

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a) DOCKET NO. 911188-WS
rate increase in Lee County) ORDER NO. PSC-92-0634-FOF-WS
by LEHIGH UTILITIES, INC.) ISSUED: 07/08/92
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER SUSPENDING PROPOSED RATE SCHEDULES AND
GRANTING INTERIM RATES, SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Lehigh Utilities, Inc. (Lehigh or utility) is a Class A utility providing water and wastewater services to approximately 10,000 residential and commercial customers within Lehigh Acres, in Lee County, Florida. The utility's 1990 Income Statement reflects an annual operating revenue of \$2,610,371 and net operating income of \$500,696. Lehigh is in an area which has been designated by the South Florida Water Management District as a critical water supply problem area.

On March 15, 1991, the Resolution Trust Corporation (RTC) became the receiver of Security Savings and Loan Association. The property held by Security Savings and Loan Association included the stock of Land Resources Corporation (LRC) and its wholly-owned subsidiary, Lehigh. RTC transferred Lehigh to Seminole Utility Company (Seminole) on July 1, 1991. This Commission approved the transfer of majority organizational control of Lehigh from LRC to Seminole in Orders Nos. 25391 and 25391-A, which were issued on November 25, 1991, and February 24, 1992, respectively. The Commission last established rates for the Lehigh water and wastewater systems in Order No. 10981, issued on July 8, 1982.

On December 9, 1991, Lehigh filed an application for increased water and wastewater rates which was rejected because the minimum filing requirements (MFRs) were deficient. Lehigh submitted a new application on April 24, 1992. The information in this application satisfied the MFRs, and that date was established as the official

DOCUMENT NUMBER-DATE

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FPC-RECORDS/REPORTING

date of filing. The application for increased rates is based on the projected test year ending September 30, 1992, with a historical test year ending September 30, 1991.

The MFRs indicate that Lehigh's adjusted test year revenues are \$1,575,185 and \$1,178,343 as recorded for the respective water and wastewater systems. The corresponding net income amounts are \$331,154 and \$45,512. Lehigh's water and wastewater rates were increased by an index and pass-through request granted by this Commission on August 4, 1991.

Lehigh has requested final water rates designed to generate annual revenues for water and wastewater of \$2,051,795 and \$2,420,658, respectively. These revenues exceed the test year revenues for water by \$430,552 (26.56 percent) and for wastewater by \$1,215,082 (100.79 percent). These requested final rates are sufficient to recover a 10.06 percent rate of return for water and wastewater.

The utility has also requested an interim increase in rates. The test year for interim purposes is the twelve-month period ended September 30, 1991. The requested interim water and wastewater rates are designed to generate annual revenues of \$1,684,559 and \$1,585,358, respectively. These revenues exceed test year water revenues by \$109,374 (6.94 percent) and wastewater revenues by \$407,015 (34.54 percent).

In addition, the utility has requested that it be permitted to secure the amount of \$231,000 for the interim rate increase, in the form of a corporate undertaking instead of by establishing an escrow account or obtaining a letter of credit or bond.

On May 4, 1992, the Office of Public Counsel (OPC) filed its "Citizens' Response to Rate Application" (Response). In its Response, OPC argues that Lehigh should not be granted a formal hearing to determine whether rate relief should be provided, but that it should be required to proceed by the proposed agency action procedure (PAA). OPC's primary argument is that the PAA procedure would be more prudent because it will avoid rate case expenses. OPC also requests that interim rates be denied, or, if granted, that Lehigh be required to provide security for said interim rates through a letter of credit or an escrow account, not through a corporate undertaking.

On May 21, 1992, Lehigh submitted a response to OPC's pleading in which it argues that Section 367.081(8), Florida Statutes, which pertains to the PAA procedure, contains permissive language,

stating that a utility "may" request a PAA procedure for rate relief. Lehigh asserts that there is no indication that a PAA is the only procedure available or that a utility should be required to use the PAA procedure.

We agree with the utility's argument that the PAA provisions of the statute are permissive and that it is the utility's option to choose the PAA procedure instead of proceeding directly to hearing. In addition, we will have the opportunity to review the amount of rate case expense the utility requests to recover at the end of the hearing process. We will be able to determine at that time whether the funds utilized for rate case expense were prudent and reasonable because we will then have the facts needed to make that determination. If the amount expended by the utility is deemed unreasonable and imprudent, it may be disallowed. Therefore, we find it appropriate to deny OPC's request that Lehigh be required to utilize the PAA procedure is denied and to grant Lehigh's request for a hearing.

OPC also argues in its Response that Lehigh should not be permitted to collect interim rates because its last rate case was in 1982, and there is insufficient accurate information on which to base the justification or need for such rates. We disagree with OPC. Section 367.082, Florida Statutes, specifically delineates how interim rates are to be determined. In a later part of this Order, we analyze Lehigh's request for interim rates and conclude that Lehigh has made the necessary prima facie showing that it is entitled to interim relief. Therefore, we find it appropriate to deny OPC's request that Lehigh not be permitted to collect interim rates.

OPC also requests that we deny Lehigh the use of a corporate undertaking in order to provide security for a refund if needed. We find OPC's argument unpersuasive. We have studied the annual report and the MFRs as filed and find that the financial indicators meet the criteria for approval in the amount requested due to the significant amount of liquidity available for a potential refund. We, therefore, find it appropriate to grant Lehigh's request for a corporate undertaking in the amount of \$231,000.

SUSPENSION OF RATES

Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within 60 days after filing unless this Commission votes to withhold consent to the operation of the proposed rates requested. Further, the above-referenced statute permits Lehigh to implement the proposed

rates subject to refund, eight months after filing, unless final action has been taken by the Commission.

We have reviewed the filing and have considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Upon consideration, we find that it is reasonable and necessary to require further amplification, explanation and cross-examination of the data filed by the utility, as well as additional and/or corroborative data. In consideration of the above, we find it appropriate to suspend the proposed rate schedules.

INTERIM REVENUE INCREASE

The utility requested an interim water revenue increase of \$109,374 (6.94 percent) and an interim wastewater revenue increase of \$407,015 (34.54 percent). The utility asserts that these requested interim rates are sufficient to allow Lehigh to recover a 10.72 percent rate of return for water and wastewater. Based upon our review of the information filed in the application, we find that it is appropriate, on an interim basis, to increase annual water revenues by \$47,239 and annual wastewater revenues by \$372,477 in order to permit the utility the opportunity to recover an overall rate of return of 10.72 percent. Our decisions are discussed in greater detail below.

Rate Base

The utility has increased its rate base by an allocated portion of the total company general plant. The average balance of total company plant as of September 30, 1991, is \$15,010,589. The total company general plant includes \$11,531,190 of plant in utilities regulated by this Commission and \$3,479,399 of plant in other systems. The total regulated water plant investment is \$8,355,652 and the total regulated wastewater plant investment is \$3,175,538. Lehigh's allocated portion of the total company general plant is \$749,569 and \$586,494 for water and wastewater, respectively. The allocation increases Lehigh's booked general plant by \$431,667 and \$365,589 for water and wastewater, respectively.

Orders Nos. 25391 and 25391-A, issued November 25, 1991, and February 24, 1992, respectively, approved the transfer of majority organizational control of Lehigh to Seminole Utility Company. Therefore, the transfer of control took place after the end of the interim test year on September 30, 1991. The allocation of total company general plant by average number of customers may represent

an allocation that is duplicative in nature. Accordingly, this allocation and the allocation process requires further review in order to determine if these allocations are appropriate for determining rate base. Therefore, we find for interim purposes, it is appropriate to make an adjustment of \$431,667 to the water rate base and \$365,589 to the wastewater rate base.

The utility calculated its working capital provision using the formula approach. Section 367.082(5)(b)(1), Florida Statutes, states that "the achieved rate of return shall be calculated by applying appropriate adjustments consistent with those which were used in the most recent rate case of the utility...." In Order No. 10981, issued on July 8, 1982, the most recent rate case, the Commission used the balance sheet approach and determined the working capital allowance to be \$107,419 and \$122,625 for water and wastewater, respectively.

Using the balance sheet approach, we have calculated a working capital allowance of \$2,267,057. This amount is mainly a result of a cash balance of \$2,513,126. For interim purposes, we cannot determine whether any of this cash balance is in an interest-bearing account. Further, a working capital allowance of such magnitude is unreasonable for a utility of this size. We, therefore, believe that the amount of working capital should be limited to that amount generated by the formula approach. Therefore, we find it appropriate to use the balance sheet approach, but to limit that allowance by the amount derived by the formula approach to allow a reasonable working capital allowance of \$95,115 for water and \$85,752 for wastewater.

We find that the appropriate average rate base is \$3,772,698 for the water division and \$3,760,052 for the wastewater division. Schedules showing the rate base calculations are attached as Schedules Nos. 1-A and 1-B, with our adjustments attached as Schedule No. 1-C.

Cost of Capital

For interim purposes, Section 367.082(5)(b)(3), Florida Statutes, requires the use of the minimum of the range of the last authorized rate of return. The cost rate for the return on equity established in the utility's last rate case in Order No. 10981 is 16.73 percent with a range of 15.73 to 17.73 percent. Therefore, we find that a 15.73 percent return on equity is appropriate for interim purposes. A 15.73 percent return on equity yields a 10.73 percent overall cost of capital for interim purposes. Schedule No.

2-A shows our calculation of capital structure, and our adjustments are itemized on Schedule No. 2-B.

Net Operating Income

The utility's proposed interim operating statement includes an adjustment to depreciate the allocation of total company general plant. Since we have removed the allocation of total company general plant, we find that the removal of the depreciation on the additional allocated general plant is necessary. This adjustment decreases the depreciation expense by \$27,300 and \$23,177 for water and wastewater, respectively.

The change in majority organizational control did not occur until November 25, 1991, which is after the historic test year. Therefore, no adjustments have been made to remove the effects of this change for interim purposes. No information is available on the capital structure of the parent company prior to the change. Therefore, no parent debt adjustment has been made for interim purposes.

The schedules showing our calculation of the utility's net operating income are attached as Schedules Nos. 3-A and 3-B. Our adjustments are itemized on Schedule No. 3-C.

Revenue Requirement

Based upon our decisions regarding the utility's actual operating expenses for the year ended September 30, 1991, and the appropriate cost of capital on an average rate base, we grant Lehigh an interim revenue increase for the water and wastewater systems. We find it appropriate to increase Lehigh's water revenues by \$49,182 and its wastewater revenues by \$351,206 for interim purposes. These decisions represent a 3.12 percent increase in water revenues and a 29.81 percent increase in wastewater revenues. Therefore, we find Lehigh's total revenue requirement on an interim basis for the water and wastewater systems to be \$1,624,367 and \$1,529,549 respectively.

Interim Rates

In order to allow this utility the opportunity to earn the water and wastewater revenue requirement approved above, we hereby approve the rates set forth below, for interim purposes only. In addition to the approved interim rates, we have set forth the utility's current and proposed interim water and wastewater rates for comparative purposes, as follows:

Water
Monthly

Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 4.19	\$ 4.48	\$ 7.59	\$ 4.32
1"	10.47	11.20	18.98	10.80
1-1/2"	20.93	22.38	37.95	21.58
2"	33.49	35.81	60.72	34.54
3"	66.95	71.60	121.44	69.04
4"	104.60	111.86	189.75	107.86
6"	209.21	223.73	379.50	215.74
8"				607.20
10"				872.85
Gallonage Charge (per 1,000 gallons)	\$ 2.96	\$ 3.17	\$ 3.22	\$ 3.05

Wastewater
Monthly

Residential

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
All Sizes	\$ 5.53	\$ 7.44	\$15.33	\$ 7.18
Gallonage Charge (per 1,000 gallons) (Maximum 10M gallons)	\$ 2.69	\$ 3.62	\$ 4.01	\$ 3.49
Maximum Bill	\$32.43	\$43.64	\$55.43	\$42.08

Monthly

General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 5.53	\$ 7.44	\$ 15.33	\$ 7.18
1"	13.85	18.63	38.33	17.98
1-1/2"	27.67	37.23	76.65	35.92
2"	44.26	59.55	122.65	57.45
3"	88.57	119.16	245.28	114.97
4"	138.38	186.18	383.25	179.63
6"	276.76	372.35	766.50	357.52
8"				1,226.40
10"				1,762.95
Gallage Charge (per 1,000 gallons)	\$ 2.69	\$ 3.62	\$ 4.81	\$ 3.49

Private Fire Protection

Monthly

<u>Line Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 4.14	\$ 4.43	\$ 2.53	\$ 4.27
2"	11.16	11.93	20.22	11.51
4"	34.87	37.29	63.25	35.96
6"	69.73	74.57	126.50	71.91
8"	111.57	119.31	202.40	115.05
10"	160.38	171.51	290.95	165.38
12"	299.85	320.66	543.95	309.21

Public Fire Protection

Annually

	<u>Utility Present Rate</u>	<u>Utility Proposed Interim Rate</u>	<u>Utility Proposed Final Rate</u>	<u>Commission Approved Interim Rate</u>
All Sizes	\$ 56.35	\$ 60.26	N/A	\$ 58.11

The appropriate interim rates are designed to generate annual revenues of \$1,624,367 and \$1,529,549 for the water and wastewater divisions, respectively. The interim rates approved herein shall be effective for meter readings on or after 30 days from the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that they are consistent with this Commission's decision, that the proposed customer notice is adequate, and that the appropriate refund security has been provided. The refund security is discussed further herein.

REFUND SECURITY

Pursuant to Section 367.082(2), Florida Statutes, a utility is required to hold the difference between its approved interim rates and its previously authorized rates, subject to refund, in accordance with Rule 25-30.360, Florida Administrative Code. Accordingly, we hereby find it appropriate to require Lehigh to submit a corporate undertaking in the amount of \$231,000, to guarantee its potential refund liability for water and wastewater revenues collected under interim conditions. Also, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the twentieth day of each month indicating the monthly total revenue collected subject to refund.

Based upon the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the rate schedules proposed by Lehigh Utilities, Inc. for its Lee County water and wastewater systems are hereby suspended, pursuant to Section 367.081(6), Florida Statutes. It is further

ORDERED that the request by Lehigh Utilities, Inc. for an interim rate increase in water and wastewater rates is hereby granted to the extent set forth in the body of this Order. It is further

ORDERED that the difference between the interim water and wastewater rates approved herein and the previously authorized water and wastewater rates shall be collected subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that the requests in the "Citizen's Response to Rate Application" as submitted by the Office of Public Counsel are hereby denied. It is further

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ORDERED that, prior to its implementation of the interim water and wastewater rates approved herein, Lehigh Utilities, Inc. shall file and have approved tariff pages revised in accordance with the provisions of this Order. It is further

ORDERED that, prior to its implementation of the interim water and wastewater rates approved herein, Lehigh Utilities, Inc. shall file and have approved a corporate undertaking in the amount of \$231,000 as guarantee for any potential refund. It is further

ORDERED that the interim increase in wastewater rates approved herein shall be effective for meter readings on or after 30 days from the stamped approval date on the revised tariff pages for the systems. The revised tariff pages will be approved upon the Staff's verification that the tariffs are consistent with the Commission's decision, that the proposed customer notice is adequate, and that the appropriate refund security has been provided.

By ORDER of the Florida Public Service Commission, this 8th
day of July, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

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Commissioner Lauredo dissents as follows:

I respectfully disagree with the majority regarding the utility's ability to secure the potential refund with a corporate undertaking. I believe that the utility should be required to deposit the \$231,000 in an escrow account, or to obtain a letter of credit in that same amount. The corporate undertaking is, in my opinion, an insufficient means of providing security for a potential refund to the ratepayers.

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) 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. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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LEHIGH UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 1-A
 DOCKET NO. 911188-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 8,965,280	\$ 431,667	\$ 9,396,947	\$ (431,667)	\$ 8,965,280
2 LAND	35,067	0	35,067	0	35,067
3 NON-USED & USEFUL COMPONENTS	(737,651)	0	(737,651)	0	(737,651)
4 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
5 ACCUMULATED DEPRECIATION	(2,494,031)	(136,072)	(2,630,103)	136,072	(2,494,031)
6 ACQUISITION ADJUSTMENT-NET	0	0	0	0	0
7 CIAC	(2,882,299)	0	(2,882,299)	0	(2,882,299)
8 AMORTIZATION OF CIAC	791,217	0	791,217	0	791,217
9 WORKING CAPITAL ALLOWANCE	100,405	(5,290)	95,115	0	95,115
RATE BASE	\$ 3,777,988	\$ 290,305	\$ 4,068,293	\$ (295,595)	\$ 3,772,698

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LEHIGH UTILITIES, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 1-B
 DOCKET NO. 911188-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 8,544,727	\$ 298,137	\$ 8,842,864	\$ (365,589)	\$ 8,477,275
2 LAND	120,300	0	120,300	0	120,300
3 NON-USED & USEFUL COMPONENTS	(505,270)	0	(505,270)		(505,270)
4 ACCUMULATED DEPRECIATION	(2,470,469)	(4,398)	(2,474,867)	71,850	(2,403,017)
5 ACQUISITION ADJUSTMENT -NET	0	0	0	0	0
6 CIAC	(3,066,054)	0	(3,066,054)	0	(3,066,054)
7 AMORTIZATION OF CIAC	1,051,066	0	1,051,066	0	1,051,066
8 DEBIT DEFERRED INCOME TAXES	0	0	0	0	0
9 WORKING CAPITAL ALLOWANCE	85,752	0	85,752	0	85,752
RATE BASE	\$ 3,760,052	\$ 293,739	\$ 4,053,791	\$ (293,739)	\$ 3,760,052

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LEHIGH UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 1-C
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EXPLANATION	WATER	WASTEWATER
(1) PLANT IN SERVICE		
----- To remove allocation of additional general plant.	(\$431,667)	(\$365,589)
	-----	-----
(2) ACCUMULATED DEPRECIATION		
----- To remove accumulated depreciation on the additional allocation of general plant.	\$136,072	\$71,850
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LEHIGH UTILITIES, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 2-A
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DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION
1 LONG TERM DEBT	\$ 9,020,679	63.78%	8.01%	5.11%	\$ (4,216,053)	\$ 4,804,626	63.78%	8.01%	5.11%
2 SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
3 CUSTOMER DEPOSITS	34,749	0.25%	8.00%	0.02%	(16,241)	18,508	0.25%	8.00%	0.02%
4 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
5 COMMON EQUITY	5,036,135	35.61%	15.73%	5.60%	(2,353,771)	2,682,364	35.61%	15.73%	5.60%
6 INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
7 DEFERRED TAXES	51,164	0.36%	0.00%	0.00%	(23,913)	27,251	0.36%	0.00%	0.00%
8 TOTAL CAPITAL	\$ 14,142,727	100.00%		10.72%	\$ (6,609,977)	\$ 7,532,750	100.00%		10.73%

RANGE OF REASONABLENESS

	LOW	HIGH
RETURN ON EQUITY	15.73%	17.73%
OVERALL RATE OF RETURN	10.73%	11.44%

LEHIGH UTILITIES, INC.
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 2-B
 DOCKET NO. 911188-WS

DESCRIPTION	SPECIFIC ADJUSTMENT (EXPLAIN)	SPECIFIC ADJUSTMENT (EXPLAIN)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 0	\$ 0	(4,216,053)	(4,216,053)
2 SHORT TERM DEBT	0		0	0
3 CUSTOMER DEPOSITS	0		(16,241)	(16,241)
4 PREFERRED STOCK	0		0	0
5 COMMON EQUITY	0	0	(2,353,771)	(2,353,771)
6 INVESTMENT TAX CREDITS	0		0	0
7 DEFERRED INCOME TAXES	0		(23,913)	(23,913)
8 TOTAL CAPITAL	\$ 0	\$ 0	(6,609,977)	(6,609,977)

LEHIGH UTILITIES, INC.
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 3-A
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 1,530,153	\$ 154,406	\$ 1,684,559	\$ (109,374)	\$ 1,575,185	\$ 49,182	\$ 1,624,367
OPERATING EXPENSES						3.12%	
2 OPERATION AND MAINTENANCE	803,241	(42,323)	760,918	0	760,918		760,918
3 DEPRECIATION	173,225	2,136	175,361	(27,300)	148,061		148,061
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	188,126	(3,302)	184,824	(4,407)	180,417	2,213	182,630
6 INCOME TAXES	148,712	(21,377)	127,335	(17,064)	110,271	17,674	127,945
7 TOTAL OPERATING EXPENSES	\$ 1,313,304	\$ (64,866)	\$ 1,248,438	\$ (48,771)	\$ 1,199,667	\$ 19,887	\$ 1,219,555
8 OPERATING INCOME	\$ 216,849	\$ 219,272	\$ 436,121	\$ (60,603)	\$ 375,518	\$ 29,294	\$ 404,812
9 RATE BASE	\$ 4,068,293		\$ 4,068,293		\$ 3,772,698		\$ 3,772,698
11 RATE OF RETURN	5.33%		10.72%		9.95%		10.73%

LEHIGH UTILITIES, INC.
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 3-B
 DOCKET NO. 911188-WS

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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 1,146,201	\$ 439,157	\$ 1,585,358	\$ (407,015)	\$ 1,178,343	\$ 351,206	\$ 1,529,549
OPERATING EXPENSES						29.81%	
2 OPERATION AND MAINTENANCE	\$ 686,013	\$ 0	\$ 686,013	\$ 0	\$ 686,013	\$	\$ 686,013
3 DEPRECIATION	152,629	3,438	156,067	(23,177)	132,890		132,890
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	170,542	11,289	181,831	(17,961)	163,870	15,804	179,674
6 INCOME TAXES	49,396	77,485	126,881	(125,576)	1,305	126,212	127,517
7 TOTAL OPERATING EXPENSES	\$ 1,058,580	\$ 92,212	\$ 1,150,792	\$ (166,714)	\$ 984,078	\$ 142,016	\$ 1,126,094
8 OPERATING INCOME	\$ 87,621	\$ 346,945	\$ 434,566	\$ (240,301)	\$ 194,265	\$ 209,190	\$ 403,455
9 RATE BASE	\$ 4,053,791		\$ 4,053,791		\$ 3,760,052		\$ 3,760,052
RATE OF RETURN	2.16%		10.72%		5.17%		10.73%

LEHIGH UTILITIES, INC.
 ADJUSTMENTS TO OPERATING STATEMENTS
 TEST YEAR ENDED SEPTEMBER 30, 1991

SCHEDULE NO. 3-C
 PAGE 1 OF 1
 DOCKET NO. 911188-WS

EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES		

To remove the utility's test year revenue request.	(\$109,374)	(\$407,015)
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(2) DEPRECIATION		

To remove depreciation expense on the additional allocation of general plant.	(\$27,300)	(\$23,177)
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(3) TAXES OTHER THAN INCOME		

To remove RAFs on the requested revenue increase.	(\$4,407)	(\$17,961)
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(4) OPERATING REVENUES		

To reflect the revenue requirement.	49,182	351,206
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(5) TAXES OTHER THAN INCOME		

To reflect RAFs on the revenue increase.	2,213	15,804
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(6) PROVISION FOR INCOME TAXES		

To reflect income taxes on the revenue requirement.	17,674	126,212
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