

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center, 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

DECEMBER 4, 1997

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TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (AUSTIN, MUNROE, ZHANG)
DIVISION OF LEGAL SERVICES (VACCARO)

RE: DOCKET NO. 960444-WU - APPLICATION FOR INCREASED WATER
RATES AND SERVICE AVAILABILITY CHARGES BY LAKE UTILITY
SERVICES, INC.
COUNTY: LAKE

AGENDA: DECEMBER 16 , 1997 - REGULAR AGENDA - PROPOSED AGENCY
ACTION -INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 8-MONTH EFFECTIVE DATE WAIVED

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\960444WU.STL

CASE BACKGROUND

Lake Utility Services, Inc., (LUSI or utility) is a Class B utility located in Lake County. LUSI is a wholly-owned subsidiary of Utilities, Inc. and provides no wastewater service. The service area is composed of eighteen subdivisions, which are served by twelve water plants. All of the plants are basically pump and chlorinate with hydro pneumatic tanks. There are ten plants in the South Clermont Region. In this region there are groups of two (Oranges-Vistas), three (Clermont I-Amber Hill-Lake Ridge Club) and four (Highland Point-Crescent Bay-Crescent West-Lake Crescent Hills) interconnected plants with one stand alone plant (Clermont II). The other two plants (Lake Saunders & Four Lakes) are outside this area. The minimum filing requirements (MFRs) filed in this docket indicate that the service area contained a total of 915 customers at the end of 1995. The utility reported adjusted test year operating revenues of \$313,946 for its water operations for 1995. According to the St. Johns River Water Management District (SJRWMD), LUSI is in a water conservation area.

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The utility filed this application for a rate increase on June 3, 1996. The utility was notified of several deficiencies in the filing by staff. Those deficiencies were corrected, and the official filing date was established as July 9, 1996. The utility's requested test year for both interim and final rates is the historical period ended December 31, 1995. Also, the utility requested that this case be processed using the Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes.

During the course of this PAA rate case, staff identified a large number of errors in both the MFRs and the utility books. The attempts to correct these errors resulted in several staff information requests and two 5-month statutory time extensions. The responses from the utility contained more errors. The first numbers resulted in a negative rate base. Although the second set of numbers indicated a relatively small rate base, it was staff's opinion that this rate case should proceed without further delays.

The Commission issued PAA Order No. PSC-97-0531-FOF-WU on May 9, 1997. In that order, rates were set and an overall rate of return of 9.26% was approved. On May 30, 1997, LUSI filed a Petition on Proposed Agency Action, protesting certain portions of the PAA Order No. PSC-97-0531-FOF-WU. Pursuant to Section 120.80 (13)(b), Florida Statutes, those portions of the PAA Order which were not protested are deemed stipulated. On July 21, 1997, the Office of Public Counsel (OPC) filed a notice of intervention in this docket. By Order No. PSC-97-0899-PCO-WU, issued July 30, 1997, the Commission acknowledged OPC's intervention.

On September 17, 1997, LUSI filed an offer of settlement to avoid the time and expense of further litigation in this docket. LUSI also filed a motion for continuance, requesting that further activity in this docket cease, pending final negotiation with the OPC. By Order No. PSC-97-1092-PCO-WU, issued September 19, 1997, LUSI's motion was granted for a period of 60 days. The order provided that if a settlement was not reached within those 60 days, revised dates would be set for the remaining critical dates in this docket. OPC did not oppose LUSI's motion. Staff was prepared to file a recommendation as soon as OPC and LUSI worked out any final details. However, to date, OPC has not responded formally to LUSI's offer of settlement. This recommendation addresses LUSI's offer of settlement. If the Commission rejects LUSI's offer of settlement, revised critical dates shall be established for the remainder of this docket.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept the utility's offer of settlement which adopts rates and charges supported by staff's testimony?

RECOMMENDATION: Yes. The Commission should accept the utility's offer of settlement. The utility should be required to file revised tariff sheets and a proposed customer notice to reflect the appropriate rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of notice. (AUSTIN, ZHANG)

STAFF ANALYSIS: As stated in the case background, on May 30, 1997, the utility filed a petition on Proposed Agency Action, protesting portions of PAA Order No. PSC-97-0531-FOF-WU. In particular, the utility protested the following:

1. The proposed findings with regard to the utility's quality of service;
2. The proposed determination of the amount of utility plant in service;
3. The proposed determination of the amount of non-used and useful plant;
4. The proposed determination of the amount of contributions in aid of construction to be deducted from rate base;
5. The proposed determination of rate case expense, which assumed that there was no protest to the PAA Order;
6. The proposed determination of fall-out issues, including margin reserve, depreciation, accumulated depreciation, amortization, accumulated amortization, revenue requirement and monthly rates, to the extent they are affected by each of the items identified in subparagraphs (1) through (5); and
7. The proposed service availability charges.

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On September 17, 1997, LUSI filed an offer of settlement to finalize the PAA rate case. In its offer of settlement, LUSI states that in order to avoid the time and expense of further litigation, it is willing to compromise its position and accept rates and charges supported by the staff's testimony as the basis for a settlement of this rate proceeding. In its offer of settlement, LUSI also states that in the event this offer of settlement is not accepted by the Commission in its entirety, and without amendment: (a) this offer of settlement shall become null and void; (b) this offer of settlement shall not be admissible for any purpose in this or any other proceeding; and (c) LUSI does not waive its right to take any position available to it in this or any other proceeding. LUSI further states that in the event this offer of settlement is accepted by the Commission, this offer of settlement shall be attached to and become a part of the Commission's final order in this proceeding.

Staff has reviewed LUSI's offer of settlement as filed with this Commission on September 17, 1997. Staff believes that LUSI's offer reflects the impact on rate base, revenue requirement, water service rates, and service availability charges consistent with the staff's position at this time. Pursuant to Section 120.80(13)(b), Florida Statute, those portions of the PAA Order which were not protested are deemed stipulated. If the Commission accepts LUSI's offer of settlement, all issues in the PAA Order will be resolved. Staff believes that it is in all parties' best interest to avoid the time and expense of further litigation. Based on the above, staff recommends that LUSI's offer of settlement be accepted in its entirety.

The settlement offer is basically self-explanatory and is included in this recommendation as an attachment. However, staff would like to clarify that Schedule No. 6-B referred to in the offer of settlement was missing from the attachment. This schedule has been provided and included in staff's recommendation. For the sake of clarity, staff has classified each component of the offer into the following categories:

RATE BASE

Utility Plant in Service - LUSI agrees to accept the individual account balances of plant in service as calculated by staff on Exhibit PWM-1 to the prefiled direct testimony of Patricia W. Merchant (See Attachment).

Depreciation and Accumulated Depreciation - LUSI agrees to accept the depreciation rates and methodology of calculating individual account balances of accumulated depreciation as prescribed in the PAA Order. Based on this methodology, LUSI agrees to accept the

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individual account balances of accumulated depreciation as calculated by staff on Exhibit PWM-2 to the prefiled direct testimony of Patricia W. Merchant (See Attachment).

Contributions in Aid of Construction (CIAC) - LUSI agrees to accept the amount of CIAC as calculated by staff as contained on Schedule No. 1-A (See Attachment).

Amortization and Accumulated Amortization of CIAC - LUSI agrees to accept the amortization rates and methodology of calculating accumulated amortization of CIAC as prescribed in the PAA Order. Based on this methodology, LUSI agrees to accept the amount of accumulated amortization of CIAC as calculated by staff as contained on Schedule No. 1-A (See Attachment).

Staff would like to indicate that the above balances of rate base components and other rate base components contained in Schedule No. 1-A result in a test year rate base of \$403,442 (See Attachment).

OPERATING EXPENSES

Rate Case Expense - LUSI agrees to accept rate case expense in the amount contained in the PAA Order.

REVENUE REQUIREMENT

LUSI agrees to accept a revenue requirement of \$336,767, which represents an annual increase on revenue of \$78,323 (30.31%). However, LUSI does not accept the staff's position regarding used and useful methodology or calculations or staff's position on any other issue not specifically addressed in this offer of settlement. Based on this revised revenue requirement, and consistent with the methodology in the PAA Order, no refund is due with respect to interim rates.

RETURN ON EQUITY AND OVERALL RATE OF RETURN

LUSI agrees to accept a return on equity of 11.61%, plus or minus 1%. LUSI agrees to accept an overall rate of return of 10.10%, which is the mid-point of a range of 9.68% to 10.53%.

WATER SERVICE RATES

LUSI agrees to accept the revised water service rates as shown in the column entitled "Staff Recommended Rates" on Schedules Nos.

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4A - 4D (See Attachment). The approved rates should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The utility should be required to file and have staff's approval of revised tariff sheets. The utility should also be required to file and have approval of a proposed customer notice, pursuant to Rule 25-22.0407(10), Florida Administrative Code, prior to implementing the new rates. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

FOUR-YEAR RATE REDUCTION

LUSI agrees to reduce final rates following the four-year amortization period pursuant to Section 367.0816, Florida Statutes, as shown on Schedule No. 5 (See Attachment).

SERVICE AVAILABILITY CHARGES

LUSI agrees to accept the service availability charges shown in the column entitled "Staff Recommended Rates" on Schedule Nos. 6A - 6B (See Attachment).

Based on the foregoing, staff recommends that the Commission approve LUSI's offer of settlement.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: The docket should be closed if no person, whose interest are substantially affected by the proposed action, files a protest within the 21 day protest period, upon the utility's filing of and staff's approval of revised tariff sheets. (VACCARO, ZHANG)

STAFF ANALYSIS: If a protest is not received within 21 days of issuance of the PAA order, the order will become final. This docket should be closed at the conclusion of the protest period, if no protest is filed, and upon staff's approval of the revised tariff sheets.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate)	
increase and for increase in)	Docket No. 960444-WU
service availability charges in)	
Lake County by Lake Utility)	Filed: September 17, 1997
Services, Inc.)	
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**LAKE UTILITY SERVICES, INC.'S
OFFER OF SETTLEMENT**

Lake Utility Services, Inc. (LUSI) hereby makes the following Offer of Settlement:

WHEREAS, on May 9, 1997, the Commission issued its Notice of Proposed Agency Action Order No. PSC-97-0531-FOF-WU (PAA Order) proposing to set rates and charges for LUSI; and

WHEREAS, on May 30, 1997, LUSI protested certain portions of the PAA Order; and

WHEREAS, based on the Commission staff's review of additional supporting information supplied by LUSI through the hearing preparation and discovery process, staff has filed testimony which would support rates and charges that are higher than those proposed in the PAA Order, but lower than those requested by LUSI; and

WHEREAS, in order to avoid the time and expense of further litigation, LUSI is willing to compromise its position and to accept rates and charges supported by the staff's testimony as the basis for a settlement of this rate proceeding.

NOW, THEREFORE, LUSI makes the following Offer of Settlement:

1. LUSI agrees to accept the individual account balances of Plant-in-Service as calculated by staff. These balances are contained on Exhibit PWM-1 to the prefiled direct testimony of Patricia W. Merchant. A copy of this exhibit is attached to this Offer of Settlement.
2. LUSI agrees to accept the depreciation rates and methodology of calculating individual account balances of Accumulated Depreciation as prescribed in the PAA Order. Based on this methodology, LUSI agrees to accept the individual account balances of Accumulated Depreciation as calculated by staff. These balances are contained on Exhibit PWM-2 to the prefiled direct testimony of Patricia W. Merchant. A copy of this exhibit is attached to this Offer of Settlement.
3. LUSI agrees to accept the amount of Contributions In Aid of Construction (CIAC) as calculated by staff. The amount of CIAC is contained on Schedule No. 1-A attached to this Offer of Settlement.
4. LUSI agrees to accept the amortization rates and methodology of calculating Accumulated Amortization of Contributions in Aid of Construction (CIAC) as prescribed in the PAA Order. Based on this methodology, LUSI agrees to accept the amount of Accumulated Amortization of CIAC as calculated by staff. The amount of Accumulated Amortization of CIAC is contained on Schedule No. 1-A attached to this Offer of Settlement.
5. LUSI agrees to accept rate case expense in the amount contained in the PAA Order.

6. LUSI agrees to accept a revenue requirement of \$336,767, which represents an annual increase in revenue of \$78,323 (30.31 percent). In agreeing to accept this revenue requirement for purposes of compromise and settlement, LUSI does not accept the staff's position regarding used and useful methodology or calculations or staff's position on any other issue not specifically addressed in this Offer of Settlement. Based on this revised revenue requirement, and consistent with the methodology in the PAA Order, no refund is due with respect to interim rates.

7. LUSI agrees to accept a return on equity of 11.61%, plus or minus 1%. LUSI agrees to accept an overall rate of return of 10.10%, which is the mid-point of a range of 9.68% to 10.53%.

8. LUSI agrees to accept the revised water service rates as shown in the column entitled "Staff Recommended Rates" on Schedules Nos. 4A - 4D attached to this Offer of Settlement.

9. LUSI agrees to reduce final rates following the four year amortization period pursuant to Section 367.0816, Florida Statutes, as shown on Schedule No. 5 attached to this Offer of Settlement.

10. LUSI agrees to accept the service availability charges shown in the column entitled "Staff Recommended Rates" on Schedule Nos. 6A - 6B attached to this Offer of Settlement.

11. This Offer of Settlement is made to avoid the time and expense of further litigation. In the event this Offer of Settlement is not accepted by the Commission in its entirety, and

without amendment: (a) this Offer of Settlement shall become null and void, (b) this Offer of Settlement shall not be admissible for any purpose in this or any other proceeding, and (c) LUSI does not waive its right to take any position available to it in this or any other proceeding.

12. In the event this Offer of Settlement is accepted by the Commission, this Offer of Settlement shall be attached to and become a part of the Commission's final order in this proceeding.

13. LUSI has communicated the substance of this Offer of Settlement to the Office of Public Counsel, which has intervened in this case on behalf of the Citizens of Florida. As of this date, the Office of Public Counsel has not indicated whether it is willing to accept this Offer of Settlement.

14. LUSI respectfully requests that this Offer of Settlement be presented to the Commission at the next scheduled agenda conference at which it can be considered on a non-emergency basis.

RESPECTFULLY SUBMITTED this 17th day of September, 1997.

HOPPING GREEN SAMS & SMITH, P.A.

By: 

Richard D. Melson
P.O. Box 6526
Tallahassee, FL 32314
(904) 425-2313

Attorneys for Lake Utility
Services, Inc.

LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-1
 PAGE 1 OF 6

TOTAL COMPANY

ccount No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$14,991	\$1,567	\$0	\$16,558	\$15,775
304	STRUCTURES & IMPROVEMENT	42,380	2,633	0	45,014	43,697
307	WELLS & SPRINGS	182,775	26,721	(4,500)	204,995	193,885
311	PUMPING EQUIPMENT	96,862	21,656	(4,262)	114,257	105,559
320	WATER TREATMENT EQUIPMEN	98,164	5,236	(2,140)	101,260	99,712
330	DISTRIBUTION RESERVOIRS	77,104	9,055	(3,429)	82,731	79,918
331	TRANSMISSION & DISTRIB. MAIN	1,147,519	15,073	0	1,162,592	1,155,056
333	SERVICES	86,538	19,427	0	105,964	96,251
334	METERS & INSTALLATION	18,654	7,314	(2,696)	23,273	20,963
335	HYDRANTS	31,861	1,072	0	32,933	32,397
343	TOOLS, SHOP & GARAGE	5,405	1,333	0	6,737	6,071
	TOTAL	\$1,802,254	\$111,088	(\$17,027)	\$1,896,315	\$1,849,285
344	LABORATORY EQUIPMENT	0	261	0	261	131
346	COMMUNICATION EQUIPMENT	2,000	0	0	2,000	2,000
347	COMPUTER EQUIPMENT	4,188	0	0	4,188	4,188
348	WSC RATE BASE	17,752	4,362	0	22,114	19,933
	TOTAL LUSI PLANT	\$1,826,194	\$115,711	(\$17,027)	\$1,924,879	\$1,875,536

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-1
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CLERMONT I & II, AMBER HILL, LAKE RIDGE CLUB, CLERMONT COST CENTER, LUSI PARENT COSTS

ccount No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$3,314	\$1,567	\$0	\$4,880	\$4,097
304	STRUCTURES & IMPROVEMENT	14,364	105	0	14,469	14,416
307	WELLS & SPRINGS	57,781	0	0	57,781	57,781
311	PUMPING EQUIPMENT	34,879	2,048	(280)	36,647	35,763
320	WATER TREATMENT EQUIPMEN	25,104	742	(190)	25,655	25,380
330	DISTRIBUTION RESERVOIRS	21,968	0	0	21,968	21,968
331	TRANSMISSION & DISTRIB. MAIN	138,479	5,904	0	144,383	141,431
333	SERVICES	23,488	6,818	0	30,306	26,897
334	METERS & INSTALLATION	14,262	5,903	(2,696)	17,469	15,865
335	HYDRANTS	3,780	0	0	3,780	3,780
343	TOOLS, SHOP & GARAGE	5,405	1,333	0	6,737	6,071
	TOTAL	\$342,823	\$24,420	(\$3,166)	\$364,077	\$353,450

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-1
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HIGHLAND PT, CRESENT BAY, CRESENT W., LK CRESENT HILLS, PRESTON, COVE, S. CLERMONT

ccount No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$4,796	\$0	\$0	\$4,796	\$4,796
304	STRUCTURES & IMPROVEMENT	26,161	2,413	0	28,575	27,368
307	WELLS & SPRINGS	55,512	26,623	(4,500)	82,135	68,824
311	PUMPING EQUIPMENT	29,942	11,925	(2,626)	41,866	35,904
320	WATER TREATMENT EQUIPMEN	66,736	3,478	(1,393)	70,214	68,475
330	DISTRIBUTION RESERVOIRS	35,754	995	(309)	36,749	36,252
331	TRANSMISSION & DISTRIB. MAIN	837,668	7,595	0	845,263	841,465
333	SERVICES	50,501	12,119	0	62,620	56,560
334	METERS & INSTALLATION	3,252	1,412	0	4,664	3,958
335	HYDRANTS	28,081	1,072	0	29,153	28,617
343	TOOLS, SHOP & GARAGE	0	0	0	0	0
	TOTAL	\$1,138,404	\$67,631	(\$8,828)	\$1,206,035	\$1,172,219

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-1
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ORANGES, VISTAS I & II

ccount No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	1,484	114	0	1,599	1,542
307	WELLS & SPRINGS	24,186	98	0	24,284	24,235
311	PUMPING EQUIPMENT	12,734	5,692	(572)	17,855	15,295
320	WATER TREATMENT EQUIPMEN	1,518	1,017	(557)	1,978	1,748
330	DISTRIBUTION RESERVOIRS	5,398	8,060	(3,120)	10,338	7,868
331	TRANSMISSION & DISTRIB. MAIN	121,524	1,287	0	122,811	122,168
333	SERVICES	4,974	196	0	5,170	5,072
334	METERS & INSTALLATION	0	0	0	0	0
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0	0	0
	TOTAL	\$171,820	\$16,464	(\$4,249)	\$184,035	\$177,927

LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-1
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FOUR LAKES

Account No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$6,882	\$0	\$0	\$6,882	\$6,882
304	STRUCTURES & IMPROVEMENT	223	0	0	223	223
307	WELLS & SPRINGS	11,068	0	0	11,068	11,068
311	PUMPING EQUIPMENT	8,984	1,991	(784)	10,191	9,587
320	WATER TREATMENT EQUIPMEN	4,232	0	0	4,232	4,232
330	DISTRIBUTION RESERVOIRS	2,214	0	0	2,214	2,214
331	TRANSMISSION & DISTRIB. MAIN	26,923	288	0	27,211	27,067
333	SERVICES	3,330	196	0	3,526	3,428
334	METERS & INSTALLATION	1,140	0	0	1,140	1,140
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0	0	0
	TOTAL	\$64,994	\$2,475	(\$784)	\$66,684	\$65,839

LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-1
 PAGE 6 OF 6

LAKE SAUNDERS ACRES

ccount No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	149	0	0	149	149
307	WELLS & SPRINGS	34,228	0	0	34,228	34,228
311	PUMPING EQUIPMENT	10,324	0	0	10,324	10,324
320	WATER TREATMENT EQUIPMEN	574	0	0	574	574
330	DISTRIBUTION RESERVOIRS	11,770	0	0	11,770	11,770
331	TRANSMISSION & DISTRIB. MAIN	22,924	0	0	22,924	22,924
333	SERVICES	4,244	98	0	4,342	4,293
334	METERS & INSTALLATION	0	0	0	0	0
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0	0	0
	TOTAL	\$84,214	\$98	\$0	\$84,312	\$84,263

LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF ACCUMULATED DEPRECIATION
 AND DEPRECIATION EXPENSE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-2
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TOTAL COMPANY

Acct. No.	DESCRIPTION	ACCUM. DEPR. @12/31/94	ACCUM. DEPR. @12/31/95	SIMPLE AVG. ACCUM. DEPR.	1995 DEPR. EXPENSE
301	ORGANIZATION	\$1,805	\$2,200	\$2,003	\$394
304	STRUCTURES & IMPROVEMENT	6,604	7,928	7,266	1,324
307	WELLS & SPRINGS	31,116	35,328	33,222	6,531
311	PUMPING EQUIPMENT	7,033	9,784	8,408	5,385
320	WATER TREATMENT EQUIPMEN	11,879	14,576	13,228	4,586
330	DISTRIBUTION RESERVOIRS	14,244	15,546	14,895	2,204
331	TRANSMISSION & DISTRIB. MAIN	79,451	106,312	92,881	26,913
333	SERVICES	13,399	15,805	14,602	2,406
334	METERS & INSTALLATION	1,825	2,870	2,347	1,116
335	HYDRANTS	6,182	6,902	6,542	719
343	TOOLS, SHOP & GARAGE	194	370	282	379
	TOTAL	\$173,732	\$217,622	\$195,677	\$51,957
344	LABORATORY EQUIPMENT	0	9	4	9
346	COMMUNICATION EQUIPMENT	275	475	375	50
347	COMPUTER EQUIPMENT	70	349	209	105
348	WSC RATE BASE	222	1,328	775	662
	TOTAL LUSI DEPRECIATION	\$174,298	\$219,782	\$197,040	\$52,782

LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF ACCUMULATED DEPRECIATION
 AND DEPRECIATION EXPENSE
 TEST YEAR ENDED DECEMBER 31, 1995

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 EXHIBIT PWM-2
 PAGE 2 OF 6

CLERMONT I & II, AMBER HILL, LAKE RIDGE CLUB, CLERMONT COST CENTER, LUSI PARENT COSTS

Acct. No.	DESCRIPTION	ACCUM. DEPR. @12/31/94	ACCUM. DEPR. @12/31/95	SIMPLE AVG. ACCUM. DEPR.	1995 DEPR. EXPENSE
301	ORGANIZATION	\$279	\$382	\$330	\$102
304	STRUCTURES & IMPROVEMENT	2,009	2,445	2,227	437
307	WELLS & SPRINGS	9,840	11,766	10,803	1,924
311	PUMPING EQUIPMENT	1,373	2,881	2,127	1,795
320	WATER TREATMENT EQUIPMEN	2,269	3,233	2,751	1,159
330	DISTRIBUTION RESERVOIRS	3,713	4,307	4,010	593
331	TRANSMISSION & DISTRIB. MAIN	20,833	24,122	22,478	3,295
333	SERVICES	4,354	5,026	4,690	672
334	METERS & INSTALLATION	875	1,664	1,270	861
335	HYDRANTS	989	1,073	1,031	84
343	TOOLS, SHOP & GARAGE	194	370	282	379
	TOTAL	\$46,728	\$57,270	\$51,999	\$11,303

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF ACCUMULATED DEPRECIATION
 AND DEPRECIATION EXPENSE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-2
 PAGE 3 OF 6

HIGHLAND PT, CRESENT BAY, CRESENT W., LK CRESENT HILLS, PRESTON, COVE, S. CLERMONT

Acct. No.	DESCRIPTION	ACCUM. DEPR. @12/31/94	ACCUM. DEPR. @12/31/95	SIMPLE AVG. ACCUM. DEPR.	1995 DEPR. EXPENSE
301	ORGANIZATION	\$752	\$872	\$812	\$120
304	STRUCTURES & IMPROVEMENT	4,401	5,230	4,816	829
307	WELLS & SPRINGS	7,059	7,027	7,043	2,292
311	PUMPING EQUIPMENT	1,660	2,064	1,862	1,795
320	WATER TREATMENT EQUIPMEN	7,464	9,152	8,308	3,116
330	DISTRIBUTION RESERVOIRS	6,326	6,992	6,659	979
331	TRANSMISSION & DISTRIB. MAIN	35,671	55,240	45,456	19,606
333	SERVICES	6,767	8,181	7,474	1,414
334	METERS & INSTALLATION	558	756	657	198
335	HYDRANTS	5,193	5,829	5,511	635
343	TOOLS, SHOP & GARAGE	0	0	0	0
	TOTAL	\$75,852	\$101,344	\$88,598	\$30,984

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF ACCUMULATED DEPRECIATION
 AND DEPRECIATION EXPENSE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-2
 PAGE 4 OF 6

ORANGES, VISTAS I & II

Acct. No.	DESCRIPTION	ACCUM. DEPR. @12/31/94	ACCUM. DEPR. @12/31/95	SIMPLE AVG. ACCUM. DEPR.	1995 DEPR. EXPENSE
301	ORGANIZATION	\$0	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	162	208	185	47
307	WELLS & SPRINGS	3,005	3,813	3,409	807
311	PUMPING EQUIPMENT	1,185	1,726	1,455	779
320	WATER TREATMENT EQUIPMEN	173	0	87	92
330	DISTRIBUTION RESERVOIRS	386	51	218	255
331	TRANSMISSION & DISTRIB. MAIN	6,964	9,805	8,385	2,847
333	SERVICES	341	468	405	127
334	METERS & INSTALLATION	0	0	0	0
335	HYDRANTS	0	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0	0
	TOTAL	\$12,216	\$16,070	\$14,143	\$4,953

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF ACCUMULATED DEPRECIATION
 AND DEPRECIATION EXPENSE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-2
 PAGE 5 OF 6

FOUR LAKES

Acct. No.	DESCRIPTION	ACCUM. DEPR. @12/31/94	ACCUM. DEPR. @12/31/95	SIMPLE AVG. ACCUM. DEPR.	1995 DEPR. EXPENSE
301	ORGANIZATION	\$774	\$946	\$860	\$172
304	STRUCTURES & IMPROVEMENT	25	32	28	7
307	WELLS & SPRINGS	3,435	3,804	3,620	369
311	PUMPING EQUIPMENT	216	0	108	499
320	WATER TREATMENT EQUIPMEN	1,957	2,150	2,053	193
330	DISTRIBUTION RESERVOIRS	1,024	1,084	1,054	60
331	TRANSMISSION & DISTRIB. MAIN	10,114	10,744	10,429	631
333	SERVICES	912	997	955	86
334	METERS & INSTALLATION	392	449	421	57
335	HYDRANTS	0	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0	0
	TOTAL	\$18,850	\$20,206	\$19,528	\$2,072

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LAKE UTILITY SERVICES, INC.
 ADJUSTED BALANCES OF ACCUMULATED DEPRECIATION
 AND DEPRECIATION EXPENSE
 TEST YEAR ENDED DECEMBER 31, 1995

DOCKET NO. 960444-WU
 EXHIBIT PWM-2
 PAGE 6 OF 6

LAKE SAUNDERS ACRES

Acct. No.	DESCRIPTION	ACCUM. DEPR. @12/31/94	ACCUM. DEPR. @12/31/95	SIMPLE AVG. ACCUM. DEPR.	1995 DEPR. EXPENSE
301	ORGANIZATION	\$0	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	7	12	10	5
307	WELLS & SPRINGS	7,776	8,917	8,347	1,140
311	PUMPING EQUIPMENT	2,598	3,114	2,856	516
320	WATER TREATMENT EQUIPMEN	15	41	28	26
330	DISTRIBUTION RESERVOIRS	2,795	3,113	2,954	318
331	TRANSMISSION & DISTRIB. MAIN	5,868	6,401	6,135	534
333	SERVICES	1,025	1,132	1,079	107
334	METERS & INSTALLATION	0	0	0	0
335	HYDRANTS	0	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0	0
	TOTAL	\$20,085	\$22,731	\$21,408	\$2,646

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LAKE UTILITY SERVICES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 1-A
 DOCKET NO. 960444-WU

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,946,058	0 \$	1,946,058	(70,522)	1,875,536
2 LAND	3,730	0	3,730	357	4,087
3 NON-USED & USEFUL COMPONENTS	(49,361)	0	(49,361)	(214,750)	(264,111)
4 ACCUMULATED DEPRECIATION	(131,754)	0	(131,754)	(65,286)	(197,040)
5 CIAC	(881,203)	0	(881,203)	(141,563)	(1,022,766)
6 AMORTIZATION OF CIAC	109,430	0	109,430	3,517	112,947
7 ACQUISITION ADJUSTMENT	(70,169)	0	(70,169)	70,169	0
8 ACCUM. AMORT. OF ACQ. ADJUS.	7,095	0	7,095	(7,095)	0
9 ADVANCES FOR CONSTRUCTION	0	0	0	(376,255)	(376,255)
10 DEBIT ACCU. DEF. INCOME TAXES	116,542	0	116,542	127,927	244,469
11 WORKING CAPITAL ALLOWANCE	27,828	0	27,828	(1,253)	26,575
12 OTHER	0	0	0	0	0
RATE BASE	\$ 1,078,196	0 \$	1,078,196	(674,754)	403,442

EXPLANATION	WATER
UTILITY PLANT IN SERVICE To adjust utility plant in service	\$ <u>(70,522)</u>
LAND To reflect unrecorded land cost	\$ <u>357</u>
NON-USED AND USEFUL PLANT To reflect net non-used & useful adjustment	\$ <u>(214,750)</u>
ACCUMULATED DEPRECIATION To remove acc. depre. related to UPIS adjustments	\$ <u>(65,286)</u>
CIAC	
a) To reflect adjustment per Audit Exception No. 12	\$ (119,986)
b) To impute CIAC on Vistas's water system	\$ 0
c) To impute CIAC to offset margin reserve	\$ <u>(21,577)</u>
	<u>(141,563)</u>
ACCUMULATED AMORTIZATION OF CIAC	
a) To reflect adjustment per Audit Exception No. 12	\$ 3,226
b) To reflect the effect of imputation of CIAC on Vistas's water plant	\$ 0
c) To reflect the effect of imputation of CIAC on margin reserve	\$ 291
	<u>3,517</u>
ACQUISITION ADJUSTMENT AMORTIZATION To remove incorrectly recorded acquisition adjustment	\$ <u>70,169</u>
ACCUMULATED AMORT. OF ACQUISITION ADJUSTMENT To reflect the effect of removal of acquisition adjustment	\$ <u>(7,095)</u>
DEFERRED INCOME TAXES To reflect income tax on advance for construction	\$ <u>127,927</u>
ADVANCE FOR CONSTRUCTION To reflect adjustment per Audit Exception No. 12	\$ <u>(376,255)</u>
WORKING CAPITAL To reflect adjustments on operating expenses	\$ <u>(1,253)</u>

LAKE UTILITY SERVICES, INC

SCHEDULE NO. 4-A

COUNTY: LAKE

DOCKET NO. 960444-WU

RATE SCHEDULE - MONTHLY WATER RATES (BI-MONTHLY BILLING CYCLE)

TEST YEAR ENDING: DECEMBER 31, 1995

CRESCENT BAY, PRESTON COVE, SOUTH CLERMONT REGION AND ALL FUTURE AREAS SERVED

	Rates Prior to Filing	Rates Approved In Settlement	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates
Residential					
Base Facility Charge:					
<u>Meter Size:</u>					
5/8 x 3/4"	\$16.52	\$6.80	\$8.64	\$8.71	\$8.39
3/4"	--	--	\$0.00	\$13.07	\$12.59
1"	--	\$17.00	\$21.61	\$21.78	\$20.98
1 1/2"	--	\$34.00	\$43.21	\$43.55	\$41.97
2"	--	\$54.40	\$69.14	\$69.68	\$67.15
3"	--	--	\$0.00	\$139.36	\$134.30
4"	--	--	\$0.00	\$217.75	\$209.84
6"	--	--	\$0.00	\$435.50	\$419.69
Gallonge Charge per 1,000 Gallons	\$1.86	\$0.84	\$1.07	\$1.600	\$1.25
General Service					
Base Facility Charge:					
<u>Meter Size:</u>					
5/8 x 3/4"	\$16.52	\$6.80	\$8.64	\$8.71	\$8.39
3/4"	\$24.74	--	\$0.00	\$13.07	\$12.59
1"	\$41.24	\$17.00	\$21.61	\$21.78	\$20.98
1 1/2"	\$82.49	\$34.00	\$43.21	\$43.55	\$41.97
2"	\$131.97	\$54.40	\$69.14	\$69.68	\$67.15
3"	\$263.94	--	\$0.00	\$139.36	\$134.30
4"	\$412.41	--	\$0.00	\$217.75	\$209.84
6"	--	--	\$0.00	\$435.50	\$419.69
Gallonge Charge per 1,000 Gallons	\$1.86	\$0.84	\$1.07	\$1.600	\$1.25
5/8" x 3/4" meter					
Typical Residential Bill					
3,000 Gallons	\$22.10	\$9.32	\$11.85	\$13.51	\$12.14
5,000 Gallons	\$25.82	\$11.00	\$13.98	\$16.71	\$14.64
10,000 Gallons	\$35.12	\$15.20	\$19.32	\$24.71	\$20.89

LAKE UTILITY SERVICES, INC

SCHEDULE NO. 4-B

COUNTY: LAKE

DOCKET NO. 960444-WU

RATE SCHEDULE - MONTHLY WATER RATES (BI-MONTHLY BILLING CYCLE)

TEST YEAR ENDING: DECEMBER 31, 1995

CLERMONT I & II, AMBER HILL, HIGHLAND POINT, THE ORANGES, LAKE RIDGE CLUB,
CRESCENT WEST, LAKE CRESCENT HILLS, THE VISTAS I & II

Residential and General Service	Rates Prior to Filing	Rates Approved In Settlement	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates
Base Facility Charge:					
<u>Meter Size:</u>					
5/8 x 3/4"	\$7.035	\$6.80	\$8.64	\$8.71	\$8.39
3/4"	--		\$0.00	\$13.07	\$12.59
1"	--	\$17.00	\$21.61	\$21.78	\$20.98
1 1/2"	--	\$34.00	\$43.21	\$43.55	\$41.97
2"	--	\$54.40	\$69.14	\$69.68	\$67.15
3"	--	--	\$0.00	\$139.36	\$134.30
4"	--	--	\$0.00	\$217.75	\$209.84
6"	--	--	\$0.00	\$435.50	\$419.69
Gallonge Charge per 1,000 Gallons	\$0.69	\$0.84	\$1.07	\$1.600	\$1.25

5/8" x 3/4" meter

Typical Residential Bill

3,000 Gallons	\$7.04	\$9.32	\$11.85	\$13.51	\$12.14
5,000 Gallons	\$7.04	\$11.00	\$13.98	\$16.71	\$14.64
10,000 Gallons	\$10.49	\$15.20	\$19.32	\$24.71	\$20.89

(A) Includes 5,000 gallons per month

LAKE UTILITY SERVICES, INC

SCHEDULE NO. 4-C

COUNTY: LAKE

DOCKET NO. 960444-WU

RATE SCHEDULE - MONTHLY WATER RATES (BI-MONTHLY BILLING CYCLE)

TEST YEAR ENDING: DECEMBER 31, 1995

HARBOR OAKS AND FOUR LAKES SUBDIVISIONS

Residential and General Service	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates
Base Facility Charge:				
Meter Size:				
5/8 x 3/4"	\$5.54 (A)	\$7.04	\$8.71	\$8.39
3/4"	--	\$0.00	\$13.07	\$12.59
1"	--	\$0.00	\$21.78	\$20.98
1 1/2"	--	\$0.00	\$43.55	\$41.97
2"	--	\$0.00	\$69.68	\$67.15
3"	--	\$0.00	\$139.36	\$134.30
4"	--	\$0.00	\$217.75	\$209.84
6"	--	\$0.00	\$435.50	\$419.69
Gallonge Charge per 1,000 Gallons	\$0.81	\$1.03	\$1.600	\$1.25

5/8" x 3/4" meter

Typical Residential Bill

3,000 Gallons	\$5.54	\$10.13	\$13.51	\$12.14
5,000 Gallons	\$7.16	\$12.19	\$16.71	\$14.64
10,000 Gallons	\$11.21	\$17.34	\$24.71	\$20.89

(A) Includes 3,000 gallons per month

LAKE UTILITY SERVICES, INC

SCHEDULE NO. 4-D

COUNTY: LAKE

DOCKET NO. 960444-WU

RATE SCHEDULE - MONTHLY WATER RATES (BI-MONTHLY BILLING CYCLE)

TEST YEAR ENDING: DECEMBER 31, 1995

LAKE SAUNDERS ACRES

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates
Residential and General Service				
Base Facility Charge:				
<u>Meter Size:</u>				
5/8 x 3/4"	\$16.52	\$21.00	\$8.71	\$8.39
3/4"	--	\$0.00	\$13.07	\$12.59
1"	--	\$0.00	\$21.78	\$20.98
1 1/2"	--	\$0.00	\$43.55	\$41.97
2"	--	\$0.00	\$69.68	\$67.15
3"	--	\$0.00	\$139.36	\$134.30
4"	--	\$0.00	\$217.75	\$209.84
6"	--	\$0.00	\$435.50	\$419.69
Gallonage Charge per 1,000 Gallons	\$1.86	\$2.36	\$1.600	\$1.25

5/8" x 3/4" meter

Typical Residential Bill

3,000 Gallons	\$22.10	\$28.09	\$13.51	\$12.14
5,000 Gallons	\$25.82	\$32.82	\$16.71	\$14.64
10,000 Gallons	\$35.12	\$44.64	\$24.71	\$20.89

LAKE UTILITY SERVICES, INC
 COUNTY: LAKE
 RATE SCHEDULE - WATER FOUR YEAR RATE REDUCTION
 TEST YEAR ENDING: DECEMBER 31, 1995

SCHEDULE NO. 5
 DOCKET NO. 960444-WU

FOR ALL AREAS SERVED

**SCHEDULE OF RATE DECREASE AFTER EXPIRATION OF
 AMORTIZATION PERIOD FOR RATE CASE EXPENSE**

	STAFF RECOMMENDED RATES	RATE DECREASE
Residential		
Base Facility Charge:		
<u>Meter Size:</u>		
5/8 x 3/4"	\$8.39	\$0.38
3/4"	\$12.59	\$0.57
1"	\$20.98	\$0.95
1 1/2"	\$41.97	\$1.90
2"	\$67.15	\$3.05
3"	\$134.30	\$6.09
4"	\$209.84	\$9.52
6"	\$419.69	\$19.03
Gallage Charge per 1,000 Gallons	\$1.25	\$0.06
General Service		
Base Facility Charge:		
<u>Meter Size:</u>		
5/8 x 3/4"	\$8.39	\$0.38
3/4"	\$12.59	\$0.57
1"	\$20.98	\$0.95
1 1/2"	\$41.97	\$1.90
2"	\$67.15	\$3.05
3"	\$134.30	\$6.09
4"	\$209.84	\$9.52
6"	\$419.69	\$19.03
Gallage Charge per 1,000 Gallons	\$1.25	\$0.06

LAKE UTILITY SERVICES, INC. (LUSI) DOCKET NO.: 960444-WU TEST YEAR ENDED: DECEMBER 31, 1995 RATE SCHEDULE - SERVICE AVAILABILITY CHARGES	Schedule 6-A
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Crescent Bay, Preston Cove, Lake Saunders Acres, South Clermont Region, and all future areas served

SERVICE AVAILABILITY CHARGES	<u>PRESENT CHARGES</u>	<u>UTILITY'S ORIGINAL PROPOSAL</u>	<u>STAFF RECOMMENDED</u>
PLANT CAPACITY CHARGE:			
Residential - per ERC (350 gpd)	\$569.00	\$600.00	
Residential - per ERC (2100 gpd)			\$600.00
MAIN EXTENSION CHARGE:			
Residential - per ERC (350 gpd)	\$506.00	\$600.00	
Residential - per ERC (2100 gpd)			\$600.00
METER INSTALLATION CHARGE:			
5/8" x 3/4"	\$100.00	\$150.00	\$150.00
1"	\$143.00	\$250.00	\$250.00
1-1/2"	\$290.00	\$450.00	\$450.00
2"	\$400.00	\$650.00	\$650.00
All Others	Actual Cost	Actual Cost	Actual Cost
GUARANTEED REVENUE CHARGE:			
With prepayment of Serv. Avail Charges			
Residential-per ERC	\$14.28	\$0.00	\$0.00
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED:	\$608.09	\$608.09	
(If lines constructed by the utility)			Pursuant to PAA Order
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED:	\$299.97	\$299.97	\$0.00
(If lines contributed to utility)			

LAKE UTILITY SERVICES, INC. (LUSI) DOCKET NO.: 960444-WU TEST YEAR ENDED: DECEMBER 31, 1995 RATE SCHEDULE - SERVICE AVAILABILITY CHARGES	Schedule 6-B
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*Amber Hill, Clermont I & II, Crescent West, Highland Point, Lake Ridge Club, The Oranges, The Vistas I & II
Lake Crescent Hills*

SERVICE AVAILABILITY CHARGES	<u>PRESENT CHARGES</u>	<u>UTILITY'S ORIGINAL PROPOSAL</u>	<u>STAFF RECOMMENDED</u>
PLANT CAPACITY CHARGE:			
Residential - per ERC (350 gpd)	\$200.00	\$600.00	
Residential - per ERC (2100 gpd)			\$600.00
MAIN EXTENSION CHARGE:			
Residential - per ERC (350 gpd)	\$0.00	\$600.00	
Residential - per ERC (2100 gpd)			\$600.00
METER INSTALLATION CHARGE:			
5/8" x 3/4"	\$150.00	\$150.00	\$150.00
1"	\$250.00	\$250.00	\$250.00
1-1/2"	\$450.00	\$450.00	\$450.00
2"	\$650.00	\$650.00	\$650.00
All Others	Actual Cost	Actual Cost	Actual Cost
GUARANTEED REVENUE CHARGE:			
With prepayment of Serv. Avail Charges			
Residential-per ERC	\$0.00	\$0.00	\$0.00
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED:	\$0.00	\$0.00	
(If lines constructed by the utility)			Pursuant to PAA Order
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED:	\$0.00	\$0.00	\$0.00
(If lines contributed to utility)			

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following by hand delivery this 17th day of September, 1997.

Tim Vaccaro
Division of Legal Services, Room 370
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Harold McLean
Office of Public Counsel
111 West Madison Street
Tallahassee, FL 32399



Attorney