

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 950515-WS
assisted rate case in Martin) ORDER NO. PSC-96-0629-FOF-WS
County by Laniger Enterprises of) ISSUED: May 10, 1996
America, Inc.)
_____)

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST,
REQUIRING UTILITY TO RECONCILE BOOKS AND RECORDS,

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for our granting of temporary rates in the event of protest and our requiring the utility to reconcile its books and records, 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

Laniger Enterprises of America, Inc., (Laniger) is a Class C water and wastewater utility. The utility was first organized in 1972, and certificated by this Commission in 1982. By Order No. 11423, issued on December 15, 1982, Certificates Nos. 362-W and 317-S were issued to Environmental Concern, Ltd. The County claims that the area granted in those certificates is the same area that is the subject of a Planned Unit Development Zoning Agreement.

By Order No. 12187, issued July 1, 1983, recognizing the business failure of Environmental Concern, Ltd., Certificates Nos.

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FPSC-RECORDS/REPORTING

362-W and 317-S were transferred from the First Wisconsin Mortgage Trust, who had gained title to utility assets, to Beacon 21 Development Corporation (formerly named Oz Developments, Inc.). However, Beacon 21 Development Corporation also had financial problems, and by Order No. 22203, issued on November 21, 1989, the Commission acknowledged that Mr. William Oraz, on June 28, 1988, a bankruptcy trustee, issued a quit claim deed on the utility property in favor of Chicago Title. Chicago Title then sold the utility, along with over \$1,000,000 in residential property to Reginald J. and Lois F. Burge. The Burges then applied for the transfer of the utility to Laniger Enterprises of America, Inc. (Laniger), which was approved by Order No. 22203. Martin County has taken issue with Mr. Burge splitting ownership of the utility and residential property between Laniger Enterprises of America, Inc. and Beacon 21 Development. This is discussed in further detail below.

The utility's service area is located in Jensen Beach, Florida, in the northeast corner of Martin County, approximately one mile north of Stuart. Currently, the utility provides service on a flat rate basis to 276 water customers and 524 wastewater customers. The service area includes condominium style developments known as Beacon 21 (276 water and wastewater customers), and River Club (192 wastewater customers). The utility also serves a mobile home park known as Palm Circle (56 wastewater customers).

The utility applied for a staff-assisted rate increase on May 4, 1995. The test year for setting rates is the historical average twelve-month period ending June 30, 1995. Based on the audit of the utility's books, the utility recorded test year revenues of \$57,262 for water and \$100,117 for wastewater. The utility's operating expenses are \$91,177 for water and \$130,068 for wastewater, which results in a net operating loss of \$33,915 for water and \$29,951 for wastewater. The utility's last staff-assisted rate case (SARC) was processed under Docket No. 900945-WS, and rates were approved by Order No. 24817 issued on July 15, 1991. The utility has also taken advantage of annual indexing and at least one pass through rate adjustment.

During the processing of this case, the utility apprised us of problems it was experiencing with unauthorized connections used for irrigation. The activities of these unauthorized connections caused serious injury to the utility during the test year in that it sustained line breaks and damage to the lines, thus causing loss of water and hindering the utility's ability to provide efficient service to its customers. We also discovered that the utility has some authorized irrigation connections, but does not charge these

customers for service. Included in the utility's original pro forma plans were irrigation meters. However, after the customer meeting, the customers notified our staff and the utility, through their attorney, of their intent to dig wells for irrigation. The water used for irrigation and lost during line breaks, along with other extraordinary incidents the utility experienced during the test year, account for over 50% of test year consumption.

On December 6, 1995, a customer meeting was held at the Rio Civic Center, in Jensen Beach, Florida to discuss Laniger's quality of service. During the customer meeting, customers voiced concerns about response time, boiled water notices, low water pressure, and metering. As a result of the customer meeting, the utility has made many changes to its pro forma requests. We will address these issues in a later portion of this Order.

Although not an issue in this case, for information purposes, we note that there are legal disputes surrounding the utility's operations. Currently, the utility has an ongoing lawsuit against Martin County for territory encroachment. Recently, Martin County filed a complaint requesting that the 19th Judicial Circuit Court determine the validity of certain development agreements and the Planned Unit Development Zoning Agreement. In this complaint, the County seeks specific performance of the agreements, i.e., to require the defendants (including the Burges and Laniger Enterprises of America, Inc.), to "connect to the County service and transfer their utility facilities to the County." Also, the County asks for a declaration that the Covenant of Unified Control has been breached and should be restored, as well as injunctive relief. The County's suit is based on a Planned Unit Development Agreement entered into on September 8, 1981, by the former utility owners. By document entitled Oz Development Corporation, Beacon 21 Condominium Owner's Association, Inc., Novus Property Company, and the Board of County Commissioners of Martin County entered into an agreement for certain property in Martin County. Pursuant to the Planned Unit Development Zoning Agreement, paragraph 2 of Exhibit "F", entitled Special Conditions, the parties agreed as follows:

At such time as the COUNTY owns and operates a public potable water distribution system capable of serving BEACON 21, the DEVELOPER and/or property owners association then agrees to sell, transfer, assign and/or convey title to the potable water treatment facility together with any and all distribution lines, including the well, to the COUNTY, at no cost to the COUNTY, in exchange for potable water

service to BEACON 21 at such rates as then may be in force and effect.

Also, pursuant to the Exhibit "C" (entitled "Covenant of Unified Control) of that agreement, the parties agreed, with certain exceptions, that the:

property shall be considered as one plot and parcel of land, and shall be held under single ownership and shall not be transferred, conveyed, sold or divided in any unit other than in its entirety.

The parties further agreed:

that this condition, restriction and limitation shall be deemed a covenant running with the land, and shall remain in full force and effect, and be binding upon the undersigned, its successors and assigns until such time as the same may be released in writing by the Board of Commissions of Martin County, Florida.

These agreements were apparently recorded on October 1, 1981, in O.R. Book 530, Page 1867.

QUALITY OF SERVICE

At the time of the June 1, 1995 engineering field investigation, solids were "washing out" of the chlorine contact chamber. The contract operator for this facility explained that the "wash out" is a seasonal flow problem due to the population increases and decreases in the fall and spring. Once the plant gets accustomed to the new seasonal flow, treatment efficiencies will improve. The loss of solids can be a normal occurrence for facilities that receive abnormal variation in flows. The problem is biologically related. The plant normally recovers as the aerobic bacteria that thrives in a consistent flow environment adapts to the new flow pattern. The situation may occur with increased or decreased flows. It appears that the operator is making the necessary operational changes to keep the situation under control. Therefore, since this is considered a temporary problem, we find that no adjustment is needed at this time.

The customer meeting was held on December 6, 1995, at the Rio Civic Center in Rio, Florida. There were approximately 70 customers who attended the meeting. Of that number, 18 addressed

concerns over quality of service. The problems brought up dealt with sediment in the water, water leaving stains on fixtures, unsafe drinking water, water outages, "boil water notices", pressure problems, line breaks and leaks, and unsuitable chlorine levels in the water.

In reference to the above mentioned customer concerns, we have made the following determinations:

Sediment and Staining

The sediment and staining problems experienced by the customers are apparently related to the collection of foreign materials in the distribution system. The utility believes that the sediment problem may be related to unauthorized irrigation connections made to the distribution system. There has apparently been a problem with unauthorized connections. These connections were made without the utility's permission or knowledge. If improperly installed, they may cause the sediment problems in the water. With the anticipated metering of all connections, plus the installation of backflow devices, it is expected that problems of this type will be reduced. In addition, as a pro forma plant improvement project, the utility will loop dead end lines. This will improve system circulation and help reduce the accumulation of sediment. Therefore, we find that the utility is appropriately addressing this area of customer concern.

Unsafe Drinking Water

We believe that the customer concerns regarding the water being unsafe to drink are being addressed. Testing results show that the utility is in compliance in all areas except for copper. The water produced by the utility has a slight corrosive nature. The utility is properly working with the Department of Environmental Protection (DEP) and has plans to install a PH tank and chemical pump to lower PH levels in the water. This should correct the copper leeching problem. The installation of the pumps is part of the pro forma plant improvements requested by the utility.

Boil Water Notices

We have also reviewed customer apprehension about "boil water notices" issued to prevent contamination. Because of problems with outages and pressure loss, we find that the notices to boil the water were necessary. Two of these notices were appropriately issued over the last year, and the utility appears to have properly handled these situations.

Water Outages, Pressure Problems, and Unsuitable Chlorine Levels

To make the water system more reliable, the utility is in the process of installing automatic capabilities to its auxiliary power generator. In addition, the utility has recently implemented an automatic alarm system that contacts utility personnel by phone. This system will notify them about problems such as pressure and chlorination loss. Combined, these improvements should reduce in the future the frequency of outages, pressure problems, and chlorination fluctuation.

Summary

The proposed pro forma plant improvements, as mentioned above, are necessary for the utility to continue to provide adequate service. Since these improvements shall be completed within six months of the date of this Order, we find that the quality of service provided by this utility is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. 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.

The appropriate components of Laniger Enterprise rate base include depreciable plant in service, land, non-used and useful plant, acquisition adjustment, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of acquisition adjustment, accumulated amortization of CIAC, and working capital allowance. Plant, land, depreciation, acquisition adjustment and CIAC balances were determined as of December 30, 1989 in the utility's last staff assisted rate case by Order No. 24817, issued July 15, 1991. The amounts set forth in that Order have been used as a base for rate base components updated in this Order. Further adjustments are necessary to reflect test year changes and our used and useful determinations. A discussion of each component follows.

Used and Useful

Water Treatment Plant - The water treatment plant used and useful determination is based on service area connection capacity rather than plant flow capacity. This is necessary

to reflect the possible loss of irrigation users and other unauthorized connections. Actual flow consumption could not be predicted because customers are not individually metered. The connection capacity is 352 connections. The number of test year connections is 276. Allowing 24 connections for margin reserve considerations, we find that the water treatment plant is 85% used and useful.

Wastewater Treatment Plant - The wastewater treatment plant has a permitted treatment capacity of 99,000 gallons per day (gpd). The average daily flow of the peak usage month during the test year is 68,000 gpd. Allowing 3,120 gpd for margin reserve considerations, we find that the wastewater treatment facility is 72% used and useful.

Water Distribution and Wastewater Collection Systems - The water distribution system has a capacity of 352 connections. The number of test year connections is 276. Allowing 24 connections for margin reserve considerations, we find that the water distribution system is 85% used and useful.

The wastewater collection system has a capacity of 600 connections. The number of test year connections is 524. Allowing 24 connections for margin reserve considerations, we find that the wastewater collection system is 91% used and useful.

Depreciable Plant in Service

Water Treatment Facility - The utility has two wells that are rated at 150 gallons per minute (gpm) each, an 82,000 gallon steel ground reservoir, a 10,000 gallon hydropneumatic tank, two 15 horsepower (hp) high service pumps rated at 250 gpm each, a gas chlorination unit used for disinfection purposes, and a propane gas auxiliary generator. At the time of the June 1, 1995 engineering field investigation, the facility appeared to be operating properly except for an inoperative check valve which prevented the high service pumps from operation as designed. The utility plans to correct this through the installation of a new high service pump. As stated earlier, the installation of the high service pump is considered as part of the pro forma plant the utility requested.

Wastewater Treatment Facility - The utility's wastewater treatment facility has a designed capacity of 142,000 gpd with chlorinated effluent going to two percolation ponds. Because of limited effluent disposal capabilities, the treatment plant is permitted by DEP at 99,000 gpd.

At the time of the inspection, one of two blowers was out of service. A new replacement blower was on site and will soon be put into service.

Water Distribution and Wastewater Collection Systems - The water distribution system is composed primarily of PVC pipe. There are twelve fire hydrants connected to this system. The wastewater collection system is also composed of PVC pipe, with five lift stations located in the service area. At the time of the engineering investigation, the collection and distribution systems appeared to be operating properly.

The utility recorded utility plant in service balances of \$257,803 for water and \$460,590 for wastewater at the end of the test year. Utility plant in service has been increased by \$48,888 for water and decreased by \$1,594 for wastewater.

Adjustments for water plant are to: 1) reconcile utility beginning balance with Order No. 24817, a decrease of \$131; 2) retire a water tank, a decrease of \$8,600; 3) remove non-utility plant, a decrease of \$1,918; 4) remove overbooked plant costs, a decrease of \$400; 5) reclassify plant to wastewater, a decrease of \$9,695; 6) reclassify plant from Operation and Maintenance Expense (O & M), an increase of \$1,204; 7) retire a truck, a decrease of \$4,365; 8) record pro forma plant, an increase of \$151,379; 9) and make averaging adjustments, decreases of \$6,811 for plant and \$71,775 for pro forma plant. Pro forma water plant consists of: line looping - \$34,000, meters - \$52,125, backflow preventers - \$32,250, high service pump - \$7,500, control room rehabilitation - \$2,200, chlorine alarm system - \$2,889, mechanical scale - \$1,497, chlorine vacuum alarm system - \$1,285, DEP required plant-monitoring wells - \$3,589 and water plant output meters \$4,240, and allocation for combined pro forma plant to water-storage building - \$5,386, computer system - \$2,000 and general tools - \$2,418.

Adjustments for wastewater are to: 1) retire wastewater blower, a decrease of \$2,807; 2) remove non-utility plant, a decrease of \$3,846; 3) record reclassification from water plant, an increase of \$9,695; 4) reclassify plant from O & M expense, a decrease of \$3,951; 5) reflect unrecorded wastewater plant, an increase of \$745; 6) reclassify expenses to O & M expenses, a decrease of \$3,263; 7) retire a truck, a decrease of \$6,548; 8) record pro forma plant, an increase of \$29,708; and 9) make averaging adjustments, decreases of \$14,967 for plant and \$14,262 for pro forma plant. Pro forma wastewater plant consists of: chlorine storage - \$1,590, PH tank/pump - \$1,183, air blower - rehabilitation - \$7,987, water reuse at the WWTP - \$1,500, blower housing - \$1,200, fence - \$1,540, and allocations for combined pro

forma plant to wastewater - a storage building - \$8,080, a computer system - \$3,000 and general tools - \$3,628. Allocations of combined plant were based on the engineer's ratio calculations, which showed that a 40% water and 60% wastewater allocation was proper.

Based on the above adjustments, the total utility plant in service is \$306,691 for water and \$458,996 for wastewater.

Land

The utility recorded land balances of \$5,000 for water and \$95,035 for wastewater. To remove an overbooking, the wastewater balance was decreased by \$455, and the appropriate land values are \$5,000 for water and \$94,580 for wastewater.

Non-Used and Useful Plant

Non-used and useful plant has a negative impact on rate base. In an earlier portion of the order, we determined that the used and useful percentages are 85% for the water treatment plant, 85% for the water distribution system, 72% for the wastewater treatment plant and 91% for the wastewater collection system. Based on these percentages, average non-used and useful plant is found to be \$39,870 for water and \$52,491 for wastewater. Accordingly, non-used and useful accumulated depreciation is \$9,854 for water and \$19,374 for wastewater.

Based on these adjustments, we find the net average non-used and useful plant to be \$49,724 for water and \$33,117 for wastewater.

Acquisition Adjustment

The utility recorded acquisition adjustment balances of a negative \$110,856 for water and \$0 for wastewater at the end of the test year. This balance was not consistent with Order No. 24817. Consequently, adjustments to increase water by \$82,282 and decrease wastewater by \$66,743 were made. Since the Order, there have been no additions to the acquisition adjustment, and an averaging adjustment was not necessary. Based on the above, the appropriate negative acquisition adjustment balance is \$28,574 for water and \$66,743 for wastewater.

Contributions in Aid of Construction (CIAC)

CIAC has a negative impact on rate base. The utility recorded CIAC balances of \$0 for water and a negative \$260,757 for

wastewater at the end of the test year. This balance was not consistent with Order No. 24817. Therefore, we increased these balances by \$709 for water and \$1,746 for wastewater. CIAC was also increased by \$18,605 for water and \$17,234 for wastewater, to reflect margin reserve. Since the Order, there have been no additions to CIAC. Consequently, an averaging adjustment was not necessary. Therefore, the appropriate CIAC balances are \$19,314 for water and \$279,740 for wastewater.

Accumulated Depreciation

Accumulated depreciation has a negative impact on rate base also. The utility did not record any accumulated depreciation on its books. Order No. 24817 established accumulated depreciation of \$47,992 for water and \$112,127 for wastewater as of December 31, 1990. Consistent with our practice, we have calculated accumulated depreciation using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. Increases of \$81,092 for water and \$192,521 for wastewater were made to reflect test year accumulated depreciation amount. A decrease of \$4,365 for water and \$6,548 for wastewater was made to remove accumulated depreciation on a truck retired from plant on a pro forma basis. Another decrease of \$8,600 for water and \$2,807 for wastewater was made to remove accumulated depreciation on a water tank and wastewater blower retired from plant. Also, increases of \$6,614 for water and \$1,660 for wastewater were made to reflect accumulated depreciation on pro forma plant. Averaging adjustments of \$5,030 and \$5,760 were made to reflect average accumulated depreciation for water and wastewater, respectively. Therefore, the appropriate accumulated depreciation balances are a negative \$69,711 for water and \$179,066 for wastewater.

Amortization of Acquisition Adjustment

The utility recorded amortization of acquisition adjustment balances of \$74,938 for water and \$0 for wastewater at the end of the test year. An adjustment was made to reconcile the utility's balance with Order No. 24817, resulting in a decrease of \$72,777 for water and an increase of \$5,395 for wastewater. Amortization of acquisition adjustment was increased by \$4,549 for water and \$12,875 for wastewater to reflect amortization from December 30, 1989 through June 30, 1995. Also, the balances were decreased by \$493 for water and \$1,404 for wastewater to reflect averaging adjustments. Based on the above, we find that the appropriate amortization of acquisition adjustment balances are \$6,217 for water and \$16,866 for wastewater.

Amortization of CIAC

The utility recorded balances of \$0 and \$59,395 at the end of the test year for amortization of CIAC water and wastewater, respectively. An adjustment of \$31 for water and \$16,952 for wastewater was made to reconcile the utility's balance with Order No. 24817. Amortization of CIAC was increased by \$113 for water and \$50,636 for wastewater to reflect amortization from December 30, 1989 thru June 30, 1995. We increased amortization of CIAC by \$642 for water and \$726 for wastewater to reflect amortization on margin reserve. Also, averaging adjustments decreased the balances by \$12 for water and \$5,523 for wastewater. Based on the above, we find that the appropriate amortization of CIAC balances are \$774 for water and \$122,186 for wastewater.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense formula approach for calculating working capital allowance. Applying that formula, we find that a working capital allowance of \$5,921 for water and \$10,620 for wastewater is appropriate (based on O & M expenses of \$47,369 for water and \$84,957 for wastewater).

Rate Base Summary

Based on the aforementioned adjustments, we find that the appropriate balances for test year rate base are \$157,280 for water and \$144,582 for wastewater.

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.

The utility's capital structure consists of \$14,051 of long-term debt with an interest rate of 11.00%, \$370,000 of long-term debt with an interest rate of 8.93%, short term debt of \$4,623 with an interest rate of 12.99%, and common equity of \$138,607. Using the current leverage formula approved under Docket No. 950006-WS, Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, the rate of return on common equity is 11.88% with a range of reasonableness of 10.88% - 12.88%.

Applying the weighted average method to the total capital structure yields an overall rate of return of 9.80% with a range of 9.53% to 10.06%. Pro rata adjustments were made to reconcile the capital structure downward to match the recommended rate base.

NET OPERATING INCOME

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

Based on the billing analysis performed during the test year, the utility provided water and wastewater service to 276 water and 524 wastewater flat rate customers. The utility recorded water revenues of \$57,262 and wastewater revenues of \$100,117 during the test period. A historical test year ending June 30, 1995 was selected. On June 4, 1995, the four year amortization of rate reduction became effective. Along with that, the utility was granted a price index and pass through. Annualized revenues were calculated based on the rates that became effective June 4, 1995. Revenue was increased by \$5,567 for water and by \$3,509 for wastewater. Test year revenue is \$62,829 for water and \$103,626 for wastewater. The utility received a price index and pass-through on June 4, 1995.

The test year revenue is \$62,829 for water and \$103,626 for wastewater, corresponding test year operating expenses are \$64,586 for water and \$99,590 for wastewater for a water operating loss of \$1,757 and wastewater operating income of \$4,036.

The utility recorded operating expenses of \$91,176 for water and \$130,068 for wastewater. The components of these expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC and non-used and useful depreciation on expense), amortization of acquisition adjustment, and taxes other than income.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect unrecorded test year expenses, allowances for plant operations, and to remove unsupported and non-utility expenses.

Operation and Maintenance Expenses (O & M)

The utility charged \$77,086 to water O & M and \$114,364 to wastewater O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

Salaries and Wages - Employee - The utility did not record anything in this account. However, the utility did include in its pro forma plan a request for a full time general office clerk. Consistent with utilities of this size, adjustments of \$4,222 for water and \$6,334 for wastewater were made to reflect allowance for a part time clerk. This allowance is based on a total of 20 hours a week at \$10.15 an hour. The hourly wage is based on a survey of Florida utility wages.

Officer - The utility recorded salaries and wages expense of \$6,000 and \$9,000 for water and wastewater respectively during the test year. This expense was reduced by \$3,920 for water and \$5,880 for wastewater to reflect annualized salaries and wages for an officer. We find the appropriate amount of Salaries and Wages expense to be \$2,080 for water and \$3,120 for wastewater.

Employee Pensions and Benefits - The utility recorded Employee Pensions and Benefits expenses of \$1,457 and \$2,186 for water and wastewater respectively. Included in the utility's balance was payroll taxes. An adjustment was made to: a) reclassify payroll taxes to taxes other than income (TOTI), decreases of \$557 for water and \$836 for wastewater; and b) remove unsupported amounts, decreases of \$900 for water and \$1,305 for wastewater. We determine that a zero balance for Employee Pensions and Benefits expense for water and wastewater is appropriate.

Purchased Power - The utility recorded \$5,139 in water purchased power and \$20,555 in wastewater purchased power. Adjustments were made to reflect annualized purchase power expense, an increase of \$1,096 for water and a decrease of \$3,897 for wastewater. We determine an appropriate amount of water purchased power to be \$6,235 and wastewater purchased power to be \$16,658.

Chemicals - The utility did not record anything for chemical expenses in the chemical account. Instead, the utility recorded the expense for purchased chemicals in contractual services for the test year. The utility used 4.4 tanks of gas chlorine for water at a total cost of \$1,574 and used 6.6

tanks of gas chlorine for wastewater at a total cost of \$2,321. Adjustments were made to reclassify \$1,574 for water and \$2,321 for wastewater from contractual services.

Materials and Supplies - The utility recorded materials and supplies expense of \$447 for water and \$1,529 for wastewater. Adjustments were made to: a) reclassify a cost to wastewater plant from O & M, a decrease of \$778; b) reflect annual expense of postage and materials, increases of \$44 for water and \$1,045 for wastewater. We determine the appropriate amount of materials and supplies expense to be \$491 for water and \$1,796 for wastewater.

Contractual Services - The utility recorded contractual services expenses of \$41,432 for water and \$45,838 for wastewater during the test year. The following adjustments were made in contractual services to:

WATER - a) remove unsupported cleaning and maintenance expense, a decrease of \$488; b) remove prior period contractual services, a decrease of \$3,899; c) remove non-utility legal fees, a decrease of 1,032; d) remove unsupported legal fees for territory encroachment, a decrease of \$6,377; e) book unrecorded legal fees for territory encroachment, a decrease of \$1,508; f) reflect legal expense for territory encroachment amortized over four years, a decrease of \$1,299; g) to remove unsupported legal fees for water theft, a decrease of \$10,751; h) remove prior period consulting fees, a decrease of \$3,447; i) reflect unrecorded consulting fees, an increase of \$403; j) bring management fees to the recommended amount, an increase of \$10,000; k) record allocations specifically identifiable with water, an increase of \$181; l) reclassify chemicals to its proper account, a decrease of \$1,547; m) reflect annual accounting fees, a decrease of \$1,046; n) reflect allowance of \$720 for utility to pay accountant to reconcile books amortized over four years, an increase of \$180.

Also included in contractual services for water is an increase of \$417 to reflect annual DEP testing. The appropriate annual amount for DEP testing is \$2,519:

<u>Description</u>	<u>Frequency</u>	<u>Cost</u>	<u>Annualized Cost</u>
Inorganics	3 years		
VOC's	3 years		
GA	3 years		
Secondary	3 years	Combined bill	\$ 1,221
Contaminants			
Group's I & II	3 years	\$ 780	780
UOC's			
Lead/Copper		\$ 218	218
Lead/Copper		\$ 300	<u>300</u>
		Test Year	<u>\$ 2,519</u>
		Total	

WASTEWATER - a) remove unsupported cleaning and maintenance expense, a decrease of \$732; b) remove prior period contractual services, a decrease of \$5,848; c) remove non-utility legal fees, a decrease of \$1,548; d) remove unsupported legal fees for territory encroachment, a decrease of \$9,565; e) book unrecorded legal fees for territory encroachment, an increase of \$2,262; f) reflect legal expense for territory encroachment amortized over four years, a decrease of \$1,949; g) remove prior period consulting fees, a decrease of \$5,171; h) reflect unrecorded consulting fees, an increase of \$604; i) bring management fees to the recommended amount, an increase of \$13,000; j) record allocations specifically identifiable with water, a decrease of \$181; k) reflect annual testing expense per the engineer, a decrease of \$1,431; l) reclassify chemicals to proper account, a decrease of \$2,321; m) reflect annual sludge analysis expense per engineer, an increase of \$140; n) reflect annual accounting fees, a decrease of \$1,569; o) reflect allowance of \$1,080 for utility to pay accountant to reconcile books amortized over four years, an increase of \$270; p) reflect amount reclassified to contractual service from miscellaneous expense, an increase of \$6,675; q) reflect expense of painting the WWTP amortized over five years, a decrease of \$1,156; r) to remove nonrecurring repair and maintenance expense, a decrease of \$2,125; s) adjustment per engineer to reflect pro forma pond upgrade of \$30,000 amortized over five years, an increase of \$6,000.

Total adjustments to contractual services are negative \$17,197 and negative \$4,645 for water and wastewater respectively. We find that the contractual services expense is \$24,235 for water and \$41,194 for wastewater.

Rents Expense - The utility recorded rental expenses of \$3,460 for water and \$5,190 for wastewater. These amounts consist of expenses for leasing a copier and renting the utility building. We find that the copier and building are not solely used by the utility, but are, instead, shared with another business. Consequently, an adjustment was made to reduce annualized rent expense by 50%. This results in decreases of \$286 for water and \$430 for wastewater to reflect annual lease expense for a copier; and decreases of \$1,440 for water and \$2,160 for wastewater to reflect annual rent for the building. Based on these adjustments, we find that the appropriate rent expense is \$1,734 for water and \$2,600 for wastewater.

Transportation Expense - The utility recorded transportation expenses of \$2,223 for water and \$3,335 for wastewater. The audit report disclosed that the utility booked actual expense and mileage expense. Therefore, decreases of \$408 for water and \$706 for wastewater were made to remove the double booking. Water was decreased by \$597 and wastewater was decreased by \$896 to reflect travel incurred for the territory encroachment case amortized over four years. Based on these adjustments, the transportation expense is \$1,218 for water and \$1,733 for wastewater.

Insurance Expense - The utility recorded insurance expenses of \$916 for water and \$1,374 for wastewater. However, these figures were only for a partial year. Increases of \$678 for water and \$1,016 for wastewater were made to annualize the insurance premiums. Therefore, the insurance expense is \$1,594 for water and \$1,733 for wastewater.

Regulatory Commission Expense - The utility recorded \$6,929 of water and \$10,391 of wastewater regulatory commission expense in this account. In each of these accounts, the utility included prior period regulatory assessment fees, test year regulatory assessment fees, and unsupported rate case expense. Adjustments were made to: a) remove prior period regulatory assessment fees, decreases of \$3,220 and \$4,322 for water and wastewater respectively; b) reclassify test year regulatory assessment fees to taxes other than income, decreases of \$2,667 for water and \$4,505 for wastewater; c) remove unsupported rate case expense, decreases of \$242 for water and \$363 for wastewater; and d) reflect rate case expense of \$800 for water and \$1,200 for wastewater amortized over four years, decreases of \$600 and \$900 for water and wastewater respectively. Accordingly, we find that

the appropriate amount of regulatory commission expense is \$200 for water and \$300 for wastewater.

Miscellaneous Expense - The utility recorded \$9,083 of water and \$14,966 of wastewater miscellaneous expenses. Adjustments were made a) to remove non-utility expense, water and wastewater expense was decreased by \$200 and \$300 respectively; b) to reflect the cost of the water use permit amortized over seven years, the life of the permit, water expense is decreased by \$1,721, and wastewater expense is increased by \$382; c) to reclassify amounts related to contractual services, wastewater is decreased by \$6,675; d) to remove prior period fees, water is decreased by \$53; e) to reclassify land clearing to plant, water is decreased by \$1,204 and wastewater is decreased by \$1,773; f) to remove excess telephone expense, water is decreased by \$416 and wastewater is decreased by \$624; g) to remove amounts related to salaries, water is decreased by \$1,703 and wastewater is decreased by \$1,751. Based on the above adjustments, water miscellaneous expenses are \$3,786, and wastewater miscellaneous expenses are \$4,225.

Operation and Maintenance Expenses (O & M) Summary

Total operation and maintenance expense was decreased by \$34,637 for water and \$29,407 for wastewater. Based on these adjustments, Operation and Maintenance Expenses are \$42,449 for water and \$84,957 for wastewater. Operation and Maintenance Expenses are shown on Schedules Nos. 3C and 3D.

Depreciation Expense (Net of Amortization of CIAC)

The utility recorded \$10,971 of water and \$11,025 of wastewater depreciation expense during the test year. Consistent with our practice, test year depreciation expense was calculated using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. A \$14,924 adjustment was made to water depreciation expense and a \$22,360 adjustment was made to wastewater depreciation expense to bring the utility balances to the correct amount. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances, water was decreased by \$2,137 and wastewater by \$3,086. Offsetting adjustments were also made to depreciation expense by applying the composite depreciation rates to CIAC, a decrease of \$25 for water and \$11,046 for wastewater. We find that net test year depreciation expense is \$12,762 for water and \$8,228 for wastewater.

Amortization Expense

The utility did not record an expense for the amortization of acquisition adjustment. Applying the prescribed depreciation rate to the acquisition adjustment, adjustments of \$987 and \$2,808 were made for water and wastewater respectively to reflect test year amortization on the acquisition adjustment.

Taxes Other Than Income Taxes

The utility recorded test year taxes other than income of \$3,119 for water and \$4,679 for wastewater. Adjustments were made to: 1) reflect regulatory assessment fees on test year annualized revenues, resulting in increases of \$160 for water and \$158 for wastewater; 2) classify payroll taxes in the appropriate account, resulting in increases of \$557 for water and \$836 for wastewater; 3) reflect annual payroll taxes, resulting in increases of \$473 for water and \$710 for wastewater; 4) reclassification of regulatory assessment fees from the regulatory commission expense account, resulting in increases of \$2,667 for water and \$4,505 for wastewater; and 5) remove double booking of property taxes, resulting in decreases of \$1,534 and \$1,675 for water and wastewater, respectively.

Operating Revenues

Revenue has been increased by \$17,980 for water and \$10,610 for wastewater to reflect the increase in revenue required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income

The expenses have been increased by \$809 for water and \$477 for wastewater to reflect regulatory assessment fees at 4.5% on the required revenue increase.

The application of adjustments to the utility's recorded operating expenses results in an operating expense of \$65,395 for water and \$100,067 for wastewater.

REVENUE REQUIREMENT

The utility is allowed an annual increase in revenue of \$17,980 (28.62%) for water and an annual increase of \$10,610 (10.24%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 9.80% return on its investment.

RATES AND CHARGES

During the test year, the utility experienced problems with unauthorized irrigation connections. Notices were sent to the related parties requesting payment for services. However, the utility was informed of the parties' intent to dig wells. Laniger's original pro forma plans included metering for irrigation. As a result of the customer meeting on December 6, 1995, the attorney representing the customers stated that they were in the process of getting permits to dig irrigation wells, and thus, did not need the utility's services for irrigation. We estimate that the water consumed by those who irrigate constitutes over 50% of the utility's test year consumption.

Rule 25-30.320 (2) (j), Florida Administrative Code states that a utility may refuse or discontinue service:

Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of such service, the utility, before restoring service, may require the customer to make at his own expense all changes in piping or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the deficiency in revenue resulting from such fraudulent use. Service shall not be discontinued if, prior to the arrival of the utility to discontinue service, the customer has:

1. paid for all fraudulent use of service;
2. demonstrated the fraudulent use has ceased;
3. paid all other applicable fees and charges; and
4. the service condition allowing fraudulent use of service has been corrected.

Because it appears that the customers' connections are unauthorized pursuant to Rule 25-30.320 (2), Florida Administrative Code, the utility is allowed to discontinue unauthorized irrigation connections.

During the test year, Laniger provided service on a flat rate basis to 276 multi-residential water and wastewater customers, 192 multi residential wastewater only customers and 56 residential wastewater only customers. In this rate case, the utility is requesting metered rates. As a result, 3 classes of customers are created: residential, multi-residential, and general service.

MULTI-RESIDENTIAL AND GENERAL SERVICE
MONTHLY WATER RATES (PHASE II)

Metered Rates

Base Facility Charge

Commission Approved Rates

Multi-Residential (per unit) \$ 10.30

General Service

Meter Size

5/8" x 3/4"	10.30
3/4"	15.45
1"	25.75
1-1/2"	51.50
2"	82.40
3"	164.80
4"	257.50
6"	515.00

Gallage Charge

Per 1,000 gallons \$ 3.41
(all metered connections)

MULTI-RESIDENTIAL MONTHLY WASTEWATER RATES

EXISTING RATES

Monthly Flat Charge

Multi-Residential (per unit) \$ 16.48

MONTHLY WASTEWATER RATES (PHASE I)

Flat Rate

Commission Approved Rates

Non Metered Residential	\$ 16.11
Multi-Residential Service (per unit)	\$ 16.11
General Service	\$ 90.71

RESIDENTIAL, MULTI-RESIDENTIAL AND GENERAL SERVICE
MONTHLY WASTEWATER RATES (PHASE II)

Metered Rates

Base Facility Charge

Commission Approved Rates

Multi-Residential (per unit) \$ 9.93

General Service

Meter Size

5/8" x 3/4" 9.93

3/4" 14.90

1" 24.83

1-1/2" 49.65

2" 79.44

3" 158.88

4" 248.25

6" 496.50

Gallonage Charge

Per 1,000 gallons \$ 2.47

(all metered connections)

Unmetered Rates

Wastewater Only Residential \$ 16.11

In accordance with Rule 25-30.475, Florida Administrative Code, the rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The tariff sheets will be approved upon verification that the tariffs are consistent with our decision, that the customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given within 10 days after the date of the notice. In no event shall the rates be effective for service rendered prior to the stamped approval date.

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

charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$209.42 for water and \$314.13 for wastewater annually. The reduction in revenues will result in the rates we have determined on Schedules Nos. 4 and 4A.

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

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

SERVICE AVAILABILITY CHARGES

Currently, the utility does not have a service availability charge. The utility's current contribution level is .19% for water and 31.27% for wastewater. The utility's water and wastewater systems can accommodate additional connections. Therefore, the service availability charges for water and wastewater have been calculated based on existing capacity and historical growth. The utility intends to install backflow prevention devices on all new connections. It is anticipated that the only future connections will be multi-residential complexes and that one backflow prevention device per complex will be required. The utility is herein allowed to install and charge for backflow prevention devices along with meters on all new multi-residential buildings and on general service installations. However, the utility shall not require backflow prevention devices for new residential connections unless a significant health hazard is identified that requires isolation thorough a backflow prevention device. Our calculated charges will not cause the utility to exceed the 75% maximum level as prescribed by Rule 25-30.580, Florida Administrative Code. We have calculated the service availability charges on a per unit basis. A schedule of the charges are as follows:

(a) Main Extension Charge

	<u>Multi- Residential (Per Unit)</u>	<u>All Others</u>
Water - Per ERC (200 Gpd)	\$ 994.00	\$4.97 per gallon
Wastewater - Per ERC (200 Gpd)	\$ 798.00	\$3.99 per gallon

(b) Plant Capacity Charge

	<u>Multi- Residential (Per Unit)</u>	<u>All Others</u>
Water - Per ERC (200 Gpd)	\$ 779.00	\$3.90 per gallon
Wastewater - Per ERC (200 Gpd)	\$ 626.00	\$3.13 per gallon

(c) Water Meter Installation Charge - Actual Cost

(d) Backflow Preventer Charge - Actual Cost

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order authorizes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, the rates will be approved as temporary rates. The rates collected by the utility shall be subject to the refund provisions discussed below.

The utility is authorized to collect the temporary rates upon Commission approval of the security for potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$19,737. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until the final Commission order is rendered, either approving or denying the rate increase (if refund is required, the letter of credit will be maintained until the refund is complete).

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

BOOKS AND RECORDS

During the test year, the utility's books were not maintained in conformity with the Uniform Systems of Accounts.

Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

- 1) Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

Order No. 24817 required the utility to maintain its books in conformity with the USOA. Although we do not believe the utility has the expertise necessary to convert and maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code, we believe that the utility can obtain the necessary expertise. Therefore, an allowance has been made for the utility to pay its certified public accountant to reconcile its books and records, as well as maintain them in conformity with the 1984 NARUC Uniform System of Accounts.

CLOSING OF DOCKET

We have ordered that line looping, backflow preventers, high service pump, control room rehabilitation, Chlorine alarm system, Mechanical scale, Chlorine vacuum alarm system, monitoring wells, water plant output meters, storage building, computer system, general tools, chlorine storage, PH tank/pump, air blower rehabilitation, water reuse at the wastewater treatment plant, blower housing, fence, and meters be installed and that these pro forma improvements be included in the utility's rate base as pro forma plant. Therefore, this docket shall remain open for an additional six months from the issuance date of the Order to allow the utility time to complete pro forma plant and so that we may verify the pro forma plant additions. After the utility has complied with this Order in all respects, has submitted, and has had approved revised tariff sheets reflecting the Phase II rates, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Laniger Enterprises of America, Inc. for an increase in its water and wastewater rates in Martin County is approved as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order, except for the granting of temporary rates subject to refund in the event of protest and requiring Laniger Enterprises of America, Inc. to reconcile its books and records, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. 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 Laniger Enterprises of America, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Laniger Enterprises of America, Inc. shall

submit and have approved revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that the rates and charges approved herein shall be effective for service rendered on or after the stamped date of approval date on the revised tariff sheets, provided the customers have been give notice. It is further

ORDERED that Laniger Enterprises of America, Inc. shall provide proof that notice was given within ten days of the date of the customer notice. It is further

ORDERED that if there is a protest to this Proposed Agency Action, prior to its implementation of the rates and charges approved herein, Laniger Enterprises of America, Inc., shall submit and have approved a bond or letter of credit in the amount of \$19,737 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that in the event of a protest by a substantially affected person other than the utility, Laniger Enterprises of America, Inc. 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 Laniger Enterprises of America, Inc. 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

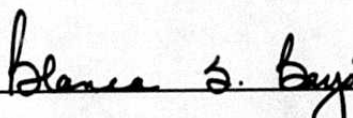
ORDERED that Laniger Enterprises of America, Inc., shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that, upon expiration of the protest period, this docket shall remain open for an additional 180 days from the issuance date of this order to give Laniger Enterprises of America, Inc., sufficient time to complete the pro forma plant additions. It is further

ORDERED that, after Laniger Enterprises of America, Inc. has complied with this Order in all respects, and has submitted and had approved revised tariff sheets reflecting the Phase II rates, this docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission, this 10th
day of May, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

BLR

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 action granting rates and charges 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, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 31, 1996. 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.

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

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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.

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 1
 DOCKET NO. 950515-WS

SCHEDULE OF WATER RATE BASE

	1995	1994	1993
1. UTILITY PLANT IN SERVICE	\$ 257,803	\$ 48,888	\$ 306,691
2. LAND/NON-DEPRECIABLE ASSETS	5,000	0	5,000
4. NON-USED AND USEFUL PLANT	0	(49,724)	(49,724)
5. ACQUISITION ADJUSTMENT	(110,856)	82,282	(28,574)
6. CONTRIBUTIONS IN AID OF CONSTRUCTION	0	(19,314)	(19,314)
7. ACCUMULATED DEPRECIATION	0	(69,711)	(69,711)
8. AMORTIZATION OF ACQUISITION ADJUSTMENT	74,938	(68,721)	6,217
9. AMORTIZATION OF CIAC	0	774	774
10. WORKING CAPITAL ALLOWANCE	0	5,975	5,975
WATER RATE BASE	\$ 226,885	\$ (69,501)	\$ 187,384

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 1A
 DOCKET NO. 950515-WS

SCHEDULE OF WASTEWATER RATE BASE

	PROPERTY	DEPRECIATION	RESERVE
1. UTILITY PLANT IN SERVICE	\$ 460,590	\$ (1,594)	\$ 458,996
2. LAND/NON-DEPRECIABLE ASSETS	95,035	(455)	94,580
4. NON-USED AND USEFUL PLANT	0	(33,117)	(33,117)
5. ACQUISITION ADJUSTMENT	0	(66,743)	(66,743)
6. CONTRIBUTIONS IN AID OF CONSTRUCTION	(260,757)	(18,983)	(279,740)
7. ACCUMULATED DEPRECIATION	0	(179,066)	(179,066)
8. AMORTIZATION OF ACQUISITION ADJUSTMENT	0	16,866	16,866
9. AMORTIZATION OF CIAC	59,395	62,791	122,186
10. WORKING CAPITAL ALLOWANCE	0	10,620	10,620
WASTEWATER RATE BASE	\$ 354,263	\$ (209,681)	\$ 144,582

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 1B
DOCKET NO. 950515-WS

ADJUSTMENTS TO RATE BASE

A. UTILITY PLANT IN SERVICE

1. To reconcile utility beginning balance with Order #24817	(131)	
2. Retirement of water tank and wastewater blower	(8,600)	(2,807)
3. To remove non-Utility Plant	(1,918)	(3,846)
4. To remove overbooked plant costs	(400)	
5. Plant reclassified from water to wastewater	(9,695)	9,695
6. Reclassified Plant from O & M	1,204	3,951
7. Unrecorded Plant		745
8. Reclassification to O & M		(3,263)
9. Retirement of truck	(4,365)	(6,548)
10. To record pro forma plant	151,379	29,708
11. Averaging Adjustments		
Pro forma	(71,775)	(14,262)
Plant	(6,811)	(14,967)
	<u>\$ 48,888</u>	<u>\$ (1,594)</u>

B. LAND

1. To remove overbooked plant		<u>\$ (455)</u>
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C. NON-USED AND USEFUL PLANT

1. To reflect non-used & useful on average plant	(39,870)	(52,491)
2. To reflect average accumulated depreciation on non-used and useful plant	(9,854)	19,374
	<u>\$ (49,724)</u>	<u>\$ (33,117)</u>

D. ACQUISITION ADJUSTMENT

1. To reflect Acquisition Adjustment per Order #24817	<u>\$ 82,282</u>	<u>\$ (66,743)</u>
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E. CIAC

1. To reflect CIAC per Order #24817	(709)	(1,746)
2. To reflect CIAC for margin reserve	(18,605)	(17,237)
	<u>\$ (19,314)</u>	<u>\$ (18,983)</u>

F. ACCUMULATED DEPRECIATION

1. Accumulated depreciation at 6/30/95	(81,092)	(192,521)
2. To remove retirement of water tank and wastewater blower from accum. dep.	8,600	2,807
3. To remove retirement of truck from accum. dep.	4,365	6,548
4. To reflect depreciation on pro forma plant	(6,614)	(1,660)
5. To reflect averaging adjustment	5,030	5,760
	<u>\$ (69,711)</u>	<u>\$ (179,066)</u>

G. AMORTIZATION OF ACQUISITION ADJUSTMENT

1. To reconcile Amort. of Acq. Adj. per Order #24817	(72,777)	5,395
2. To add amortization since 12/30/89	4,549	12,875
3. To reflect averaging adjustment	(493)	(1,404)
	<u>\$ (68,721)</u>	<u>\$ 16,866</u>

H. AMORTIZATION OF CIAC

1. To reflect amortization of CIAC per Order #24817	31	16,952
2. To add amortization since 12/30/89	113	50,636
3. To reflect amortization on the margin reserve	642	726
4. To reflect averaging adjustment	(12)	(5,523)
	<u>\$ 774</u>	<u>\$ 62,791</u>

I. WORKING CAPITAL ALLOWANCE

1. To reflect 1/8 of test year O & M expenses	<u>\$ 5,975</u>	<u>\$ 10,620</u>
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LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 2
 DOCKET NO. 950515-WS

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	1995	1994	1993	1992	1991	1990
LONG TERM DEBT	\$ 14,051	\$ (6,005)	\$ 8,046	2.66%	11.00%	0.29%
SHORT TERM DEBT	4,623	(1,976)	2,647	0.88%	12.99%	0.11%
LONG TERM DEBT	370,000	(158,142)	211,858	70.17%	8.93%	6.27%
EQUITY	138,607	(59,242)	79,365	26.29%	11.88%	3.12%
PREFERRED STOCK	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
TOTAL	\$ 527,281	\$ (225,365)	\$ 301,915	100.00%		9.80%

RANGE OF REASONABLENESS

	LOW	HIGH
RETURN ON EQUITY	10.88%	12.88%
OVERALL RATE OF RETURN	9.53%	10.06%

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 3
 DOCKET NO. 950515-WS

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTION	OPERATING REVENUES	COMMISSION ADJUSTMENTS	OPERATING EXPENSES	INCOME TAXES	REVENUE AVAILABLE FOR INVESTMENT
OPERATING REVENUES	\$ 57,262	\$ 5,567	62,829	\$ 18,436	\$ 81,265
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 77,086	(29,286)	47,800	0	47,800
DEPRECIATION (NET)	10,971	1,791	12,762	0	12,762
AMORTIZATION	0	(987)	(987)	0	(987)
TAXES OTHER THAN INCOME	3,119	2,323	5,442	830	6,272
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 91,176	\$ (26,159)	\$ 65,017	\$ 830	\$ 65,847
OPERATING INCOME/(LOSS)	\$ (33,914)		\$ (2,188)		\$ 15,419
WATER RATE BASE	\$ 226,885		\$ 157,334		\$ 157,334
RATE OF RETURN	<u>-14.95%</u>		<u>-1.39%</u>		<u>9.80%</u>

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 3A
 DOCKET NO. 950515-WS

SCHEDULE OF WASTEWATER OPERATING INCOME

DESCRIPTION	1995	1994	1993	1992	1991
OPERATING REVENUES	\$ 100,117	\$ 3,509	103,626	\$ 10,610	\$ 114,236
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 114,364	(29,407)	84,957	0	84,957
DEPRECIATION (NET)	11,025	(2,797)	8,228	0	8,228
AMORTIZATION	0	(2,808)	(2,808)	0	(2,808)
TAXES OTHER THAN INCOME	4,679	4,534	9,213	477	9,690
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 130,068	\$ (30,478)	\$ 99,590	\$ 477	\$ 100,067
OPERATING INCOME/(LOSS)	\$ (29,951)		\$ 4,036		\$ 14,169
WASTEWATER RATE BASE	\$ 354,263		\$ 144,582		\$ 144,582
RATE OF RETURN	<u>-8.45%</u>		<u>2.79%</u>		<u>9.80%</u>

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 3B (Sheet 1 of 3)
DOCKET NO. 950515-WS

ADJUSTMENTS TO OPERATING INCOME

A. OPERATING REVENUES

1. To reflect annualized revenues	\$ <u>5,567</u>	\$ <u>3,509</u>
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B. OPERATION AND MAINTENANCE EXPENSES

1. Salaries and Wages

a. To reflect annual salary for an office clerk	4,222	6,334
b. To reflect annual salary for an officer	<u>(3,920)</u>	<u>(5,880)</u>
	\$ <u>302</u>	\$ <u>454</u>

2. Employee Pensions & Benefits

a. To reclassify Payroll taxes to TOTI	(557)	(836)
b. To remove unsupported Pensions & Benefits	<u>(900)</u>	<u>(1,350)</u>
	\$ <u>(1,457)</u>	\$ <u>(2,186)</u>

3. Sludge Removal

a. To reflect annual sludge removal expense		\$ <u>2,286</u>
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4. Purchased Power

a. To reflect annual purchased power expense	\$ <u>1,096</u>	\$ <u>(3,897)</u>
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5. Chemicals

a. To reflect reclassification from contractual services	\$ <u>1,574</u>	\$ <u>2,321</u>
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6. Materials and Supplies

a. To reclassify to Treatment and Disposal plant		(778)
b. To reflect annual exp. of postage and materials	<u>44</u>	<u>1,045</u>
	\$ <u>44</u>	\$ <u>267</u>

7. Contractual Services

a. To remove unsupported cleaning and maintenance expense	(488)	(732)
b. To remove prior period contractual service	(3,899)	(5,848)
c. To remove non-utility general legal fees	(1,032)	(1,548)
d. To remove unsupported legal fees for territory encroachment	(6,377)	(9,565)
e. To record legal expense for territory encroachment	1,508	2,262

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 3B (Sheet 2 of 3)
DOCKET NO. 950515-WS

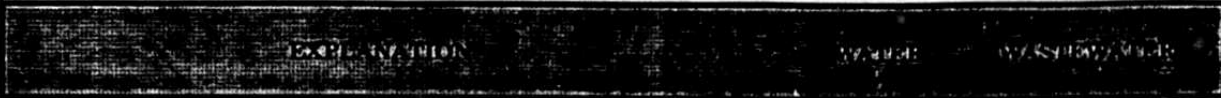
ADJUSTMENTS TO OPERATING INCOME

f.	To reflect total legal expense for territory encroachment amortized over four years	(1,299)	(1,949)
g.	To remove unsupported legal fees for water theft	(10,751)	
h.	To remove prior period consulting fees	(3,447)	(5,171)
i.	To reflect unrecorded consulting fees	403	604
j.	To reflect annual management fees	10,000	13,000
k.	To record allocations specifically identifiable with water	181	(181)
l.	To reflect annual testing expense per engineer	417	(1,431)
m.	To reclassify chemicals to specific account	(1,547)	(2,321)
n.	To reflect annual sludge analysis expense per engineer		140
o.	To reflect annual accounting fees	(1,046)	(1,569)
p.	Adjustment to reflect allowance to reconcile utility's books	180	270
q.	To record amount from misc. exp. for contracted repair & maint.		6,675
r.	To reflect exp. of painting the WWTP amort. over 5 yrs.		(1,156)
s.	To remove nonrecurring repair & maint. expense		(2,124)
t.	Adjustment per engineer to reflect proforma pond upgrade		6,000
		<u>\$ (17,197)</u>	<u>\$ (4,644)</u>
8.	Rents		
a.	To reflect annual lease expense for copier	(286)	(430)
b.	To reflect annual rent expense	(1,440)	(2,160)
		<u>\$ (1,726)</u>	<u>\$ (2,590)</u>
9.	Transportation Expenses		
a.	To remove utility's double booking	(408)	(706)
b.	To reflect travel for encroachment case amort over 4 years	(597)	(896)
		<u>\$ (1,005)</u>	<u>\$ (1,602)</u>
10.	Insurance Expense		
a.	Adjustment to annual health insurance	\$ 678	\$ 1,016
11.	Regulatory Commission Expense		
a.	To remove prior period reg. fees.	(3,220)	(4,322)
b.	To reclassify test year reg. fees to TOTI	(2,667)	(4,505)
c.	To remove unsupported rate case expense	(242)	(363)
d.	To include rate case expense amortized over 4 years	(600)	(900)
		<u>\$ (6,729)</u>	<u>\$ (10,090)</u>

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 3B (Sheet 3 of 3)
DOCKET NO. 950515-WS

ADJUSTMENTS TO OPERATING INCOME



12. Miscellaneous Expenses		
a. To remove non-utility expense	(200)	(300)
b. To reflect cost of water use permit amortized over 7 years and wastewater permit amortized over 5 years	(1,721)	382
c. To reclassify repairs & maintenance to contractual services		(6,675)
d. To remove prior period fees	(53)	
e. To reclassify land clearing to plant T & D	(1,204)	(1,773)
f. To remove excess telephone expense	(416)	(624)
g. To remove amounts related to salaries	(1,703)	(1,751)
	<u>(5,297)</u>	<u>(10,741)</u>

TOTAL O & M ADJUSTMENTS	\$ <u>(29,717)</u>	\$ <u>(29,406)</u>
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C. DEPRECIATION EXPENSE (NET)

1. To reflect test year depreciation expense	14,924	22,360
2. To reflect non-used & useful on depreciation expense	(2,137)	(3,086)
3. To reflect amortization expense on CIAC	(25)	(11,046)
	<u>\$ 12,762</u>	<u>8,228</u>

D. AMORTIZATION EXPENSE (ACQUISITION ADJUSTMENT)

1. To reflect amortization expense for acquisition adjustment	\$ <u>(987)</u>	\$ <u>(2,808)</u>
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E. TAXES OTHER THAN INCOME

1. To reflect reg. fees on test year annualized revenues	160	158
2. To classify payroll taxes in appropriate account	557	836
3. To reflect annual payroll taxes	473	710
4. To classify reg. fees in appropriate account	2,667	4,505
5. To remove double booking and reflect annual property taxes	(1,534)	(1,675)
	<u>\$ 2,323</u>	<u>\$ 4,534</u>

F. OPERATING REVENUES

1. To reflect increase in revenues	\$ <u>18,436</u>	\$ <u>10,610</u>
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G. TAXES OTHER THAN INCOME

1. To reflect TOTI per revenue requirement	\$ <u>830</u>	\$ <u>477</u>
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**LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95**

**SCHEDULE NO. - 3C
 DOCKET NO. 950515-WS**

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

(601) SALARIES AND WAGES - EMPLOYEES	\$	0	\$	4,222	\$	4,222
(604) EMPLOYEE PENSIONS AND BENEFITS		1,457		(1,457)		0
(615) PURCHASED POWER		5,139		1,096		6,235
(618) CHEMICALS				1,574		1,574
(630) CONTRACTUAL SERVICES		39,330		(17,614)		21,716
DEP REQUIRED TESTING		2,102		417		2,519
(650) TRANSPORTATION EXPENSE		2,223		(1,005)		1,218
(655) REGULATORY COMMISSION EXPENSE		6,929		(6,729)		200
(675) MISCELLANEOUS EXPENSES		9,083		(4,866)		4,217
TOTAL O & M EXPENSES	\$	77,086	\$	(29,286)	\$	47,800

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 3D
 DOCKET NO. 950515-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	1995	1994	1993
(701) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 6,334	\$ 6,334
(704) EMPLOYEE PENSIONS AND BENEFITS	2,186	(2,186)	0
(711) SLUDGE REMOVAL EXPENSE		2,286	2,286
(716) FUEL FOR POWER PRODUCTION			
(720) MATERIALS AND SUPPLIES	1,529	267	1,796
(740) RENTS	5,190	(2,590)	2,600
(755) INSURANCE EXPENSE	1,374	1,016	2,390
(770) BAD DEBT EXPENSE			
UNCLASSIFIED DISBURSEMENTS			
	\$ 114,364	\$ (29,407)	\$ 84,957

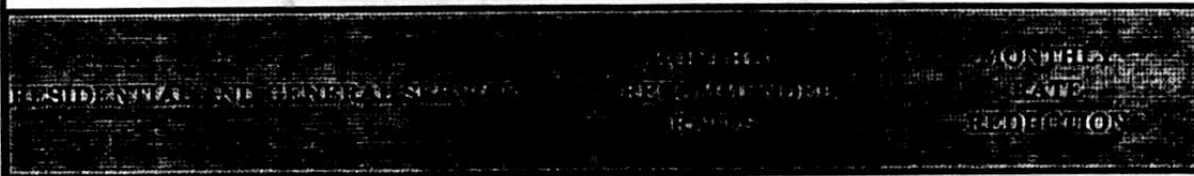
RECOMMENDED RATE REDUCTION SCHEDULE

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 4
DOCKET NO. 950515-WS

MONTHLY WATER RATES

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



BASE FACILITY CHARGE:

Meter Size:

5/8"X3/4"	\$	10.37	\$	0.03
3/4"		15.56		0.04
1"		25.93		0.07
1-1/2"		51.85		0.13
2"		82.96		0.21
3"		165.92		0.43
4"		259.25		0.67
6"		518.50		1.34

RESIDENTIAL GALLONAGE CHARGE
PER 1,000 GALLONS

\$ 3.42 \$ 0.01

RECOMMENDED RATE REDUCTION SCHEDULE

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/95

SCHEDULE NO. - 4A
DOCKET NO. 950515-WS

MONTHLY WASTEWATER RATES

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



BASE FACILITY CHARGE:

Meter Size:

5/8"X3/4"	\$	9.93	\$	0.03
1"		14.89		0.04
1-1/4"		24.82		0.07
1-1/2"		49.64		0.14
2"		79.42		0.22
3"		158.84		0.44
4"		248.19		0.68
6"		496.39		1.37

RESIDENTIAL GALLONAGE CHARGE
PER 1,000 GALLONS

\$ 2.47 \$ 0.01

Non metered

\$ 16.57 \$ 0.05