helped it maintain a satisfactory rate of return. However, the utility now maintains that rate increases are needed to reflect added investments and expenses, including an expenditure of approximately \$1,600,000 in 1995 to increase the capacity of its wastewater plant from 1 MGD to 1.25 MGD. This construction project is scheduled to be completed prior to the close of 1995. The utility believes the magnitude of this investment justifies an end-of-period rate base determination.

The test year for this proceeding is the twelve-month period ending December 31, 1995. This period is based upon actual costs for the historical base year ended December 31, 1994, with applicable adjustments. During the base year, the utility's wastewater revenues were \$2,085,157, with a corresponding net operating income of \$474,319. The utility's proposed rates are designed to generate \$2,591,990 in annual revenues, reflecting a \$480,078 (22.73 percent) overall increase. The requested net operating income amount of \$763,108 will yield a 9.08% return on the projected \$8,404,278 rate base balance.

#### QUALITY OF SERVICE

Our analysis of the quality of service provided by the utility is derived from the quality of the utility's product, the operational conditions of the plant and facilities, the utility's efforts to address customer satisfaction, and also a review of the Department of Environmental Protection (DEP) correspondence contained in the MFRs and in the DEP's files in Ft. Myers.

### Quality of the Utility's Product

Our engineer conducted an on-site inspection of the facilities on June 21, 1995. The plant appeared to be operating properly, and construction on the expansion was in progress. Mr. James Grob, a DEP representative in Ft. Myers, was contacted and he indicated that the plant was meeting treatment standards. However, he did note that some odor complaints had been received, but that these odor problems should be corrected upon expansion of the plant and other modifications that were being implemented.

### Operational Conditions of Utility's Plant or Facilities

A review of DEP files revealed that Shuckers Restaurant (located adjacent to the wastewater treatment plant) had experienced recurring odor problems from the plant. Also, several customers complained about the odor coming from the plant, and at least one customer stated that the odor from the plant was minimal before the utility began using ultraviolet light for disinfection of its effluent. After meeting with the DEP and the owner of Shuckers, the utility agreed that it would haul sludge only when the restaurant was closed; make some piping changes with the existing treatment tanks; and begin feeding an odor-reducing chemical at a lift station. This should mitigate the odor problem.

### Attempts to Address Customer Satisfaction

We conducted a customer meeting on July 26, 1995, at the North Ft. Myers High School auditorium. About 400 customers attended, and about 35 spoke. The customers expressed their dissatisfaction with the utility and its operation, and appeared to be distressed over the requested rate increase, especially in light of the level of the existing rates. Several customers noted that this system has the highest rates in the state. Over 1065 letters protesting the requested rate increase were received by the Commission.

Several customers expressed concern that the plant expansion is needed to serve future customers and that it is not fair to require the present customers to pay for this plant expansion. The impact of the plant expansions on the wastewater treatment plant used and useful percentages will be discussed later in this Order.

Several customers complained about low water pressure and that the water quality was poor. Customers also expressed concerns about FCWC's violations of the Clean Water Act and whether the Lochmoor Country Club would be able to use as much effluent for irrigation as the utility plans to provide, except in the dry season. Also, some customers expressed their concern that they

could not afford to pay for improvements that were required to protect the environment, and requested that consideration be given to the cost impact on the customers. Several customers said the rates need to be decreased.

Several customers at the meeting complained about billing errors. The company explained to the customers that its contract meter reader had not been properly reading all meters, and that with the corrected bills, extra time would be allowed for payment.

From a review of the above, we find that the quality of service provided by the utility in collecting, treating, and disposing of the wastewater is satisfactory.

#### RATE BASE

Our calculation of the appropriate rate base for this proceeding is attached as Schedule No. 1-A, and the adjustments to rate base are attached as Schedule No. 1-B. Those adjustments which are self explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this order. The major adjustments are discussed below.

#### Used and Useful Plant

The utility is expanding its wastewater plant capacity from 1.0 MGD to 1.25 MGD. In September, 1994, the plant exceeded its rated capacity when plant flows were 1.175 MGD. Average daily flows (ADF) for the year were 0.942 MGD. Because the plant was treating flows greater than 90 percent of its rated capacity, DEP and the utility, in 1992, determined that the utility needed to begin planning and design for construction of an expansion. The utility was issued a construction permit from the DEP in June, 1994 for the expansion that is now nearing completion. The treatment plant has a hydraulic capacity of 1.5 MGD, but is limited in effluent disposal due to the river discharge and golf course irrigation.

Comparing the ADF in the peak month of September, 1994, to the plant capacity after expansion, the used and useful calculation is 94 percent. When including margin reserve, the used and useful calculation is 98.6 percent. Rather than make a minimal used and useful adjustment in this case, we have included as the margin reserve, the number of customers the utility could serve in the 75,000 gpd of remaining capacity (the difference between the plant capacity of 1.25 MGD and the ADF peak month of 1.175 MGD). At 256 gpd/ERC, this computes to 292 additional ERCs that can be connected to the plant without expansion.

The utility has requested that its collection system be considered 100 percent used and useful, in part, because it is fully contributed. The Commission has agreed with this explanation in prior cases, and since the extension policies of the utility have not changed, we find that the collection system is 100 percent used and useful.

Customers at the informal meeting expressed the need for future customers to shoulder the burden of the plant expansion, since any expansion is for future customers. The plant capacity charges proposed in Docket No. 950586-SU of \$1,800 will help defray the costs of the current expansion. As the plant's permitted capacity is increased, these service availability fees will assist the utility in recovering the costs of expansion from future customers.

However, we are concerned about the future expansion needs of this utility, the small increments with which they have historically been made, and the financial impact upon the rate base. Additionally, the plant has apparently been designed with greater hydraulic capacity than the permitted capacity, with the limiting factor being effluent discharge constraints. Discharge to the Caloosahatchee River is permitted at 1.0 MGD, and all other effluent must be disposed of through reuse since percolation ponds are not a feasible alternative. Growth patterns for this service area fluctuate widely from year to year (see Schedule F-6 of the MFRs), and there appears to be considerable undeveloped land on the market in the utility's service area.

The plant expansion is essentially 100 percent used and useful at the time it goes on line. We are concerned that an expansion of the 1.0 MGD advanced wastewater treatment plant was required in only three years from the time that that plant came on line in September 1992. In response to our data requests, the utility explains that using a ten-year linear regression of flow data as recommended by the DEP's Capacity Analysis Report guidelines, the next phase of expansion will be required around the year 2000.

#### Master Plan

Because of all of the changes occurring in the utility's service area, specifically including the plant expansion discussed above; effluent reuse with one of the golf courses; interest by the City of Cape Coral in effluent reuse in exchange for potable water; the utility's location in a critical use area as designated by the SFWMD; continued growth in the service area; and customer concerns expressed at the informal customer meeting in July, we believe we should review the utility's master plan. Therefore, the utility

shall file with the Commission its current master plan for the continued provision of wastewater service to the North Ft. Myers service area. The time frame involved in the master plan should be the expected period of build out of the service area as it is today, or, if the utility expects to enlarge the territory, the build out of that service area. The plan shall at least address growth needs; plant expansions to the build out capacity of 1.5 MGD and beyond 1.5 MGD, including capacity required and the costs of providing the needed capacity; the timing of plant expansions; changes in the permitted capacity of the plant as approved by the DEP; effluent disposal alternatives and the expected alternatives to be chosen; reuse opportunities and potential customers, and, the revenues or associated exchange of services; alternatives to plant expansions, such as bulk purchases from others; and, reductions to infiltration and inflow.

The utility should currently have most of this data due to the in-house planning performed by the staff engineers of Florida Cities or Avatar Utility Services. The utility has carefully planned its phased expansions, being sensitive to excess treatment capacity. This request for a copy of the utility's master plan shall not be interpreted as direction from the Commission for an independent engineering evaluation to be performed by an outside engineering firm, causing a large expenditure of funds. Upon receiving this plan, our staff shall review it and discuss it with the utility, focusing on a long range conceptual framework. The utility shall provide its master plan within 120 days.

In conclusion, we find the wastewater treatment plant and collection system to be 100% used and useful.

#### Margin Reserve

As set out above, 292 ERCs are included in the margin reserve. In light of the flow data during the test year, the utility's projections of growth, and our decision that the plant is 100 percent used and useful, we find it appropriate to extend the margin reserve period to 3.95 years.

#### Plant in Service

As noted in Audit Disclosure No. 2, the utility capitalized legal fees associated with a lawsuit that should have been reported as a below-the-line expense. On October 1, 1993, the United States Department of Justice, on behalf of the U.S. Environmental Protection Agency, filed a civil action against the company. Legal expenses of \$210,734 relating to this lawsuit were incurred during 1992, 1993, and part of 1994. Those payments were capitalized as

part of an expansion project on the North Ft. Myers wastewater treatment plant. During 1994, the utility began expensing all additional legal fees pertaining to the lawsuit and reporting them below the line. Accordingly, legal fees totaling \$210,734 that were capitalized should be consistently treated as a below the line expense item and removed from plant in service. Therefore, an adjustment should be made to decrease plant in service by \$210,734. Corresponding adjustments should also be made to decrease accumulated depreciation and depreciation expense by \$23,661 and \$11,307, respectively.

Audit Disclosure No. 2 also noted the utility incorrectly allocated charges for engineering costs related to a project to relocate water mains and wastewater force mains. The engineering costs for the water and wastewater sections were billed together, and the utility elected to allocate the costs based upon each section's percentage of total contractor's cost. Initially, the utility correctly allocated engineering costs 20 percent to the wastewater section and 80 percent to the water section. However, the final five payments, totaling \$34,887 in 1993 and \$6,584 in 1994 were allocated 50 percent to water and 50 percent to wastewater. These payments were allocated \$17,443 in 1993 and \$3,292 in 1994 to wastewater. Consequently, an adjustment shall be made to decrease wastewater plant in service by \$12,441 for engineering costs that belong in the North Ft. Myers water plant. Corresponding adjustments shall also be made to decrease accumulated depreciation and depreciation expense by \$961 and \$411, respectively.

Due to the above, there is a reduction to plant in service, accumulated depreciation and depreciation expense of \$223,175, \$24,622, and \$11,718, respectively.

#### Accounting Errors

As noted in Audit Disclosure No. 3, the utility misclassified two plant retirements and made several accounting errors that require adjustments to plant in service, accumulated depreciation, and depreciation expense. When assigning costs associated with Work Order No. 11-4214, \$1,368 of plant addition costs were incorrectly charged to cost of removal. In Work Order No. 11-4197, a \$10,425 removal cost was mistakenly charged to a plant account. The net effect of these two misclassifications is that the December 31, 1994 plant in service is overstated by \$9,057 (\$10,425 - \$1,368), accumulated depreciation is overstated by this same \$9,057 amount, and depreciation expense is overstated by \$482.

The utility has not been recognizing enough depreciation expense for Account No. 345 - Power Operated Equipment. The utility has been depreciating this account over a 10-year period instead of 12 years as required by Rule 25-30.140(2)(a), Florida Administrative Code. In addition, the utility has been using a specific identification method to depreciate only certain assets within Account No. 345, instead of the asset class as required by Rule 25-30.140(4)(a), Florida Administrative Code. To correct this error, adjustments shall be made to increase accumulated depreciation and depreciation expense by \$9,127 and \$3,028, respectively.

In 1991, the utility double posted a \$118 adjustment to the retirement cost of an item of power operated equipment. Consequently, an adjustment shall be made to increase accumulated depreciation by \$118 to adjust for the posting error.

The utility incorrectly expensed a piece of laboratory equipment costing \$1,352 that should have been capitalized per FCWC's capitalization policy. Accordingly, plant in service shall be increased \$1,352 to reflect the reclassification. A corresponding adjustment shall be made to increase depreciation expense by \$72. In addition, operation and maintenance expenses shall be decreased by \$1,352 to remove the capitalized equipment.

The audit report indicates that the utility did not include the cost of plant retirements in their projections for 1995. The work orders used to project plant additions for 1995 include retirements of \$26,130. For rate making purposes only, accumulated depreciation and plant in service shall be reduced an additional \$26,130, so that depreciation expense can be properly projected for the test year ended December 31, 1995.

Based on the above, the following adjustments shall be made:

	Plant	Accum. Depr.	Depr. Expense
Retirement Reclassification	\$ (9,057)	\$ (9,057)	\$ (482)
Incorrect Depr. Rate		9,127	3,028
Double Posting Error		118	
Capitalized Equipment	1,352		72
Projected Retirements	<u>(26,130)</u>	<u>(26,130)</u>	<u>(1,390)</u>
Total	<u>\$ (33,835)</u>	<u>\$ (25,942)</u>	<u>\$ 1,228</u>

Year-End Rate Base

The utility requested approval of a year-end rate base value to reflect the full weight of additions to plant in service that are required to satisfy various permitting and other service conditions. In the absence of the most extraordinary conditions or circumstances, we apply average investment during the test year in determining rate base. See, Citizens of Florida v. Hawkins, 356 So. 2d 254 (Fla. 1978) at 257. The utility believes the magnitude of the investment associated with planned improvements is an extraordinary condition that justifies approval of an end-of-period rate base determination. According to the utility: "(w)ith the investment that will be placed into effect during the projected test year, the rate of return will be deteriorated to the point that FCWC's property will be being confiscated in violation of the federal and state constitutions."

Overall, the planned improvements are expected to cost \$1,728,332 for the wastewater division, a 14.9 percent increase compared to the beginning balance. Conversely, historical growth patterns suggest a 1.6 percent increase in the number of customers. The most significant construction project concerns expansion of the wastewater treatment plant from 1 MGD (million gallons per day) to 1.25 MGD. The projected cost of this expansion is \$1,611,673. In its application, the utility reported that this project would be complete on or before October 1, 1995. However, the accounting schedules in the MFRs depict completion in December of 1995. When a year-end appraisal is not used, the later a project's completion date, the smaller its consequent impact on rate base determination. Under the averaging practice, using the December 1995 in-service date shown in the MFRs, about 92% of the wastewater plant's construction cost (thirteen-month basis) would be eliminated. The utility believes that this equipment should be considered fully used and useful in this proceeding. The utility also believes that depreciation should be computed based upon the entire investment, independent of which month during the test year the facility is actually completed.

The wastewater plant expansion project is a substantial improvement that serves the public interest. The project should be substantially complete by December of 1995, which in-service date satisfies the two-year limitation prescribed by Section 367.081(2)(a), Florida Statutes. Since factors which are increasing the investment in operating plant are not matched by a concomitant growth in customers, we find that an average rate base determination would distort the revenue requirement picture. Therefore, we shall use a year-end rate base.

Imputation of Contributions In Aid of Construction (CIAC)

When the used and useful calculation includes an allowance for additional customer growth, also described as a margin reserve, it has been our policy to offset that growth factor with the added CIAC that will be collected when those customers are connected. In this docket, the imputation adjustment exactly matches the rate base component associated with margin reserve.

Based on a projected \$7,180,940 net investment in wastewater plant facilities at December 31, 1995, and in accordance with our used and useful determination, \$429,420 (5.98 percent) of that investment is attributable to margin reserve. For the purpose of making an imputation adjustment in this case, the plant's capacity that exceeds current demand is assigned to the margin reserve.

In a related proceeding, Docket No. 950586-SU, FCWC has asked the Commission to approve an \$1,800 plant capacity charge for wastewater service, or a sum that approximates the per customer investment in treatment facilities. We voted to approve this fee on October 10, 1995. Our used and useful calculation indicates that 74,700 gpd of plant capacity is available for customer growth and, accordingly, 292 customers (at 256 gpd) can connect to the plant before its capacity is fully utilized. Thus, the projected CIAC under these assumptions would be \$525,600 (\$1,800 x 292). However, since the rate base element that corresponds to margin reserve is only \$429,420, a similar limitation applies to the imputation factor. This imputation adjustment reduces depreciation expense by \$22,845, since imputed CIAC offsets the plant investment related to margin reserve. A \$22,845 pro forma provision for accumulated amortization is also needed.

Reduction of CIAC for the Wastewater Division

As stated above, we voted to approve the utility's requested \$1,800 plant capacity charge for wastewater service. The utility's projected rate base for this proceeding includes a \$127,800 provision for projected CIAC during the test year. That projection was derived under the assumption that the requested \$1,800 plant capacity charge would be collected from 71 new customers during 1995. Correction of that estimate is required to show collection of the existing \$350 charge during most of 1995. The recommended reduction is \$85,792, which is based upon collection of the existing \$350 charge for approximately ten months and \$1,800 for the remaining two months. This correction also produces corresponding adjustments to accumulated amortization of CIAC and depreciation expense. The reduction to depreciation expense is

\$4,564, which adjustment reflects amortization of the overstated CIAC.

The adjustment to accumulated amortization of CIAC would also be \$4,564. However, when that correction was identified, a posting error was detected in the MFRs concerning the pro forma provision for amortization of CIAC in 1995. Referring to Schedule B-14 (page 52), when depreciation expense is adjusted to reflect year-end conditions (Column 5), the utility failed to annualize amortization expense. When that factor is annualized, the reserve which appears on Schedule A-13 (page 16) is actually understated by \$3,637. Thus, the net correction is \$927.

#### Unfunded Post-Retirement Benefits

The utility has requested recovery of \$34,850 in operating expenses to represent post-retirement benefits. Statement of Financial Accounting Standards (SFAS) 106 refers to the accounting standard that describes the practice of recognizing post-retirement benefits other than pensions (Other Post-Employment Benefits -- OPEBs). We have approved recovery of these expenses for FCWC's other operating divisions in all recent rate proceedings, and recovery of this expense shall also be allowed in this proceeding.

In considering the rate base treatment that is associated with the unfunded OPEB liability, we note that FWCW does not currently fund its SFAS 106 obligation. According to Rule 25-14.012 (3), Florida Administrative Code:

Each utility's unfunded accumulated postretirement benefit obligation shall be treated as a reduction to rate base in rate proceedings. The amount that reduces rate base is limited to that portion of the liability associated with the cost methodology for post retirement benefits other than pensions.

Since FCWC does not presently fund its OPEB obligation, the unfunded liability account is properly included in the rate base determination. Referring to the utility's balance sheet for the projected test year ending December 31, 1995, the liability account titled "Post-Retirement Benefits" shows an average balance of \$1,240,226. The utility's wastewater division for the North Fort Myers service area is assigned 6.6 percent of the common investment in working capital (based upon its relative portion of FCWC's total expenses). We believe the same allocation treatment is reasonable for the purpose of dividing the OPEB obligation among the various systems. Therefore, we shall reduce rate base by \$81,855 to

reflect this division's allocated share of the unfunded OPEB liability.

#### Working Capital

FCWC's North Fort Myers wastewater division is a Class A Utility system. Therefore, the utility used the balance sheet approach to calculate its requested \$124,777 provision for working capital. The requested provision is an allocated portion of a common \$1,890,518 company-wide balance. This sum is allocated among the various operating systems based upon comparative operating and maintenance expenses.

The utility's working capital schedule includes current and deferred asset and liability accounts. A deferred liability should be added for the calculation. This item is a deferred credit (liability) that relates to unfunded pension costs. Since most of the utility's pension costs are currently funded, they are not included in the working capital model. Some pension charges, however, are paid on a delayed basis even though they are included in current operating expenses. Therefore, they provide a cost-free source of funds for the utility and should be included in the working capital determination. The unfunded pension cost for the entire company is \$143,898, and the allocated portion for this proceeding is \$9,497, and working capital shall be reduced by this amount.

#### Rate Base Amount

Based upon a year-end rate base determination, we find that the appropriate rate base value is \$7,784,770 for this wastewater division.

#### COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

#### Return on Equity

Based upon the components of our adjusted capital structure, as shown on Schedule No. 2, the equity ratio for FCWC is 27.38 percent. Using the current leverage formula approved in Order No. PSC-95-0982-FOF-WS, issued on August 10, 1995, the appropriate

return on equity shall be 11.88 percent. The appropriate range for the return on equity should be 10.88 percent to 12.88 percent.

#### Deferred Investment Tax Credits

The utility's reported cost for Deferred Investment Tax Credits (ITC's) is 9.96 percent. The utility's calculation includes a component for customer deposits. Such inclusion is inappropriate since customer deposits should not be considered a source of outside funding for the purpose of this equation. Removal of that element necessitates a corresponding adjustment to the cost of deferred tax balances. Further, when our 11.88 percent equity earnings provision is used, it likewise produces a changed rate for Deferred ITC's. Our cost for deferred tax credits is 10.19 percent, which revision reflects the adjusted return on equity and removal of customer deposits.

#### Overall Cost of Capital

Based upon the adjustments as set out above and in Schedule No. 2, we find an overall cost of capital of 9.23 percent, with a range of 8.96 percent to 9.50 percent.

#### NET OPERATING INCOME

Our calculation of the appropriate operating income for the purpose of this proceeding is attached as Schedule No. 3-A, and the adjustments to operating income are shown on Schedule No. 3-B. Those adjustments which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

#### Rate Case Expense

The utility's requested provision for rate case charges includes two components: a provision to amortize prior rate charges from Docket No. 910756-SU (\$24,418) and a provision to amortize current rate case costs (\$12,900). For the prior rate case costs, the utility reported an annual expense of \$24,418, when the actual annual expense should have only been \$19,916. Therefore, we have reduced that expense by \$4,502.

For the charges for the current rate case, the utility originally estimated that its costs would be \$51,600. However, that estimate has been revised, and the projected cost through proposed agency action (PAA) is now \$41,295. We have reviewed the supporting documentation for the current docket, and we believe that all of the reported costs are reasonable and necessary.

Accordingly, we include \$10,324 to amortize current rate case expense over four years. This produces a \$2,576 reduction to FCWC's requested amount.

Our calculations for the current rate case expense are set out below:

	<u>Amount</u> <u>per MFRs</u>	<u>Revised Rate</u> <u>Case Expense</u>	<u>Reduction</u> <u>to Expense</u>
Legal Fees	\$25,000	\$16,580	\$8,420
FCWC Rate Dept	18,000	8,425	9,575
Admin Fees	4,100	11,790	(7,690)
Filing Fees	<u>4,500</u>	<u>4,500</u>	<u>0000</u>
Totals	<u>\$51,600</u>	<u>41,295</u>	<u>\$10,305</u>

Test Year Operating Income

Based on our adjustments, the test year operating income is \$493,452 for the wastewater system. The operating statement is attached as Schedule No. 3-A and the adjustments are shown on Schedule No. 3-B.

REVENUE REQUIREMENT

The utility requested approval of rates that would generate \$2,591,990 in revenues for wastewater service. Based upon our calculations concerning the underlying rate base, cost of capital, and operating income, we approve rates that are designed to generate \$2,489,487 in revenues. This is an increase of \$377,772 or 17.89 percent.

RATES AND RATE STRUCTURE

Allocation of Revenue Requirement

Traditionally, costs associated with the provision of water service are allocated to the water customers, and those associated with the provision of wastewater service are allocated to the wastewater customers. However, with the evolution of reuse of reclaimed water as both a method of effluent disposal and a means of water conservation, we are seeing a shift in this paradigm. Clearly reuse for irrigation purposes reduces withdrawal from the aquifer which is a benefit to all water users in the area. In recognition that water customers benefit from the conservation facilitated by reuse, we must now consider whether a portion of the

wastewater or reuse costs in this case should be shared by the water customers.

In 1994, the Legislature recognized this benefit to water users by creating Section 367.0817, Florida Statutes, which, in part, clarified the Commission's authority to allocate the costs of providing reuse among any combination of the utility's customer base. Specifically, Section 367.0817(3), Florida Statutes, states "All prudent costs of a reuse project shall be recovered in rates. The Legislature finds that reuse benefits water, wastewater, and reuse customers. The commission shall allow a utility to recover the costs of a reuse project from the utility's water, wastewater, or reuse customers or any combination thereof as deemed appropriate by the commission." This legislation recognizes that all customers benefit from the water resource protection afforded by reuse.

Wastewater at the Florida Cities, North Fort Myers Division, is presently treated by an Advanced Wastewater Treatment (AWT) Plant. Its current capacity is 1.0 MGD and is being expanded to 1.25 MGD. This plant was constructed in 1992 to replace a tertiary treatment plant mainly because the utility was required by the Environmental Protection Agency (EPA) to go to advanced treatment in order to continue disposing of effluent into the Caloosahatchee River. All costs of this upgrade were borne by the wastewater customers in the rate case proceeding in Docket No. 910756-SU. Therefore, since 1992, FCWC has been treating wastewater to a standard sufficient for reuse, although it had no reuse customers in this service area. The provision of reuse as a source of irrigation would alleviate the need to dump all of the effluent into the Caloosahatchee River.

In March of this year, FCWC executed a contract with the Lochmoor Country Club (Lochmoor) for the provision of reuse as a means of irrigation on the golf course. According to the contract, Lochmoor has agreed to take 300,000 gallons per day at a rate approved by the Commission. In addition, by letter dated July 27, 1995, the utility indicated that there are several other potential reuse customers, although negotiations with these customers are in the very early stages. These potential reuse customers include the El Rio Golf Course, a median located along Orange Grove Boulevard, the North Fort Myers High School, Palm Island Development, Tropic Isles Elementary School, and Tropic Terrace Condo Association. The reuse feasibility study which the utility submitted to the Department of Environmental Protection (DEP) indicates these same potential customers. Also, by letter dated August 31, 1995, the utility informed the Commission that it is negotiating a contract with the City of Cape Coral whereby the city would provide the utility potable water in exchange for reuse water. According to

the letter, if this contract is executed, the City would take all of the utility's reuse over that provided to Lochmoor, eliminating the need for any other reuse customers. Therefore, it appears that there will be a market for the reclaimed water priced at a competitive rate, whether it be through direct sales to end users or through an exchange contract with the City of Cape Coral.

Allocation Solely to Wastewater Customers

Although it appears that reuse might be of some benefit to water customers, the facts of this case show that there should be no sharing of the wastewater revenue requirement with the water customers. First, the utility was forced by the EPA to upgrade to advanced treatment in 1992 in order to continue to dispose of its effluent by surface water discharge into the river. It could be argued, therefore, that the construction of the AWT plant was required in order to continue to provide wastewater service, and the ability to provide reuse is simply a positive externality. Also, the provision of reuse is especially beneficial to the wastewater customers since it is becoming increasingly difficult for the utility to continue surface water discharge. To enlarge the current NPDES permit, which allows the utility to dispose into the river, would be very difficult, time consuming and ultimately unlikely. This makes reuse the only feasible option for effluent disposal in the future.

Another argument in support of allocating the entire wastewater costs to wastewater customers is the uncertainty of the contract with the City of Cape Coral for the exchange of reuse for potable water. Although such a contract might provide direct benefit to the water customers from the provision of reuse, the contract is still in the negotiation stages. We applaud the utility's creative initiative in seeking a lower cost source of future water capacity and do not want to do anything that may discourage such actions. Therefore, until we know the outcome of the contract negotiations, it may be too soon to allocate any of the revenue requirement to the water customers.

Therefore, we shall allocate all of the wastewater revenue requirement to the wastewater customers and reuse end user at this time, and require the utility to keep the Commission informed of the progress of negotiations with the City of Cape Coral. In this way, if a contract is executed which results in a lower cost of additional water supply than would otherwise be available, the Commission could reevaluate the allocation of some costs to the water customers based on the analysis of this savings. This would be done in a separate proceeding which would include proper notice to all customers and a full exploration of the available options.

Based on the above, none of the revenue increase shall be allocated to the water customers at this time. A reuse rate (as set out below) of \$.21 per 1,000 gallons shall be established, resulting in a revenue allocation to the reuse customer of \$22,995. The remainder of the revenue increase shall be recovered from the wastewater customers. The utility shall keep the Commission informed of the progress of negotiations with the City of Cape Coral for exchange of reuse for potable water.

#### Reuse Rate

The utility has requested a rate of \$.13 per 1,000 gallons for the provision of reuse to the Lochmoor Country Club. This is the same reuse rate that is currently approved for the utility's South Fort Myers Division. The basis for this rate in the South Fort Myers Division is that it was equal to the reuse rate of Lee County at the time and was, therefore, competitive with other reuse providers.

The utility provided a copy of the reuse contract between Lochmoor and FCWC. According to the contract, the Country Club has agreed to take 300,000 gallons per day at a rate approved by the Commission. According to the utility, the basis of this contract was the requested rate of \$.13 per 1,000 gallons. Lochmoor has historically used approximately 200,000 to 250,000 gallons per day.

The current reuse rate of Lee County is \$.21 per 1,000 gallons. We believe this is an appropriate rate for the provision of reuse in FCWC's North Fort Myers division. Discussions with representatives of the utility have indicated that many reuse purveyors in Lee County charge a rate of \$.21 per 1,000 gallons since that is what the county charges. This rate, therefore, will put the utility on an equal footing with other reuse providers in the area. Further, setting the charge equal to the county's rate is consistent with the previous decision in the South Fort Myers Division.

#### RATES

The final rates approved for the utility are designed to produce annual operating wastewater revenues of \$2,467,760 which is an increase of 17.29 percent, excluding miscellaneous service revenues, using the base facility charge rate design. This amount includes the revenues for reuse in the amount of \$22,995. The approved rates are set out on Schedule No. 4.

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EFFECTIVE DATE

The utility shall file revised tariff sheets and a proposed customer notice to reflect the appropriate rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The utility shall file and have staff's approval of revised tariff sheets and a proposed customer notice letter, pursuant to Rule 25-22.0407(10), Florida Administrative Code, prior to implementing the new rates. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of notice.

A comparison of the utility's original rates, requested rates, and our approved rates is shown on Schedule No. 4.

STATUTORY FOUR YEAR REDUCTION

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four-year period by the amount of rate case expense previously authorized in the rates. The reduction shall reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$10,324. The removal of rate case expense will result in a reduction in rates as shown on Schedule No. 4-A.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the removal of the amortized rate case expense.

If a protest is not received within 21 days of issuance of the Proposed Agency Action order, the order shall become final. However, this docket shall remain open until the master plan is submitted. After the master plan is submitted, if no protest is filed, and upon the utility's filing of and staff's approval of revised tariff sheets, the docket shall be closed.

Based on the foregoing, it is, therefore,

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ORDERED by the Florida Public Service Commission that Florida Cities Water Company, North Fort Myers Division's application for increased wastewater rates in Lee County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that Florida Cities Water Company, North Fort Myers Division is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the rates and charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that Florida Cities Water Company, North Fort Myers Division, shall provide proof that the customers have received notice within 10 days of the date of notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Florida Cities Water Company, North Fort Myers Division shall submit and have approved a proposed customer notice to its customers of the increased rates and charges and reasons therefor. The notice will be approved upon staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Florida Cities Water Company, North Fort Myers Division shall submit and have approved revised tariff pages. The revised tariff pages shall be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the proposed customer notice is adequate. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

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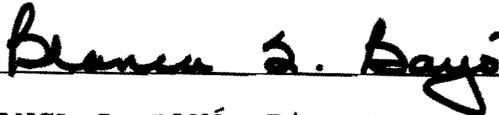
ORDERED that Florida Cities Water Company shall provide its master plan for the continued provision of wastewater service to the North Fort Myers service area within 120 days of the date of this order. It is further

ORDERED that Florida Cities Water Company shall keep the Commission informed of the progress of negotiations with the City of Cape Coral for the exchange of reuse for potable water. It is further

ORDERED that all provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings Below. It is further

ORDERED that this docket shall be closed upon the filing of the master plan, if no timely protest is received from a substantially affected person, and upon the utility's filing and staff's approval of revised tariff sheets and a customer notice.

By ORDER of the Florida Public Service Commission, this 2nd day of November, 1995.

  
\_\_\_\_\_  
BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

RRJ

Commissioner Diane K. Kiesling dissented on allocating all of the revenue requirement to the wastewater customers, and, based on reuse, would have allocated 10 percent of the revenue requirement to the water customers.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 27, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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FLORIDA CITIES WATER CO.-NORTH FT. MYERS DIVISION				SCHEDULE NO. 1-A	
SCHEDULE OF WASTEWATER RATE BASE				DOCKET NO. 950387-SU	
TEST YEAR ENDED 12/31/95					
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 11,649,007	\$ 1,728,332	\$ 13,377,339	(\$ 257,010)	13,120,329
2 LAND	5,000	0	5,000	0	5,000
3 CONSTRUCTION WORK IN PROGRESS	91,345	(91,345)	0	0	0
4 ACCUMULATED DEPRECIATION	(2,558,856)	(584,542)	(3,143,398)	50,564	(3,092,834)
5 CIAC	(3,183,270)	(136,760)	(3,320,030)	(343,628)	(3,663,658)
6 AMORTIZATION OF CIAC	1,159,806	172,988	1,332,794	21,918	1,354,712
7 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
8 UNFUNDED FASB 106 OBLIGATION	0	0	0	(81,855)	(81,855)
9 OTHER: ALLOC. OF GENERAL OFFICE	0	27,799	27,799	0	27,799
10 WORKING CAPITAL ALLOWANCE	0	124,774	124,774	(9,497)	115,277
<b>RATE BASE</b>	<b>\$ 7,163,032</b>	<b>\$ 1,241,246</b>	<b>\$ 8,404,278</b>	<b>(\$ 619,508)</b>	<b>7,784,770</b>

FLORIDA CITIES WATER CO. - NORTH FT. MYERS DIVISION  
 ADJUSTMENTS TO RATE BASE  
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 1-B  
 DOCKET NO. 950387-SU  
 PAGE 1 OF 1

EXPLANATION	WASTEWATER
<b>(1) UTILITY PLANT IN SERVICE</b>	
a) Adjustment to reclassify costs associated with EPA lawsuit concerning discharge of pollutants (audit disclosure 2)	(210,734)
b) Reclassification of engineering charges (audit disclosure 2)	(12,441)
c) Adjustment to reclassify retirement cost (audit disclosure 3)	1,368
d) Adjustment to reclassify retirement entry	(10,425)
e) Projected provision for retirements in 1995	(26,130)
f) Capitalize laboratory equipment	1,352
	<u>\$ (257,010)</u>
<b>(2) ACCUMULATED DEPRECIATION</b>	
a) Adjustment to reclassify retirement cost	(1,368)
b) Adjustment to reclassify retirement entry	10,425
c) Additional depreciation on power operated equipment	(9,127)
d) Adjustment to show double posting of retirement	(118)
e) Show provision for projected retirements in 1995	26,130
i) Adjustment to reclassify litigation costs and engineering charges	24,622
	<u>\$ 50,564</u>
<b>(3) CIAC</b>	
a) Imputation of CIAC to offset margin reserve	\$ (429,420)
b) Adjustment to restate projected provision for CIAC in 1995	85,792
	<u>\$ (343,628)</u>
<b>(4) ACCUMULATED AMORTIZATION</b>	
a) Pro Forma adjustment that imputes CIAC to offset margin reserve	22,845
b) Adjustment to correct reflect amortization per last proceeding	1,659
c) Pro Forma adjustment that restates 1995 CIAC expectation	(927)
	<u>\$ 21,918</u>
<b>(5) UNFUNDED FASB 106 OBLIGATION</b>	
Allocation of average balance for unfunded post retirement benefits	<u>\$ (81,855)</u>
<b>(6) WORKING CAPITAL</b>	
Adjustment to include deferred credits for unfunded pension costs	<u>\$ (9,497)</u>

FLORIDA CITIES WATER CO.-NORTH FT. MYERS DIVISION  
CAPITAL STRUCTURE  
TEST YEAR ENDED 12/31/95

SCHEDULE NO. 2  
DOCKET NO. 950387-SU

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY</b>							
1 LONG TERM DEBT	\$ 36,660,000	\$ 0	\$(32,600,479)	4,059,521	48.30%	9.53%	4.60%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	9,000,000	0	(8,003,391)	996,609	11.86%	9.00%	1.07%
4 COMMON EQUITY	20,782,539	0	(18,481,198)	2,301,341	27.38%	11.34%	3.11%
5 CUSTOMER DEPOSITS	1,013,037	0	(900,859)	112,178	1.33%	6.00%	0.08%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	1,678,281	0	(1,492,438)	185,843	2.21%	9.96%	0.22%
8 DEFERRED INCOME TAXES	6,762,006	0	(6,013,220)	748,786	8.91%	0.00%	0.00%
9 TOTAL CAPITAL	\$ <u>75,895,863</u>	\$ 0	<u>\$(67,491,585)</u>	<u>8,404,278</u>	<u>100.00%</u>		<u>9.08%</u>
<b>PER COMMISSION</b>							
10 LONG TERM DEBT	\$ 36,660,000	\$ 0	\$(32,899,720)	3,760,280	48.30%	9.53%	4.60%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	9,000,000	0	(8,076,854)	923,146	11.86%	9.00%	1.07%
13 COMMON EQUITY	20,782,539	0	(18,650,838)	2,131,701	27.38%	11.88%	3.25%
14 CUSTOMER DEPOSITS	1,013,037	0	(909,128)	103,909	1.33%	6.00%	0.08%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WTD COST	1,678,281	0	(1,506,137)	172,144	2.21%	10.19%	0.23%
16 DEFERRED INCOME TAXES	6,762,006	0	(6,068,415)	693,591	8.91%	0.00%	0.00%
17 TOTAL CAPITAL	\$ <u>75,895,863</u>	\$ 0	<u>\$(68,111,093)</u>	<u>7,784,770</u>	<u>100.00%</u>		<u>9.23%</u>
<b>RANGE OF REASONABLENESS</b>					<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY					<u>10.88%</u>	<u>12.88%</u>	
OVERALL RATE OF RETURN					<u>8.96%</u>	<u>9.50%</u>	

FLORIDA CITIES WATER CO.-NORTH FT. MYERS DIVISION  
STATEMENT OF WASTEWATER OPERATIONS  
TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-A  
DOCKET NO. 950387-SU

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 2,085,157	\$ 506,833	\$ 2,591,990	\$(480,275)	\$ 2,111,715	\$ 377,772	\$ 2,489,487
OPERATING EXPENSES						17.89%	
2 OPERATION AND MAINTENANCE	\$ 919,804	\$ 40,349	\$ 960,153	\$(8,431)	\$ 951,722	\$	\$ 951,722
3 DEPRECIATION	379,659	73,908	453,567	(28,771)	424,796		424,796
4 AMORTIZATION	949	0	949	0	949		949
5 TAXES OTHER THAN INCOME	205,132	37,790	242,922	(21,612)	221,310	17,000	238,309
6 INCOME TAXES	105,294	65,998	171,292	(151,805)	19,487	135,758	155,245
7 TOTAL OPERATING EXPENSES	\$ 1,610,838	\$ 218,045	\$ 1,828,882	\$(210,620)	\$ 1,618,263	\$ 152,758	\$ 1,771,021
8 OPERATING INCOME	\$ 474,319	\$ 288,788	\$ 763,108	\$(269,655)	\$ 493,452	\$ 225,013	\$ 718,465
9 RATE BASE	\$ 7,163,032	\$	\$ 8,404,278	\$	\$ 7,784,770	\$	\$ 7,784,770
RATE OF RETURN	6.62%		9.08%		6.34%		9.23%

FLORIDA CITIES WATER CO.—NORTH FT. MYERS DIVISION  
ADJUSTMENTS TO OPERATING STATEMENTS  
TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-B  
DOCKET NO. 950387-SU  
PAGE 1 OF 1

EXPLANATION	WASTEWATER
<b>(1) OPERATING REVENUES</b>	
a) Adjustment to restate miscellaneous revenues	\$ (7,987)
b) Adjustment to remove utility's proposed rate increase	(480,078)
c) Adjustment to revenues per billing analysis	7,790
	<u>\$ (480,275)</u>
<b>(2) OPERATION &amp; MAINTENANCE EXPENSES</b>	
a) Adjustment to capitalize purchased lab equipment	(1,352)
b) Adjustment to restate test year provision for rate case expense	(4,503)
c) Adjustment to show reduced estimate for rate case expense	(2,576)
	<u>\$ (8,431)</u>
<b>(3) DEPRECIATION EXPENSE</b>	
a) Provision for increased depreciation expense — power equipment	\$ 3,028
b) Remove depreciation expense related to litigation costs	(11,307)
c) Adjust depreciation expense to reflect reduction to engineering costs	(411)
d) Adjustment to depreciation expense to reflect assorted retirements	(1,800)
e) Provision to show imputation of CIAC	(22,845)
f) Provision to revise projected CIAC in 1995	4,564
	<u>\$ (28,771)</u>
<b>(4) TAXES OTHER THAN INCOME TAXES</b>	
a) Regulatory assessment fees related to revenue adjustment	<u>\$ (21,612)</u>
<b>(5) INCOME TAXES</b>	
a) Income taxes associated with adjusted test year income	<u>\$ (151,805)</u>
<b>(6) OPERATING REVENUES</b>	
a) Adjustment to reflect recommended revenue requirement	<u>\$ 377,772</u>
<b>(7) TAXES OTHER THAN INCOME TAXES</b>	
a) Regulatory assessment taxes on additional revenues	<u>\$ 17,000</u>
<b>(8) INCOME TAXES</b>	
a) Income taxes related to recommended income amount	<u>\$ 135,758</u>

**RATE SCHEDULE**

**Wastewater  
 Monthly Rates**

**RESIDENTIAL**

	<u>Current Tariffed Rates</u>	<u>Utility Requested Final</u>	<u>Commission Approved Rates</u>
Base Facility Charge All Meter Sizes	\$24.37	\$32.61	\$28.56
Residential Gallonage Charge, per 1,000 gallons (Maximum 6,000 gallons)	\$4.62	\$5.14	\$5.15

**GENERAL SERVICE & ALL OTHER CLASSES**

	<u>Current Tariffed Rates</u>	<u>Utility Requested Final</u>	<u>Commission Approved Rates</u>
Base Facility Charge:			
5/8"x3/4"	\$24.37	\$32.61	\$28.56
1"	\$60.94	\$81.53	\$71.41
1-1/2"	\$121.87	\$163.05	\$142.80
2"	\$194.99	\$260.88	\$228.52
3"	\$389.98	\$521.76	\$457.03
4"	\$609.35	\$815.25	\$714.11
6"	\$1,218.69	\$1,630.50	\$1,428.23
General Service Gallonage Charge, per 1,000 gallons (No Maximum)	\$5.55	\$6.17	\$6.18

**TYPICAL MONTHLY BILL COMPARISONS**

	<u>Current Tariffed Rates</u>	<u>Utility Requested Final</u>	<u>Commission Approved Rates</u>
- Residential Usage (gallons) -			
3,000	\$38.23	\$48.03	\$44.16
5,000	\$47.47	\$58.31	\$54.46
10,000	\$52.09	\$63.45	\$59.61

**RECLAIMED WATER CUSTOMERS (REUSE)**

	<u>Current Tariffed Rates</u>	<u>Utility Requested Final</u>	<u>Commission Approved Rates</u>
- Per 1,000 gallons -	\$0.00	\$0.13	\$0.21

Schedule 4-A

**RATE SCHEDULE**

**Schedule of Rate Decrease After Expiration of  
 Amortization Period for Rate Case Expense**

**Wastewater**

**Monthly Rates**

<b><u>Residential</u></b>	<b><u>Commission Approved Rates</u></b>	<b><u>Rate Decrease</u></b>
Base Facility Charge (meter size): All Meter Sizes	\$28.56	\$0.13
Gallorage Charge, per 1,000 gallons (Maximum 6,000 gallons)	\$5.15	\$0.02
<b><u>General Service and all other classes</u></b>	<b><u>Commission Approved Rates</u></b>	<b><u>Rate Decrease</u></b>
Base Facility Charge (meter size): 5/8"x3/4"	\$28.56	\$0.13
1"	\$71.41	\$0.32
1-1/2"	\$142.80	\$0.64
2"	\$228.52	\$1.02
3"	\$457.03	\$2.04
4"	\$714.11	\$3.19
6"	\$1,428.23	\$6.37
Gallorage Charge, per 1,000 gallons	\$6.18	\$0.03