

## BEFORE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff- )  
 assisted rate case in Citrus County )  
 by LAKE UTILITIES, LTD. )

DOCKET NO. 900761-WS  
 ORDER NO. 24750  
 ISSUED: 7-2-91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 J. TERRY DEASON  
 BETTY EASLEY  
 GERALD L. GUNTER  
 MICHAEL MCK. WILSON

FINAL ORDER GRANTING TEMPORARY RATES  
IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER  
APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, except that portion granting temporary rates in event of protest, and as such, 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

Lake Utilities, Ltd. (Lake or the utility), is a Class C water and wastewater utility which provided water and wastewater service to approximately 115 customers during the test year. This utility was originally organized in 1984 under the name Central Utilities, Ltd. On July 29, 1986, the utility applied for a transfer of certificates from Central Utilities, Ltd. By Order 17170, issued on February 9, 1987, Certificates Nos. 442-W and 372-S were transferred to Lake. In addition, rate base was established as of May 23, 1986 at \$13,843 for water and \$58,861 for wastewater.

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On September 18, 1990, the utility applied for this staff assisted rate case, paid the appropriate filing fee. November 9, 1990 was established as the official date of filing. For purposes of setting rates, we have selected the test year ending September 30, 1990.

#### QUALITY OF SERVICE

In determining the quality of service we considered input from three sources: the customers, the utility's regulatory compliance, and our field investigation. The customer meeting was conducted by our staff in the service area on February 27, 1991. In attendance were approximately 15 customers, whose most common complaint was low water pressure. Other complaints were that there had been pump failures, that new pumps were necessary, that the pump house was not clean, that the water was dirty, that customers had rings in their toilet bowls from the water, that water and silt runs into lift stations when it rains, that there is a leak in the 8-inch sewer main which stops up the pump station, and that the utility had been allowed to decline over the past six years. We have determined that to address the low water pressure problem, the utility will need to make substantial capital expenditures to expand the capacity of the water treatment plant. Our findings regarding the necessary expansion are addressed below under "Proforma Plant." Prior to the customer meeting, a representative of the customers indicated that there was, among other things, a significant problem with the level of noise emitted by the wastewater treatment plant and with low water pressure. The noise at the plant and several other deficiencies were corrected prior to the customer meeting.

The Department of Environmental Regulation (DER) indicated that the utility was in compliance with standards and no active complaints or orders were on file against the utility. Also, there were no outstanding complaints or orders filed against this utility with our Divisions of Consumer Affairs and Water and Sewer.

Our field investigation was conducted on December 3-5, 1990. As a result of that investigation we find that there are several deficiencies in the overall operation and appearance of the water treatment and wastewater treatment plants and the service area that require improvements. They are: 1) painting the hydropneumatic tank according to American Waterworks Association standards; 2) maintaining the water and wastewater treatment plant sites, by keeping them mowed and free of trash; 3) removing excessive vegetation at the percolation ponds; 4) painting the pump house and

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equipment; and 5) maintaining the pump house and equipment in good working order.

We further find that the following capital improvements are necessary: 1) isolating the hypochlorination system from the rest of the components housed in the pumphouse; 2) insulating the blower system at the wastewater treatment plant to reduce noise emissions; 3) changing the chlorine system at the wastewater treatment plant from fresh water to effluent dilution; and 4) installing emergency telephone number signs at the treatment plants and lift stations.

As discussed in subsequent sections of this Order, we have allowed \$2,565.00 in additional revenues for operation and maintenance expenses and \$650.00 in capital improvements for these necessary repairs and improvements. The repairs and improvements are to be completed within thirty days of the date of this Order. Failure to complete these improvements in a timely manner shall be the subject of show-cause proceedings.

In consideration of the foregoing, we find that the utility's quality of service is satisfactory.

#### RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding is depicted on Schedules No. 1-A and 1-B, and our adjustments are itemized on Schedule No. 1-C. 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.

#### Proforma Plant

Our evaluation of the treatment plants showed that both the water and wastewater plants are operating at capacity (See Used and Useful, below). Upon consideration of the customers' comments regarding the need for expansion, and after evaluating the low average growth rate experienced in the service area and the minimum reasonable expansion needed to serve the existing customers, we find the following minimum improvements are required to adequately meet the needs of the current customers:

- a) Expansion of the water treatment plant to insure delivery of no less than 600 gallons per minute during peak hour demands by adding

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a 2500 gallon hydropneumatic tank; installing a 20,000 gallon storage tank; and installing two high service pumps, @ 300 gallons per minute (gpm) capacity.

b) Expansion of the water treatment plant from 20,000 gallons per day (gpd) to 30,000 gpd by adding two 5,000 gallons tanks to the package plant; and upgrading existing ponds.

The estimated cost of these improvements is \$36,000 for the water system and \$26,000 for the wastewater system. This estimate was calculated without hydrogeological studies, nor considerations of governmental restrictions, which may substantially impact the expansion expense. Based on the need for this additional capacity to meet the needs of current customers, we will allow this proforma plant.

The water plant improvements are to be completed within six months of the date of this Order, and the wastewater treatment plant improvements are to be completed within eighteen months of the date of this Order.

#### Plant-in-Service

Rate base for this utility was previously established as of May 23, 1986, at the time of the certificate transfer. Order No. 17170. Water plant was \$50,354 and wastewater plant was \$138,503. Plant additions since May, 1986, totaled \$1,105 for water and \$14,288 for wastewater. The year-end balances were adjusted to average balances. In addition, an adjustment was made to reflect the required capital expenditures discussed above in the Quality of Service and Proforma Plant portions of this Order. Accordingly, we find the appropriate amounts of average plant-in-service are \$88,149 for the water system and \$177,243 for the wastewater system.

#### Accumulated Depreciation

When rate base for this utility was established, accumulated depreciation was established at \$20,894 for water and \$67,881 for wastewater. Utilizing the annual plant additions verified during the audit, annual depreciation expense was calculated using the guideline depreciation rates established in Rule 25-30.140, Florida Administrative Code. Additions to depreciation since the transfer totaled \$8,086 for water and \$23,682 for wastewater. In addition, one-half year's depreciation of the proforma plant improvements

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were included. Accumulated depreciation was then adjusted to average balances. Accordingly, we find the appropriate average accumulated depreciation amounts are \$28,733 for water and \$89,593 for wastewater.

#### Contributions in Aid of Construction (CIAC)

When rate base for this utility was established, CIAC was established at \$27,055 for water and \$45,160 for wastewater. The additions to CIAC were calculated based on the number of customer additions and the tariffed service availability fees. As a result, CIAC additions totaled \$4,070 for water and \$12,600 for wastewater. In addition, the utility received \$10,000 from Royal American Development, Inc. for certain testing and engineering costs. To date, no customers have been connected relating to the Royal American contract. The associated testing and engineering costs have been included in the wastewater plant additions since the transfer. An adjustment of \$1,020 for water and \$4,200 for wastewater was made to reflect CIAC imputed on the equivalent residential connections (ERCs) included in the margin reserve of the used and useful calculation. The year end balance was adjusted to average balances. We find the appropriate amounts of average CIAC are \$30,875 for water and \$68,810 for wastewater.

#### Accumulated Amortization of CIAC

When rate base for this utility was established, accumulated amortization of CIAC was established at \$9,188 for water and \$12,199 for wastewater. An overall composite plant depreciation rate was calculated based upon the guideline depreciation rates established in Rule 25-30.140, Florida Administrative Code. We find that the appropriate overall composite rates are 3.67 percent for water and 3.81 percent for wastewater. These composite rates were applied to annual CIAC additions to determine annual additions to amortization of CIAC. Additions to amortization of CIAC since the transfer totaled \$4,482 for water and \$8,667 for wastewater. An adjustment of \$37 for water and \$160 for wastewater was made to reflect amortization of the imputed margin reserve CIAC. The year-end balances have been adjusted to average balances. Thus, we find that the appropriate amounts of average accumulated amortization of CIAC are \$13,159 for water and \$19,795 for wastewater.

#### Used and Useful

The existing water and wastewater treatment plants are at capacity and as stated above, expansion of both systems is required to continue to provide service to existing customers. Therefore,

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we find the water and the wastewater treatment plants are 100 percent used and useful.

To arrive at the used and useful percentage of the water transmission and distribution system, we divide the sum of the 119 ERCs at the end of the test year and the 6 ERCs in the margin reserve by the 270 ERCs capacity of the system. The quotient is .463. We therefore find that the water transmission and distribution system is 46.3 percent used and useful.

To arrive at the used and useful percentage of the wastewater collection system, we divide the sum of the 116 ERCs at the end of the test year and the 6 ERCs in the margin reserve by the 265 ERCs capacity of the collection system. The quotient is .46. We therefore find that the wastewater collection system is 46 percent used and useful.

#### Non-Used and Useful Plant-in-Service

The used and useful percentages discussed above were applied to the average balance for plant-in-service and accumulated depreciation associated with those plant accounts. We find the appropriate amounts of the non-used and useful plant-in-service are \$6,895 for water and \$5,418 for wastewater.

#### Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirement of this utility. In a later section of this Order, we find that the proper amounts of test year operating and maintenance expense are \$14,900 for water and \$16,521 for wastewater. Therefore, we have included one-eighth of those amounts, \$1,863 for water and \$2,065 for wastewater, in rate base as the utility's working capital allowance.

#### Test Year Rate Bases

In consideration of the foregoing, we find that test year rate base is \$38,918 for water, and \$56,482 for wastewater.

### CAPITAL STRUCTURE

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2.

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#### Return on Equity

The capital structure consists of customer deposits and partnership equity. As previously discussed, the trial balance is unreliable. Therefore, we have adjusted equity to an amount equal to the prior rate base balances less current customer deposits. Using the current leverage formula approved in Order No. 24246, effective on April 9, 1991, we find the appropriate return on equity to be 11.22 percent, with a range of reasonableness of 10.22 percent to 12.22 percent.

#### Overall Rate of Return

The utility's capital structure is comprised of 99.07 percent equity at a cost rate of 11.22 percent and .93 percent customer deposits at a cost rate of 8.00 percent. After reconciling the utility's capital structure with the adjusted rate base, we find that the appropriate overall rate of return is 11.19 percent.

#### NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedules Nos. 3-A and 3-B, and our adjustments are itemized on Schedule No. 3-C. 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.

#### Test Year Revenue

The utility recorded \$15,295 for the water system and \$14,347 for the wastewater system in test year revenues. We have made adjustments to these amounts to reflect a pass-through rate adjustment effective October 19, 1990. Therefore, the appropriate test year revenues are \$15,843 for water and \$15,323 for wastewater.

#### Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances. A summary of our adjustments follows.

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We find the utility's test year salaries expense to be excessive. Therefore, we adjusted the amounts of water and wastewater expense. We disallowed the salary expense request for the president for whom there were no utility duties given, and the engineer whose services should be contracted for on an as needed basis. We also reduced the percentage of time allocated for the accounts receivable/payable clerk, the vice-president and the supervisor. The accounts receivable/ payable clerk's salary expense was reduced because the allocation of this employee to this system was excessive. The vice-president's and the supervisor's salary expenses were similarly reduced to more accurately reflect the percentage of time allocated for this utility by both employees. As a result of these adjustments, we find the appropriate allowable amounts of employee salaries to be \$3,440 and officers salaries to be \$1,250. These salaries are allocated half to water and half to wastewater.

We reduced purchased power by \$569 for water and \$398 for wastewater to properly reflect usage for the water and wastewater plants. The adjustment for water also reflects the reclassification of a contractual service expense incorrectly recorded in this account to contractual services. We reduced the chemical expense by \$56 for water and \$7 for wastewater to properly reflect usage. We reduced the utility's recorded material and supplies expense by \$221 to remove the capital costs which should have been recorded in plant-in-service.

Capital improvements were removed from test year expenses; DER water testing expense was amortized over three years; the new operator's contract was annualized at the new contract rate; a proforma adjustment was made for required repairs and improvements; rate case expense was reclassified from contractual services to regulatory commission expense; and an employee expense which had been coded erroneously was reclassified to contractual services and then annualized. We have determined, based on the findings above, that contractual services for water should be increased by \$627 and contractual services for wastewater should be decreased by \$1,669. The utility's recorded transportation expense has been reduced by \$4 each for water and wastewater to properly reflect usage.

Numerous adjustments and reclassifications were made to rate case expense because the books and records had not been kept in compliance with the NARUC Uniform System of Accounts. In particular, internal control procedures are not in place to insure proper coding of expenses. As a result, additional time and expense was incurred by the utility's consultant, as well as by our auditor. We find that this additional time and expense could have

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been avoided had the utility complied with the NARUC Uniform System of Accounts as it was required to do in Order No. 17170. Therefore, we find it appropriate to reduce the total rate case expense by \$1,520 to adjust for this additional time. The total allowed rate case expense of \$2,581 was amortized over four years, as required by statute. The resultant annual rate case expense was \$323 for water and \$323 for wastewater.

Based on the adjustments and reclassifications we have made, we find the appropriate amount of O & M expenses to be \$14,900 and \$16,521 for the water and wastewater systems, respectively. Total adjustments to O & M expenses resulted in an increase to that category of \$2,445 for water and \$590 for wastewater.

#### Depreciation Expense

Depreciation expense was calculated for average plant in service for the test year, by account, using the guideline depreciation rate established in Rule 25-30.140, Florida Administrative Code. Test year depreciation, including depreciation on the required improvements, totaled \$2,533 for water and \$6,094 for wastewater. CIAC amortization expense was calculated using composite amortization rates determined by using the guideline rates in the Rule. We find that test year CIAC amortization was \$1,096 for water and \$2,462 for wastewater, which results in net depreciation expense of \$1,437 for water and \$3,632 for wastewater.

#### Taxes Other Than Income Taxes

The utility recorded \$594 for water and \$595 for wastewater for taxes other than income taxes. We have adjusted those amounts to reflect the failure of the utility to utilize the early payment discount on property taxes. It is our policy, where a utility postpones paying property taxes and loses the early payment discount, to reduce operating expense by the amount of the discount that was lost. Accordingly, we have reduced taxes other than income taxes by \$8 for water and \$9 for wastewater. In addition, an adjustment was made to annualize regulatory assessment fees on test year annualized revenue at the new statutory rate of 4.5 percent. This increased expenses by \$539 for water and \$515 for wastewater. Based on the above described adjustments, we find that the appropriate amounts of taxes other than income are \$1,100 for water and \$1,057 for wastewater.

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REVENUE REQUIREMENT

Based upon our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement for this utility is \$22,098 for water and \$28,151 for wastewater. This revenue requirement represents an annual increase in revenue of \$6,255 (39.48 percent) for the water system and \$12,828 (83.72 percent) for the wastewater system. The revenue requirements will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 11.47 percent return on its investment.

RATES AND CHARGES

The utility currently employs a rate structure which includes a minimum number of gallons within the frame of the minimum monthly charge for water and a flat rate structure for wastewater. Our preferred rate structure is the base facility charge (BFC) rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the BFC and pays for his or her usage through the gallonage charge. Accordingly, we find that the utility's rate structure should be changed to the BFC rate structure.

We have calculated new rates for the utility which are designed to allow it to achieve the revenue requirements approved herein. We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates and the rates which we hereby approve are set forth below for comparison.

MONTHLY RATES - WATER

RESIDENTIAL AND GENERAL SERVICE

<u>METER SIZE:</u>	<u>EXISTING GALLONAGE</u>	<u>EXISTING RATES</u>
1"	3,000	\$ 8.79
1-1/2"	6,000	17.59
2"	9,667	28.14
3"	19,333	56.26
4"	30,000	87.91
6"	60,000	175.85

GALLONAGE CHARGE

Per 1,000 gallons over  
 gallonage allowance \$ .80

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COMMISSION APPROVED

<u>METER SIZE:</u>	<u>BASE FACILITY CHARGE</u>
5/8" X 3/4"	\$ 7.39
3/4"	11.09
1"	18.48
1-1/2"	36.95
2"	59.12
3"	118.24
4"	184.75
6"	369.50

<u>GALLONAGE CHARGE</u>	
Per 1,000 gallons over gallonage allowance	\$ 1.62

MONTHLY RATES - WASTEWATER

RESIDENTIAL AND GENERAL SERVICE

EXISTING RATES

Flat Rate	\$ 10.86
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COMMISSION APPROVED

RESIDENTIAL SERVICE

<u>METER SIZE:</u>	<u>BASE FACILITY CHARGE</u>
All Meter Sizes	\$ 8.95

  

<u>GALLONAGE CHARGE</u>	
Per 1,000 gallons to 6,000 gallon cap per month	\$ 3.06

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GENERAL SERVICE

<u>METER SIZE:</u>	<u>BASE FACILITY CHARGE</u>
5/8" X 3/4"	\$ 8.95
3/4"	13.43
1"	22.38
1-1/2"	44.77
2"	71.63
3"	134.30
4"	223.84
6"	447.67
 <u>GALLONAGE CHARGE</u>	
Per 1,000 gallons	\$ 3.67

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. The utility shall submit revised tariff pages reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff pages will be approved upon our staff's verification that the tariff pages are consistent with our decision herein and that the proposed customer notice is adequate.

During our investigation it was noted that all residential customers have 5/8 inch x 3/4 inch meters. Since the time this utility was certificated and subsequently transferred, the tariff has only contained rates for 1-inch meters and larger. The utility is hereby instructed to begin billing the new rates once authorized according to the customer's actual meter size. Future customers shall also be billed based on the rate specified for the meter size installed at their connection.

We also find that including the proforma plant in rate base will have the effect of increasing the rates. Therefore, we find it appropriate to require the utility to escrow the difference between the rates which include the proforma plant in rate base and what the rates would have been without inclusion of the proforma plant, pending completion of the plant expansions. Calculation of the rates with and without proforma plant is shown in Schedule No. 5, appended to this Order. The escrow account shall be established between the utility and an independent financial institution pursuant to written agreement. Any withdrawals of

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funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting. The escrow account is established by the direction of this Commission for the purpose set forth above. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

The utility must keep an accurate and detailed account of all monies received as a result of its implementing the rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month prior to the completion of the required improvements, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the Commission approved rates and the amount of revenues that would have been collected under the previously recommended rates. Should a refund be required, the refund shall be undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

Service Availability Charges

Service availability charges were approved when this system was originally certificated. The utility does not require the contribution of lines. As of September 30, 1990, the utility's contribution levels were 65.48 percent for water and 53.65 percent for wastewater. These levels are within the guidelines of Rule 25-30.580, Florida Administrative Code. Therefore, we find that the existing charges do not need to be changed.

Miscellaneous Service Charges

The utility was authorized to charge miscellaneous service charges at the time of certification. We find that the existing charges are significantly higher than the level we normally approve. Therefore, we will modify the miscellaneous service charges to appropriately reflect the labor and materials required for these services.

The miscellaneous service charges set forth below, which we hereby approve, are designed to defray the costs associated with each of the services provided and place the responsibility of the costs on the person creating it rather than on the ratepaying body as a whole. A schedule of the utility's existing charges and the Commission approved charges are reflected below:

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Water

	<u>Present</u>		<u>Commission Approved</u>
	<u>Bus.Hrs.</u>	<u>After Hrs.</u>	
Initial Connection	\$ 25.00	\$ 50.00	\$ 15.00
Normal Reconnection	25.00	50.00	15.00
Violation Reconnection	25.00	50.00	15.00
Premises Visit	0.00	0.00	10.00

Wastewater

	<u>Present</u>		<u>Commission Approved</u>
	<u>Bus.Hrs.</u>	<u>After Hrs.</u>	
Initial Connection	\$ 25.00	\$ 50.00	\$ 15.00
Normal Reconnection	25.00	50.00	15.00
Violation Reconnection	25.00	50.00	actual cost
Premises Visit	0.00	0.00	10.00

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

Definition of each charge is provided for clarification:

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

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

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

Premises Visit Charge (in lieu of disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the

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customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved above will be effective for service rendered on or after the stamped approval date on the revised tariff pages.

Temporary Rates in the Event of Protest

This Order proposes an increase in water and wastewater rates. A timely protest could delay what may prove to be a justified rate increase pending the completion of a formal hearing and issuance of a final order, thus resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund, provided that the utility furnishes adequate security for a potential refund through a bond, letter of credit, or escrow account.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$7,873. If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting. The escrow account is established by the direction of this Commission for the purpose set forth above. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

The utility must keep an accurate and detailed account of all monies received as a result of its implementing the temporary rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month that the temporary rates are in effect, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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### Statutory Rate Reduction

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately after the four year period by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

The water and wastewater rates should be reduced by \$338, respectively. The decrease in rates after the four period is shown in Schedule No. 4. The revenue reductions reflect the annual rate case amount amortized (expensed) plus the gross-up for regulatory assessment fees.

The utility shall file revised tariff pages no later than one month prior to the actual date of the required rate reduction. Also, at the same time, the utility shall file a proposed "customer letter" 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Lake Utilities, Ltd. for an increase in its water and wastewater rates and charges in Citrus County is approved to the extent 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 all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029,

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Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Lake Utilities, Ltd. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the improvements to the water treatment plant as required in the body of this Order are to be completed within six months of the date of this Order, and the improvements to the wastewater treatment plant as required in the body of this Order are to be completed within eighteen months of the date of this Order. It is further

ORDERED that pending the completion of the required improvements to the water and wastewater treatment plants, Lake Utilities, Ltd. shall escrow the difference between the rates which include the proforma plant in rate base and the rates which do not include the proforma plant, pending completion of the plant expansions. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, Lake Utilities, Ltd. shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Lake Utilities, Ltd. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

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ORDERED that in the event of a protest by any substantially affected person other than the utility, Lake Utilities, Ltd. is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Lake Utilities, Ltd. has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that if there is no timely protest, this docket will remain open, in monitor status, until the required plant improvements have been completed.

By ORDER of the Florida Public Service Commission, this 2nd  
of July, 1991.

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STEVE TRIBBLE, Director,  
Division of Records and Reporting

(S E A L)

CB

by: Kay Hegan  
Chief, Bureau of Records

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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.

As identified in the body of this order, our actions taken herein, except for the granting of temporary rates in the event of a protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7), (a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 7-23-91. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be 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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Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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LAKE UTILITIES, LTD - CITRUS COUNTY  
SCHEDULE OF WATER RATE BASE  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 1-A  
DOCKET NO. 900761-WS

COMPONENT	BALANCE PER ORDER NO. 17170	ADDITIONS TO 9/30/90	TEST YEAR PER COMMISSION
1 UTILITY PLANT IN SERVICE	\$ 50,354	\$ 37,795	\$ 88,149
2			
3 LAND	2,250		2,250
4			
5 NON-USED & USEFUL COMPONENTS	0	(6,895)	(6,895)
6			
7 C.W.I.P.	0		0
8			
9 C.I.A.C.	(27,055)	(3,820)	(30,875)
10			
11 ACCUMULATED DEPRECIATION	(20,894)	(7,839)	(28,733)
12			
13 AMORTIZATION OF C.I.A.C.	9,188	3,971	13,159
14			
15 ADVANCES FOR CONSTRUCTION	0		0
16			
17 WORKING CAPITAL ALLOWANCE	0	1,863	1,863
18			
19 RATE BASE	\$ 13,843	\$ 25,075	\$ 38,918
20			

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LAKE UTILITIES, LTD - CITRUS COUNTY  
SCHEDULE OF WASTEWATER RATE BASE  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 1-B  
DOCKET NO. 900761-WS

COMPONENT	BALANCE PER ORDER NO. 17170	ADDITIONS TO 9/30/90	TEST YEAR PER COMMISSION
1 UTILITY PLANT IN SERVICE	\$ 138,503	\$ 38,740	\$ 177,243
2			
3 LAND	21,200		21,200
4			
5 NON-USED & USEFUL COMPONENTS	0	(5,418)	(5,418)
6			
7 C.W.I.P.	0		0
8			
9 C.I.A.C.	(45,160)	(23,650)	(68,810)
10			
11 ACCUMULATED DEPRECIATION	(67,881)	(21,712)	(89,593)
12			
13 AMORTIZATION OF C.I.A.C.	12,199	7,596	19,795
14			
15 ADVANCES FOR CONSTRUCTION	0		0
16			
17 WORKING CAPITAL ALLOWANCE	0	2,065	2,065
18			
19 RATE BASE	\$ 58,861	(2,379)	\$ 56,482
20			

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LAKE UTILITIES, LTD - CITRUS COUNTY  
ADJUSTMENTS TO RATE BASE  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 1-C  
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EXPLANATION	ADJUSTMENT	
	WATER	WASTEWATER
1 UTILITY PLANT IN SERVICE		
2 A. Reflect additions since transfer.	\$ 1,105	\$ 14,288
3 B. Adjust to average balances.	(260)	(1,923)
4 C. Reflect recommended improvements.	36,950	26,375
5		
6 TOTAL ADJUSTMENT	\$ 37,795	\$ 38,740
7		
8		
9 NON-USED & USEFUL COMPONENTS		
10 A. Remove excess plant.	\$ (11,118)	\$ (53,068)
11 B. Remove depreciation on plant.	4,223	47,650
12		
13 TOTAL ADJUSTMENT	\$ (6,895)	\$ (5,418)
14		
15		
16 C.I.A.C.		
17 A. Reflect additions since transfer.	\$ (4,070)	\$ (22,600)
18 B. Adjust to average balances.	1,270	3,150
19 C. Impute CIAC on 6 margin reserve ERC's.	(1,020)	(4,200)
20		
21 TOTAL ADJUSTMENT	\$ (3,820)	\$ (23,650)
22		
23		
24 ACCUMULATED DEPRECIATION		
25 A. Reflect additions since transfer.	\$ (8,086)	\$ (23,682)
26 B. Adjust to average balances.	939	2,850
27 C. Reflect deprec on recomb improvements.	(692)	(880)
28		
29 TOTAL ADJUSTMENT	\$ (7,839)	\$ (21,712)
30		
31		
32 AMORTIZATION OF C.I.A.C.		
33 A. Reflect additions since transfer.	\$ 4,482	\$ 8,667
34 B. Adjust to average balances.	(548)	(1,231)
35 C. Reflect amort on margin reserve CIAC.	37	160
36		
37 TOTAL ADJUSTMENT	\$ 3,971	\$ 7,596
38		
39		
40 WORKING CAPITAL ALLOWANCE		
41 A. Reflect allowance of 1/8 of O & M.	\$ 1,863	\$ 2,065
42		

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LAKE UTILITIES, LTD - CITRUS COUNTY  
 CAPITAL STRUCTURE  
 TEST YEAR ENDED 9/30/90

SCHEDULE NO. 2-A  
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DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	WEIGHTED COST	COMMISSION ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST
LONG TERM DEBT	\$ 0	0.00%	0.00%	0.00%	\$ 0	\$ 0	0.00%	0.00%	0.00%
SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	675	100.00%	8.00%	8.00%	211	886	0.93%	8.00%	0.07%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	0	0.00%	0.00%	0.00%	94,514	94,514	99.07%	11.22%	11.1%
ITC's	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.0%
DEFERRED INCOME TAXES	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
<b>TOTAL CAPITAL</b>	<b>\$ 675</b>	<b>100.00%</b>		<b>8.00%</b>	<b>\$ 94,725</b>	<b>\$ 95,400</b>	<b>100.00%</b>		<b>11.19%</b>

RANGE OF REASONABLENESS	LOW	HIGH
EQUITY	10.22%	12.22%
OVERALL RATE OF RETURN	10.20%	12.18%

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LAKE UTILITIES, LTD - CITRUS COUNTY  
ADJUSTMENTS TO CAPITAL STRUCTURE  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 2-B  
DOCKET NO. 900761-WS

DESCRIPTION	REFLECT PARTNERSHIP EQUITY	ADJUST FOR ERROR	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 0	\$ 0	\$ 0	\$ 0
2				
3 SHORT TERM DEBT	0		0	0
4				
5 CUSTOMER DEPOSITS	0		211	211
6				
7 PREFERRED STOCK	0		0	0
8				
9 COMMON EQUITY	72,029		22,485	94,514
10				
11 INVESTMENT TAX CREDITS	0		0	0
12				
13 DEFERRED INCOME TAXES	0		0	0
14				
15 OTHER CAPITAL	0		0	0
16				
17 TOTAL CAPITAL	\$ 72,029	\$ 0	\$ 22,696	\$ 94,725
18				

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LAKE UTILITIES, LTD - CITRUS COUNTY  
STATEMENT OF WATER OPERATIONS  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 3-A  
DOCKET NO. 900761-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUST	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE (DECREASE)	REVENUE REQUIRE.
1 OPERATING REVENUES	\$ 15,295	\$ 0	\$ 15,295	\$ 548	\$ 15,843	\$ 6,255	\$ 22,098
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 12,455	\$ 0	\$ 12,455	\$ 2,445	\$ 14,900	\$	\$ 14,900
6							
7 DEPRECIATION	0	0	0	1,437	1,437		1,437
8							
9 AMORTIZATION	0		0		0		0
10							
11 TAXES OTHER THAN INCOME	594	0	594	531	1,125	281	1,406
12							
13 INCOME TAXES	0	0	0		0		0
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 13,049	\$ 0	\$ 13,049	\$ 4,413	\$ 17,462	\$ 281	\$ 17,743
17							
18							
19 OPERATING INCOME	\$ 2,246	\$ 0	\$ 2,246	\$(3,865)	\$(1,619)	\$ 5,974	\$ 4,355
20							
21							
22 RATE BASE	\$ 13,843		\$ 38,918		\$ 38,918		\$ 38,918
23							
24							
25 RATE OF RETURN	16.22%		5.77%		-4.16%		11.19%
26							

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LAKE UTILITIES, LTD - CITRUS COUNTY  
STATEMENT OF WASTEWATER OPERATIONS  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 3-B  
DOCKET NO. 900761-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUST	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE (DECREASE)	REVENUE REQUIRE.
1 OPERATING REVENUES	\$ 14,347	\$ 0	\$ 14,347	\$ 976	\$ 15,323	\$ 12,828	\$ 28,151
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 15,931	\$ 0	\$ 15,931	\$ 590	\$ 16,521		\$ 16,521
6							
7 DEPRECIATION	0	0	0	3,632	3,632		3,632
8							
9 AMORTIZATION	0		0		0		0
10							
11 TAXES OTHER THAN INCOME	595	0	595	506	1,101	577	1,678
12							
13 INCOME TAXES	0	0	0		0		0
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 16,526	\$ 0	\$ 16,526	\$ 4,728	\$ 21,254	\$ 577	\$ 21,831
17							
18							
19 OPERATING INCOME	\$ (2,179)	\$ 0	\$ (2,179)	\$ (3,752)	\$ (5,931)	\$ 12,251	\$ 6,320
20							
21							
22 RATE BASE	\$ 58,861		\$ 56,482		\$ 56,482		\$ 56,482
23							
24							
25 RATE OF RETURN	-3.70%		-3.86%		-10.50%		11.19%
26							

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LAKE UTILITIES, LTD - CITRUS COUNTY  
 ADJUSTMENTS TO OPERATING STATEMENT  
 TEST YEAR ENDED 9/30/90

SCHEDULE NO. 3-C  
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EXPLANATION	ADJUSTMENT	
	WATER	WASTEWATER
1 OPERATING REVENUES		
2 A. Annualize revenue for 1990 pass through.	\$ 548	\$ 976
3	-----	-----
4		
5		
6 OPERATION AND MAINTENANCE EXPENSE		
7 A. Adjust power to amount determined by engineer.		\$ (398)
8 B. Adj. chemicals to amount determined by engineer.	\$ (56)	(7)
9 C. Remove capital items.	(251)	(3,493)
10 D. Amortize DER water testing over 3 years.	(977)	
11 E. Adjust transportation expense to amount		
12 determined by staff engineer.	(4)	(4)
13 F. Annualize new operator contract.	2,118	522
14 G. Reflect ground maintenance expense to amount		
15 as determined by staff engineer.	432	1,008
16 H. Reflect sewer weed control expense to amount		
17 determined by staff engineer.		810
18 I. Reflect water tank painting expense to amount		
19 determined by staff engineer.	100	
20 J. Reflect minor water repairs as determined		
21 by staff engineer.	100	
22 K. Reflect allowed salaries.	2,345	2,345
23 L. Annualize contractual services for Nell Pulver.	(57)	512
24 M. Adjust rate case expense to allowed amounts,		
25 amortized over 4 years.	(1,305)	(705)
26	-----	-----
27 TOTAL ADJUSTMENT	\$ 2,445	\$ 590
28	-----	-----
29		
30		
31 DEPRECIATION EXPENSE		
32 A. Reflect test year depreciation		
33 net of CIAC amortization.	\$ 1,437	\$ 3,632
34	-----	-----
35		
36		
37 TAXES OTHER THAN INCOME TAXES		
38 A. Reflect early payment discount lost.	\$ (8)	(9)
39 B. Reflect reg fees on revenue at annualized at		
40 new 4.5% rate prospectively.	539	515
41	-----	-----
42 TOTAL ADJUSTMENT	\$ 531	\$ 506
43	-----	-----

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LAKE UTILITIES, LTD - CITRUS COUNTY  
ADJUSTMENTS TO OPERATING STATEMENT  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 3-C  
PAGE 2 of 2  
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EXPLANATION	ADJUSTMENT	
	WATER	WASTEWATER
1 OPERATING REVENUES		
2 A. To adjust revenues to reflect revenues		
3 which allow a fair rate of return.	\$ 6,255	\$ 12,828
4	-----	-----
5		
6 TAXES OTHER THAN INCOME		
7 A. To reflect regulatory assesment fees		
8 related to the increase in revenues.	\$ 281	\$ 577
9	-----	-----
10		
11		
12		
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24		

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LAKE UTILITIES, LTD. - CITRUS COUNTY  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 4  
PAGE 1 OF 2

CALCULATION OF NEW WATER RATES  
AFTER FOUR YEAR AMORTIZATION EXPIRED

METER SIZE	APPROVED RATES	APPROVED DECREASE
-----		
RESIDENTIAL AND GENERAL SERVICE		
5/8"x3/4"	\$ 7.39	\$ 0.14
3/4"	11.09	0.22
1"	18.48	0.36
1 1/2"	36.95	0.72
2"	59.12	1.15
3"	118.24	2.31
4"	184.75	3.60
6"	369.50	7.21
GALLONAGE CHARGE: PER 1,000 GALLONS	\$ 1.62	0.03

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LAKE UTILITIES, LTD. - CITRUS COUNTY  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 4  
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CALCULATION OF NEW WASTEWATER  
AFTER FOUR YEAR AMORTIZATION EXPIRED

METER SIZE	APPROVED RATES	APPROVED DECREASE
RESIDENTIAL SERVICE		
ALL SIZES	\$ 8.95	\$ 0.12
GALLONAGE CHARGE: PER 1,000 GALLONS	\$ 3.06	0.04

METER SIZE	APPROVED RATES	APPROVED DECREASE
GENERAL SERVICE		
5/8"x3/4"	\$ 8.95	\$ 0.12
3/4"	13.43	0.18
1"	22.38	0.30
1 1/2"	44.77	0.60
2"	71.63	0.97
3"	134.30	1.81
4"	223.84	3.02
6"	447.67	6.04
GALLONAGE CHARGE: PER 1,000 GALLONS	\$ 3.67	0.05

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LAKE UTILITIES, LTD. - CITRUS COUNTY  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 5  
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CALCULATION OF ESCROW AMOUNT  
WATER

METER SIZE	RATES WITH PRO FORMA PLANT	RATES WITHOUT PRO FORMA PLANT	ESCROW AMOUNT
RESIDENTIAL AND GENERAL SERVICE			
5/8"x3/4"	\$ 7.39	\$ 6.88	\$ 0.51
3/4"	11.09	10.32	0.77
1"	18.48	17.20	1.28
1 1/2"	36.95	34.40	2.55
2"	59.12	55.04	4.08
3"	118.24	110.08	8.16
4"	184.75	172.00	12.75
6"	369.50	344.00	25.50
GALLONAGE CHARGE: PER 1,000 GALLONS	\$ 1.62	1.03	0.59

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LAKE UTILITIES, LTD. - CITRUS COUNTY  
TEST YEAR ENDED 9/30/90

SCHEDULE NO. 5  
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CALCULATION OF ESCROW AMOUNT  
WASTEWATER

METER SIZE -----	RATES WITH PRO FORMA PLANT -----	RATES WITHOUT PRO FORMA PLANT -----	ESCROW AMOUNT -----
RESIDENTIAL SERVICE			
ALL SIZES	\$ 8.95	\$ 8.31	\$ 0.64
GALLONAGE CHARGE: PER 1,000 GALLONS	\$ 3.06	2.48	0.58

METER SIZE -----	RATES WITH PRO FORMA PLANT -----	RATES WITHOUT PRO FORMA PLANT -----	ESCROW AMOUNT -----
GENERAL SERVICE			
5/8"x3/4"	\$ 8.95	\$ 8.31	\$ 0.64
3/4"	13.43	12.47	0.96
1"	22.38	20.78	1.60
1 1/2"	44.77	41.57	3.20
2"	71.63	66.51	5.12
3"	134.30	133.01	1.29
4"	223.84	207.83	16.01
6"	447.67	415.66	32.01
GALLONAGE CHARGE: PER 1,000 GALLONS	\$ 3.67	2.98	0.69