

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of rates of
Lindrick Service Corporation in
Pasco County for possible
overearnings.

DOCKET NO. 961364-WS
ORDER NO. PSC-97-1501-FOF-WS
ISSUED: November 25, 1997

The following Commissioners participated in the disposition of
this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER DETERMINING NO
OVEREARNINGS, SETTING NEW RETURN ON EQUITY, CANCELLING
REQUIREMENT FOR LETTER OF CREDIT, AND CLOSING DOCKET

BY THE COMMISSION:

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

BACKGROUND

Lindrick Service Corporation (Lindrick or utility) is a Class
B utility providing water and wastewater service for approximately
2,255 water and 2,221 wastewater customers in Pasco County. For
the test year ended December 31, 1995, the utility reported water
operating revenues of \$583,545, with a net operating loss of
\$163,575. For wastewater, the utility reported operating revenues
of \$605,249, with a net operating income of \$7,485.

Lindrick's last rate case was finalized on November 16, 1983,
in Order No. 12691, Docket No. 830062-WS. In that order, rate base
was established and the return on equity was set at 14.38 percent
for both water and wastewater. In Docket No. 860089-SU, this
Commission initiated an overearnings investigation and lowered

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rates for the wastewater system only. Pursuant to Order No. 16142, issued May 23, 1986, the return on equity was lowered to 12.65 percent for the wastewater system. Also, this Commission acknowledged index and pass-through increases in both March and December of 1995.

Based on a review of the 1994 Annual Report, we audited the utility's books and records. Pursuant to this audit, it appeared that the utility was underearning by \$34,584 for its water system and overearning by \$154,668 for its wastewater system. Therefore, by Order No. PSC-97-0076-FOF-WS, issued January 27, 1997, we initiated an overearnings investigation and ordered the utility to hold \$119,884 of annual revenue subject to refund.

This Order addresses Lindrick's 1995 earnings level and the disposition of \$119,884 in wastewater revenues collected subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. We also address the \$15,844 in revenues for the two indexes implemented in 1995, pursuant to Section 367.081(4)(d), Florida Statutes.

OVEREARNINGS INVESTIGATION

In determining whether there has been overearnings, we have made several adjustments to the utility's 1995 general ledger balances. Our adjustments are discussed below.

RATE BASE

Our calculations of rate base for the purpose of this proceeding are depicted on Schedules Nos. 1-A and 1-B, and our adjustments are itemized on Schedule No. 1-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

The audit revealed that the utility had not adjusted its books to reflect the Commission adjustments set forth in Order No. 12691, issued November 16, 1983, for the water system, and Order No. 16142, issued May 23, 1986, for the wastewater system. The utility had failed to book the correct amount of contributions in aid of construction (CIAC) and accumulated amortization of CIAC. We have adjusted those accounts accordingly.

We have also recalculated depreciation expense and accumulated depreciation forward from the amounts established in the orders from the last two rate cases (see Schedule 1-D). The utility made a few errors in its calculations, and, upon recalculation, we have increased accumulated depreciation by \$5,511 for water and decreased accumulated depreciation by \$26,440 for wastewater. We have also increased test year depreciation expense by \$2,634 for the water system and decreased it by \$1,100 for the wastewater system.

Additionally, the utility expensed several items that should have been booked to plant in service. Therefore, to correct this error, we have increased plant in service, decreased operation and maintenance expenses, decreased accumulated depreciation and increased depreciation expense. To establish a starting point for future cases, the year-end adjustments by primary account are shown on Schedule 1-D, attached to this Order.

Also, we have determined that both the water and wastewater systems are 100 percent used and useful. Therefore, no used and useful adjustments are required.

For a working capital allowance, Rule 25-30.433(2), Florida Administrative Code, requires Class B utilities to use the formula method, or one-eighth of operation and maintenance expenses. Using this formula, the working capital provision is calculated to be \$78,826 for water and \$61,925 for wastewater.

Based on the above adjustments and the use of a simple average, we find that the rate base is \$91,362 for water and \$222,575 for wastewater.

CAPITAL STRUCTURE

Our calculation of the appropriate capital structure, 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 those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Based upon the components of the utility's adjusted capital structure for 1996, the equity ratio for Lindrick is 60.05 percent. Using the current leverage formula approved in Order No. PSC-97-0660-FOF-WS, issued on June 10, 1997, the appropriate return on

equity should be 9.77 percent, with a range of 8.77 percent to 10.77 percent. In accordance with Section 367.082(4), Florida Statutes, we have used the mid-point of the range of the utility's return on equity using the current leverage formula to evaluate the refund for the interim collection period.

NET OPERATING INCOME

Our calculations of net operating income are attached as Schedules Nos. 3-A and 3-B, and our adjustments are itemized on Schedule No. 3-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Revenues

Audit Disclosure No. 3 of our audit report proposed adjustments of \$38,321 and \$99,736 for revenues for water and wastewater, respectively. However, the residential wastewater 5/8" x 3/4" meter customers' gallonage consumption was not adjusted for the 10,000 gallon cap. As a result, the overall residential gallonage consumption used to calculate the 1995 revenues for wastewater was overstated. We recalculated the utility's wastewater residential gallonage with the 10,000 gallon cap, for 1995, by dividing the monthly gallonage revenue by the gallonage charge in effect for the given month. Thus, we determined the number of gallons that the utility billed for each month which included the 10,000 gallon cap. Once the appropriate billing determinants were established, we annualized 1995 revenues to reflect the 1995 price index/pass through adjustments that the utility implemented in that year. Based on the above, we have increased water revenues by \$38,321 and wastewater revenues by \$7,800.

Operating Expenses

To correct errors, to remove undocumented charges and non-utility related charges, to correct out of period charges, and to reclassify charges between water and wastewater, we have made several adjustments to operation and maintenance expenses. Also, we note that in December of 1995, the utility's purchased water charges were increased by its supplier. Because we have annualized revenues, we must also annualize expenses for any known changes.

Therefore, we have adjusted purchased water by multiplying the December 1995 rate by the amount of gallons purchased in 1995.

Additionally, our adjustments include allowances for income taxes and regulatory assessment fees. Our adjustments are outlined on Schedule No. 3-C. Based on these adjustments, expenses were reduced by \$36,332 for water, and by \$31,250 for wastewater.

Test Year Net Operating Income: Based on the adjustments discussed above, the test year operating income for the water system is a \$39,395 deficit, and a positive \$37,655 for the wastewater system.

REVENUE REQUIREMENT

Using the adjusted operating expenses for the year ended December 31, 1995, and a 9.76 percent overall rate of return, we calculate a revenue requirement of \$690,997 for water and \$587,283 for wastewater.

NETTING WATER AND WASTEWATER

Based on the above, we calculate a revenue deficiency of \$81,594 for the water system, and a revenue excess of \$26,910 for the wastewater system. Therefore, on a combined basis the company has a \$54,684 revenue deficiency.

In Order No. PSC-96-1205-FOF-WS, issued on September 23, 1996, in the Indiantown Company, Inc. overearnings case, we found that it was appropriate to combine the water and wastewater systems for the purpose of establishing overearnings, since the effect of netting was small and both systems had a common service area, and, for the most part, common customers. In that case, we found that the water system was overearning slightly, but the wastewater system was well under its authorized range.

The circumstances in this case are very similar to those in the Indiantown case discussed above. The customers and service area are virtually the same for both water and wastewater, and the utility, as a whole, is earning below its authorized rate of return. We believe that the interests of both the customers and the utility will best be served by allowing the utility to offset the overearnings in the wastewater system by the underearnings in the water system. Therefore, we find that this small amount of netting is appropriate and no refund shall be required.

Also, we note that the utility is in the process of considering options to upgrade and enlarge its wastewater treatment facilities and will probably be making a major investment in its wastewater treatment facility which will increase its rate base. At that point, we can address the proper level of water and wastewater rates to be continued on a going forward basis. Based on the above, we find that the utility, as a whole, is not overearning, and no change in rates is required at this time.

RETURN ON EQUITY

The middle of the range of Lindrick's return on equity was last established at 14.38 percent, in Order No. 12691, issued November 16, 1983, for its water system, and at 12.65 percent, in Order No. 16142, issued May 23, 1986, for its wastewater system. Considering the length of time since the utility's last rate proceedings, we believe it is appropriate to update the utility's return on equity using the current leverage graph formula approved by Order No. PSC-97-0660-FOF-WS, issued June 10, 1997, in Docket No. 970006-WS.

Based upon the components of the utility's capital structure, as shown on Schedule No. 2-B, the equity ratio for Lindrick is 60.05 percent. Therefore, we find that the return on equity shall be reduced to 9.77 percent with a range of 8.77 percent to 10.77 percent.

CLOSING OF DOCKET

This docket shall be closed and the utility's letter of credit shall be released, unless a person whose interests are substantially affected by the proposed action herein files a protest within the 21-day protest period.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that, on a total company basis, Lindrick Service Corporation in Pasco County earned below the range of its rate of return. It is further

ORDERED that the provisions of this Order, 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,

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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 the irrevocable letter of credit shall be released upon this Order becoming final. It is further

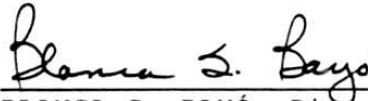
ORDERED that Lindrick Service Corporation's return on equity shall be reduced, using the current leverage formula, to 9.77 percent, with a range of 8.77 percent to 10.77 percent. It is further

ORDERED that the schedules attached to this Order are incorporated into and made a part of this Order. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission this 25th
day of November, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 16, 1997.

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

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

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

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LINDRICK UTILITY CORPORATION			SCHEDULE NO. 1-A		
SCHEDULE OF WATER RATE BASE			DOCKET NO. 961364-WS		
TEST YEAR ENDED DECEMBER 31, 1995					
COMPONENT	BALANCE PER BOOK DEC 31, 1995	AVERAGING ADJUSTMENTS	AVG BALANCE DEC 31, 1995	COMMISSION ADJUSTMENTS	BALANCE PER COMM. DEC 31, 1995
1 UTILITY PLANT IN SERVICE	\$1,141,047	(\$7,090)	\$1,133,957	\$4,465	\$1,138,422
2 LAND & LAND RIGHTS	\$2,911	\$0	\$2,911	\$0	\$2,911
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 CWIP	\$0	\$0	\$0	\$0	\$0
5 ACCUMULATED DEPRECIATION	(\$553,506)	\$13,258	(\$540,249)	(\$5,725)	(\$545,973)
6 CIAC	(\$912,200)	\$100	(\$912,100)	(\$138,358)	(\$1,050,458)
7 AMORTIZATION OF CIAC	\$390,119	(\$7,909)	\$382,211	\$89,702	\$471,912
8 ACQUISITION ADJUSTMENT	(\$11,719)	\$0	(\$11,719)	\$0	(\$11,719)
9 AMORTIZATION -ACQUISITION ADJUSTMENT	\$7,319	\$123	\$7,442	\$0	\$7,442
10 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
11 WORKING CAPITAL ALLOWANCE	\$0	\$0	\$0	\$78,826	\$78,826
12 OTHER	\$0	\$0	\$0	\$0	\$0
RATE BASE	\$63,971	(\$1,518)	\$62,453	\$28,909	\$91,362

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LINDRICK UTILITY CORPORATION			SCHEDULE NO. 1-B		
SCHEDULE OF WASTEWATER RATE BASE			DOCKET NO. 961364-WS		
TEST YEAR ENDED 12/31/95					
COMPONENT	BALANCE PER BOOKS 12/31/95	AVERAGING ADJUSTMENTS	AVG BALANCE 12/31/95	COMMISSION ADJUSTMENTS	BALANCE PER COMM 12/31/95
1 UTILITY PLANT IN SERVICE	\$2,564,761	(\$10,205)	\$2,554,556	\$6,495	\$2,561,051
2 LAND & LAND RIGHTS	\$19,353	\$0	\$19,353	\$0	\$19,353
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 CWIP	\$0	\$0	\$0	\$0	\$0
5 ACCUMULATED DEPRECIATION	(\$1,160,686)	\$29,000	(\$1,131,686)	\$26,106	(\$1,105,580)
6 CIAC	(\$2,111,625)	(\$18,538)	(\$2,130,163)	(\$53,284)	(\$2,183,446)
7 AMORTIZATION OF CIAC	\$832,880	(\$288)	\$832,593	\$46,106	\$878,699
8 ACQUISITION ADJUSTMENT	(\$24,901)	\$0	(\$24,901)	\$0	(\$24,901)
9 AMORTIZATION -ACQUISITION ADJUSTMENT	\$15,569	(\$95)	\$15,474	\$0	\$15,474
10 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
11 WORKING CAPITAL ALLOWANCE	\$0	\$0	\$0	\$61,925	\$61,925
12 OTHER	\$0	\$0	\$0	\$0	\$0
	-	-	-	-	-
RATE BASE	\$135,351	(\$125)	\$135,226	\$87,349	\$222,575
	=	=	=	=	=

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ADJUSTMENTS TO RATE BASE	LINDRICK UTILITY CORPORATION TEST YEAR ENDED 12/31/95	SCHEDULE NO. 1-C	DOCKET NO. 961364-WS
EXPLANATION	WATER	WASTEWATER	
<u>PLANT IN SERVICE</u> To capitalize items that were recorded as contract services (AD 14)	<u>4,465</u>	<u>6,495</u>	
<u>ACCUMULATED DEPRECIATION</u> 1) To reflect recalculation using Comm. approved depreciation rates Order 's 16142 & 12691 2) To reflect adjustment to capitalize items	(5,511) <u>(214)</u> <u>(5,725)</u>	26,440 <u>(334)</u> <u>26,106</u>	
<u>CIAC</u> To include adjustments from prior orders	<u>(138,358)</u>	<u>(53,284)</u>	
<u>ACCUM. AMORT. OF CIAC</u> To reflect correct balance from prior orders	<u>89,702</u>	<u>46,106</u>	
<u>WORKING CAPITAL</u> Allowance based on 1/8 O&M	<u>78,826</u>	<u>61,925</u>	

LINDRICK UTILITY CORPORATION		SCHEDULE NO. 1-D		
SCHEDULE OF PLANT ADJUSTMENTS		DOCKET NO. 961364-WS		
FOR DECEMBER 31, 1995 YEAR END				
ACCOUNT NO.	ACCOUNT DESCRIPTION	PLANT INCREASE (DECREASE)	DEPRECIATION EXPENSE INCREASE (DECREASE)	ACCUMULATED DEPRECIATION INCREASE (DECREASE)
WATER				
331	TRANSMISSION & DISTRIBUTION MAINS \$	1,437\$	29\$	29
334	METERS & METER INSTALLATIONS	<u>7,492</u>	<u>187</u>	<u>187</u>
	TOTAL WATER \$	<u>8,929\$</u>	<u>216\$</u>	<u>216</u>
WASTEWATER				
370	RECEIVING WELLS - LIFT STATIONS \$	2,385\$	40\$	40
371	PUMPING EQUIPMENT	4,133	115	115
380	TREATMENT & DISPOSAL EQUIPMENT	<u>6,472</u>	<u>180</u>	<u>180</u>
	TOTAL WASTEWATER \$	<u>12,990\$</u>	<u>334\$</u>	<u>334</u>

LINDRICK UTILITY CAPITAL STRUCTURE TEST YEAR ENDED 12/31/95			SCHEDULE NO. 2 DOCKET NO. 961364					
DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENT	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST	
PER UTILITY 1995 - YEAR-								
1 LONG TERM DEBT	\$ 0	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%	
2 SHORT-TERM DEBT	374,323	0	0	374,323	39.55%	9.75%	3.86%	
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%	
4 COMMON EQUITY	572,070	0	0	572,070	60.45%	10.93%	6.61%	
5 CUSTOMER DEPOSITS	0	0	0	0	0.00%	0.00%	0.00%	
6 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%	
7 DEFERRED ITC'S-ZERO	0	0	0	0	0.00%	0.00%	0.00%	
8 OTHER	0	0	0	0	0.00%	0.00%	0.00%	
9 TOTAL CAPITAL	\$ <u>946,393</u>	\$ <u>0</u>	\$ <u>0</u>	<u>946,393</u>	<u>100.00%</u>		<u>10.46%</u>	
PER COMMISSION 1995 -								
10 LONG TERM DEBT	\$ 0	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%	
11 SHORT-TERM DEBT	380,640	0	(255,212)	125,428	39.95%	9.75%	3.90%	
12 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%	
13 COMMON EQUITY	572,070	0	(383,562)	188,508	60.05%	9.77%	5.86%	
14 CUSTOMER DEPOSITS	0	0	0	0	0.00%	6.00%	0.00%	
15 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%	
15 DEFERRED ITC'S-ZERO	0	0	0	0	0.00%	0.00%	0.00%	
16 OTHER	0	0	0	0	0.00%	0.00%	0.00%	
17 TOTAL CAPITAL	\$ <u>952,710</u>	\$ <u>0</u>	<u>(638,773)</u>	<u>313,937</u>	<u>100.00%</u>		<u>9.76%</u>	
RANGE OF REASONABLENESS					LOW	HIGH		
RETURN ON EQUITY					<u>8.77%</u>	<u>10.77%</u>		
OVERALL RATE OF					<u>9.16%</u>	<u>10.36%</u>		

LINDRICK UTILITY CORPORATION STATEMENT OF WATER OPERATIONS TEST YEAR ENDED 12/31/95				SCHEDULE 3A DOCKET NO. 961364-WS	
REVENUE REQUIREMENT	BALANCE PER BOOKS 12/31/95	COMMISSION ADJUSTMENT	BALANCE PER 12/31/95	REVENUE INCREASE (DECREASE)	REVENUE REQUIREME
1 OPERATING REVENUES	\$ 571,082	\$ 38,321	\$ 609,403	\$ 81,594	\$ 690,997
OPERATING EXPENSES:				13.39%	
2 OPERATION AND MAINTENANCE	\$ 666,936	\$ (36,332)	\$ 630,604	\$	\$ 630,604
3 DEPRECIATION	10,935	(8,575)	2,360		2,360
4 AMORTIZATION -ACQ ADJ	0	(244)	(244)		(244)
5 TAXES OTHER THAN INCOME	40,680	1,724	42,404	3,672	46,076
6 INCOME TAXES	0	(26,327)	(26,327)	29,610	3,284
7 TOTAL OPERATING EXPENSES	\$ 718,551	\$ (69,753)	\$ 648,798	\$ 33,282	\$ 682,080
8 OPERATING INCOME	\$ (147,469)	\$ 108,074	\$ (39,395)	\$ 48,312	\$ 8,916
9 RATE BASE	\$ 63,971		\$ 91,362	\$	\$ 91,362
RATE OF RETURN	-230.52%		-43.12%		9.76%

LINDRICK UTILITY CORPORATION STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/95			SCHEDULE 3B DOCKET NO. 961364-WS		
DESCRIPTION	BALANCE PER BOOKS 12/31/95	COMMISSION ADJUSTMENT	BALANCE PER COMM 12/31/95	REVENUE INCREASE (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 606,393	\$ 7,800	\$ 614,193	\$ (26,910)	\$ 587,283
OPERATING EXPENSES				-4.38%	
2 OPERATION AND MAINTENANCE	\$ 526,652	\$ (31,250)	\$ 495,402	\$	\$ 495,402
3 DEPRECIATION	20,348	(13,629)	6,719		6,719
4 AMORTIZATION	0	(518)	(518)		(518)
5 TAXES OTHER THAN INCOME	56,819	351	57,170	(1,211)	55,959
6 INCOME TAXES	0	17,765	17,765	(9,766)	7,999
7 TOTAL OPERATING EXPENSES	\$ 603,819	\$ (27,281)	\$ 576,538	\$ (10,976)	\$ 565,562
8 OPERATING INCOME	\$ 2,574	\$ 35,081	\$ 37,655	\$ (15,933)	\$ 21,722
9 RATE BASE	\$ 135,351	\$	\$ 222,575	\$	\$ 222,575
RATE OF RETURN	1.90%		16.92%		9.76%

LINDRICK UTILITY CORPORATION		SCHEDULE NO. 3-C	
ADJUSTMENTS TO OPERATING STATEMENTS		DOCKET NO. 961364-WS	
TEST YEAR ENDED 12/31/95			
EXPLANATION	WATER	WASTEWATER	
OPERATING REVENUES			
Adjustment to annualize revenues (AD 3)	\$ <u>38,321</u>	<u>7,800</u>	
OPERATION & MAINTENANCE EXPENSE			
1 To annualize & remove out of period purchased water charges	3,039	0	
2 To adjust transportation expenses for non utility charges (AD 10)	(3,250)	(5,526)	
3 To reclassify and remove out of period purchased water charges (AD 12)	(18,433)	16,761	
4 To remove duplicative & non-supported expenses from materials & supplies (AD 13)	(721)	(7,688)	
5 To adjust contract services (other) for capitalized, undocumented & duplicative charges (AD 14)	(11,233)	(17,669)	
6 To remove duplicative rental expenses (AD 15)	(377)	(643)	
7 To adjust Contract Services for duplicative, capitalized, and undocumented charges (AD 16)	(3,660)	(13,414)	
8 To remove non-utility related insurance expenses (AD 17)	(1,697)	(3,071)	
	\$ <u>(36,332)</u>	<u>(31,250)</u>	
DEPRECIATION EXPENSE			
1 To reflect test year depreciation on capitalized items	214	334	
2 To reflect adjustment to correct depreciation rates	2,634	(1,100)	
3 To reflect correction to amortization rate	(11,423)	(12,863)	
	\$ <u>(8,575)</u>	<u>(13,629)</u>	
AMORTIZATION OF ACQUISITION ADJUSTMENT			
To reflect correction to amortization rate per Order 12691 (AD 1)	\$ <u>(244)</u>	<u>(518)</u>	
TAXES OTHER THAN INCOME TAXES			
Regulatory assessment fees on annualized revenues	\$ <u>1,724</u>	<u>351</u>	
INCOME TAXES			
To adjust to test year income tax expense	\$ <u>(26,327)</u>	<u>17,765</u>	