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STATE OF FLORIDA

OFFICE OF THE PUBLIC COUNSEL

c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400
904-488-9330

JACK SHREVE
PUBLIC COUNSEL

August 13, 1998

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Case No. 960444-WU

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are original and 15 copies of the Rebuttal Testimony of Hugh Larkin, Jr. , witness for the Citizens of the State of Florida.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Harold McLean
Associate Public Counsel

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FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc.	)	Docket No. 960444-WU

REBUTTAL TESTIMONY OF
HUGH LARKIN, JR.
Witness for the Citizens of the State of Florida

Jack Shreve
Public Counsel
Office of Public Counsel
c/o the Florida Legislature
111 West Madison Street
Room 801
Tallahassee, FL 32399-1400
(904) 488-9330

REBUTTAL TESTIMONY OF HUGH LARKIN, JR.

ON BEHALF OF THE CITIZENS OF FLORIDA

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960444-WU

INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Hugh Larkin, Jr. I am a Certified Public Accountant licensed in the States of Michigan and Florida and the senior partner in the firm Larkin & Associates, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THE DOCKET?

A. Yes. I originally filed direct testimony in response to the Company's protest of the original Proposed Agency Action, dated May 9, 1997.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to rebut the Staff's testimony supporting the Proposed Agency Action ("PAA") issued May 18, 1998 which sets forth a settlement between the Staff of the Florida Public Service Commission and Lake Utilities Services, Inc. Such settlement is supported by the September 10, 1997 testimony of several Staff witnesses, which appear to culminate in the 1998 PAA.

Plant-In-Service

Q. PLEASE DISCUSS THE STAFF'S ADJUSTMENTS TO THE ORIGINAL PROPOSED AGENCY ACTION IN DOCKET NO. 960444-WU.

A. The Staff's adjustments are similar to those proposed by the Company and, therefore, have the same basic flaw.

The first item which the Staff has accepted as valid is a document which both Mr. Kramer and a Staff witness have characterized as an "invoice". This document was included in Mr. Kramer's exhibits and was labeled (MFK-15). Clearly, an examination of this document will show it is not an invoice. The document is labeled as a statement. As I will reiterate it does not, in any way, detail any work that was completed and is not documentation of a payment in the amount of $17,052.50. As previously stated, this document does not in any way indicate that it was for the installation of water plant. The document appears to show that an amount is due of $16,931.25 with a beginning balance of $17,052.50. This amount is labeled as "contract price to install water". It does not say it was for the installation of a water plant, nor does it state where the work was completed. It does not establish what work was done, nor when the amount was paid, if paid. Clearly, neither the Staff or the Commission should accept this kind of documentation as valid support upon which ratepayers should be asked to pay increased rates. Mr. Kramer was asked during his deposition if the Company could produce a check which shows that either the amount of $17,052.50 or the amount shown on the statement of $16,931.25 was paid. He could not do so. It appears that this statement was accepted by the Staff as a basis to eliminate part of the dispute between the Company and the Staff. In Audit Exception No. 1, the Staff quotes the USOA Accounting Instruction 2.A, which requires in part that, "Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto." In addition, the Staff witness quotes from the Commission's rules, which state in part, "...supporting schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time." The Staff witness' testimony continues, "I believe that Lake Utilities, Inc. books and records are in violation of the above NARUC instruction and Commission rule." On page three of the same witness' testimony he states, "-some plant-in-service items are not supported by proper documentation, invoices, canceled checks, etc."

The Commission's Staff testified that the Company's documentation does not meet the NARUC or Commission standards on one hand. On the other hand, the Staff essentially accepts a document which merely states an amount of money and is not a valid basis for additions to plant.

In addition to the $17,052.50 added to plant-in-service, Staff also included an additional $15,865.00 to the average balance. In response to a request by the Office of Public Counsel to reconcile the original Proposed Agency Action plant-in-service balance to the one supported by Staff, Staff disagrees with Mr. Kramer's contention that the removal of $15,126 from plant-in-service was an unsupported adjustment by Staff. Disputing Mr. Kramer's proposed add back of $15,126, the Staff then adds $15,865 to rate base which is more than what Mr. Kramer was disputing. It appears that this addition is based on some recalculation of the average balance. It is not clear in the Staff's response exactly what was wrong with the original calculation and why a recalculation was necessary. Until it is clearly shown what was wrong with the original average calculation, the Commission should not accept this proposed readjustment of plant-in-service. The combined adjustment of fictitious invoice and recalculation of the average totals to $32,918.

I should also point out that the individual system plant schedules attached to the 1998 PAA do not total to the Staff adjusted test year utility plant-in-service by $4,414. Apparently, there are other errors in the schedules which have not been corrected.

Non Used and Useful

Q. IT APPEARS THAT THE STAFF HAS CHANGED ITS NON USED AND USEFUL CALCULATION, INCREASING THE RATE BASE BY APPROXIMATELY $274,000. WOULD YOU PLEASE DISCUSS THE STAFF CHANGES?

A. In response to a request by the Office of Public Counsel to the Staff to explain what changes had been made in the used and useful calculations, Staff Witness Munroe provided an explanation.

The explanation was not given in terms of the dollar effect on used and useful calculation, but was a general explanation of what the Staff changed. Part of the change apparently is related to adjustments made for unaccounted for water over 10%. The Staff indicated that it had overlooked explanations for amounts over 10% in the Company's MFRs and, therefore, was eliminating adjustments for unaccounted for water which increased the used and useful percentage for four systems by slight amounts. These adjustments do not appear to have a major impact on used and useful dollar amounts.

The major impact appears to be the Staff's acceptance of certain interconnected investment as 100% used and useful. Staff Witness Munroe claims that the major portion of this investment is related to EDB contaminated areas. These areas had been connected in part as a result of grant funds obtained from the Department of Environment Protection water supply program. It is not clear from the Staff's explanation what dollar amount was involved with these interconnections or whether the grant fully funded this program. Clearly, there were a number of homes that were not originally hooked up when the EDB program was initiated. The portion of the EDB lines which the Staff has included as 100% used and useful were available to serve additional customers. It is not clear how Staff factored in the additional capacity of these lines to serve additional customers in their used and useful calculations.

The Company had claimed that some $901,181.50 had been invested in interconnecting transmission mains. The Staff could not determine what, if any, of these dollar amounts were associated with interconnecting transmission mains. In the 1998 PAA, the Staff has changed its position and concluded that some amount is related to interconnection. In response to a discovery request from Public Counsel the Staff indicated that the Company had showed them some documentation. Both the Staff testimony and the 1998 PAA failed to indicate what documentation was provided or how it convinced the Staff that additional dollars should be considered as used and useful. Clearly, the Staff was aware of the EDB hookups and the Department of Environment Protection contract long before it filed its testimony on September 10, 1997. It should also be clear to the Staff that this investment allowed the Company to add additional customers in future years.

It appears that the inclusion of investment as used and useful under the guise of "interconnects" is the main difference in the used and useful calculation. The Commission should be reminded of the Company's own witness' statement regarding the interconnection of these systems. Company Witness Seidman's testimony at page 3 states as follows:

> The subdivisions are served, not by one system, but by several systems acquired by LUSI over a period of years and incorporated into a single service area. Several of the systems have been interconnected such that there are now six systems serving the eighteen subdivisions. At present, these six systems operate physically independently of each other and cannot share capacity to serve customer demand. Therefore, for purposes of determining used and useful, each of the six systems must be evaluated separately.

It does not appear that this investment, which the Company and the Staff contends is interconnecting investment, has any benefit to ratepayers in providing reliability. To the extent that it allows for the servicing of additional customers in the future, it is clearly not used and useful and should be excluded as it originally was by the Staff.

<u>Contribution in Aid of Construction</u>

Q. THE STAFF TESTIMONY, WHICH SUPPORTS THE 1998 PAA DECREASES CONTRIBUTION IN AID OF CONSTRUCTION BY APPROXIMATELY $56,000. WOULD YOU PLEASE DISCUSS THE STAFF'S ADJUSTMENTS TO CONTRIBUTIONS IN AID OF CONSTRUCTION?

A. Yes. I have not been able to reconcile the total adjustment to contribution in aid of construction. The Staff in response to our request to reconcile the difference between the 1998 PAA and the original PAA provided explanation of what adjustments were made. I will discuss the adjustments I believe the Staff made to CIAC in the 1998 PAA and then I will discuss other adjustments which were not made, which the Staff now feels are appropriate.

First, Staff reduced CIAC by $16,500 in response to a document provided by Mr. Kramer. Again, both Mr. Kramer and the Staff have characterized this document as an "invoice". In my original testimony I pointed out that this was not, in fact, an invoice but a letter from an attorney, Dennis L. Horton to James Cameron of Utilities, Inc. The letter requested a check be placed into escrow as an "initial cash payment for construction and installation of water distribution system of the Vista's". A check was to be sent to Mr. Dennis L. Horton's office to be placed in an escrow account. Clearly, this document did not show that work was completed, nor does it show that the payment was ever made from the escrow account, and does not detail what work was done. This document does not support any addition to plant-in-service and the Staff's removal of CIAC for this contributed plant in my mind is not appropriate.

The second adjustment which the Staff has apparently made is to reduce CIAC in the amount of $48,463. This was an amount which the Company had recorded as an acquisition adjustment. The Staff had eliminated the acquisition adjustment and increased CIAC by that same amount. The Staff's theory apparently was that the difference between what the Company paid and the net book value should be treated as CIAC. The Staff apparently reversed that decision in the 1998 PAA. It removed

$48,463 from CIAC.

The last adjustment which the Staff made to CIAC is to add $17,053 for the plant addition which I have previously discussed under the plant-in-service category. Since this adjustment increases CIAC and removes the affect of the unsupported addition which Staff made to plant-in-service, I am not disputing its addition, even though I feel both the addition to plant-in-service and this addition to CIAC are not necessary.

The three adjustment which I discussed do not account for the total difference in the reduction of the CIAC balance by Staff. I am assuming that there was some change in the averaging of the balances which accounts for the remaining difference.

In addition to providing an explanation of what differences existed between the original PAA and the 1998 PAA, the Staff has concluded that some of the amounts that they agree to in the 1998 PAA should be changed. The changes are as follows:

1. The Staff would decrease CIAC by $2,003 related to the Highland point system, which the Staff now feels would reflect the correct amount of contributed property.
2. The Staff now believes that the removal of $48,463 should not have been done in the 1998 PAA because the developer could have easily costed off this balance to the cost of goods sold. Thus, it would be contributed property. I agree with that conclusion.

In summary, it appears that the Staff should have decreased CIAC by $1,451 rather than the $55,866 which it did in the 1998 PAA. I arrived at the $1,451 as follows:

1.	Escrow payment mentioned in attorney's letter	$16,500
2.	Highland Point system	$ 2,003
3.	Additional CIAC Lake Sanders system	<u>($17,053)</u>
4.	Net Total	$ 1,451

<u>Other Changes</u>

Q. ARE THERE OTHER CHANGES THAT OCCURRED IN OTHER RATE BASE BALANCES WHICH AFFECT THE TOTAL RATE BASE?

A. Yes, there are changes in the accumulated depreciation and the amortization CIAC. Both of these changes would have resulted from the initial changes which the Staff made to utility plant-in-service and CIAC. Both of the changes decrease rate base.

<u>Earned Rate of Return</u>

Q. YOU HAVE TAKEN EXCEPTION TO THE 1998 PAA ON THE BASIS THAT THE RATE BASE IS OVERSTATED. HOW WOULD THE 1998 PAA TRANSLATE INTO EARNINGS FOR THE COMPANY?

A. On Exhibit ___ (HL-1), Schedule 1, I have shown the earnings of the Company based on the interim rates currently in effect for the year ended December 31, 1997. The income statement of the Company is shown on lines 1 through 8 and is the same as that shown in the Company's Annual Report, with the exception of the tax calculation. The Company has erroneously used a 34% tax rate instead of the stand alone tax rate which is the policy of the Florida Public Service Commission. Therefore, I have recalculated the income tax expense based on the appropriate tax rate and the operating income shown in the Company's Annual Report. That income is $97,843. On lines 9 through 16, I have shown the rate base calculated on a year end basis from the Company's Annual Report. This calculation is the same as the Company's shown on page F-4 of the Annual Report. On lines 17 through 26, I have calculated the achieved return on equity based on the Company's calculated rate base and the net income from the annual report adjusted for the proper income tax rates. This calculation shows the Company's overall rate of return is 15.22%. It also shows that the Company's achieved return on equity is 23.10% which is almost double what the 1998 PAA determined would be an appropriate rate of return, 11.61%.

I should point out that my calculation of the achieved return on equity is based on the weighted cost of debt and capital structure which the Company proposed in the MFRs. If the capital structure proposed in the 1998 PAA were to be used, I would assume that the rate of return would be higher than the 23.10%, which is shown. I was not able to determine what the capital structure was since only the overall rate of return, the return on equity and the range were provided in the 1998 PAA. Clearly, the interim rates will allow the Company to over earn. Given the fact that the rates were set based on an inflated rate base and as additional customers are added, this return will skyrocket.

Q. HAVE YOU MADE AN ANALYSIS OF THE COMPANY'S EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1997 USING THE AVERAGE NUMBER OF CUSTOMERS IN 1997 IN CALCULATING THE REVENUE?

A. Yes, I have. That calculation is shown on Schedule 2. I use the average number of customers in 1997 to calculate the operating revenues and use the actual miscellaneous revenue which the Company received in 1997. I made the same calculations as I did on Schedule 1 to determine the achieved rate of return on equity. This shows that the achieved rate of return on equity based on the average number of customers in 1997 would be 35.96%. This is some 210% higher than the 11.61% return on equity that both parties feel is appropriate in the 1998 PAA.

Q. WHY IS IT APPROPRIATE TO USE AVERAGE NUMBER OF CUSTOMERS TO RECALCULATE THE REVENUE FOR 1997?

A. The average number of customers for 1997 will be available in generating revenue for the Company in all future years. Therefore, the use of an average number of customers is conservative in determining what the Company would achieve as a return on equity for 1998 and future years. This calculation does not include any growth in the number of customers and, therefore, is the minimum return which the Company might earn in future periods. Again, since the capital structure that I have used is based on the Company's original MFRs and the rate base is significantly smaller than what the Company originally proposed, the equity ratio would also be different and the return on equity would be higher than the 35.96% shown.

Again, this is an indication that interim rates are too high. This is primarily the result of the Staff accepting recalculation of the rate base and some of the proposed adjustments by the Company.

Q. DID YOU ANALYZE THE EARNED RATE OF RETURN USING RATES PRIOR TO DOCKET NO. 960444-WU?

A. Yes, I did. The calculation of the earned rate of return using year end customers and rates prior to Docket No. 960444-WU are shown on Schedule 3. The calculation was made in the same manner as the prior two analyses, except that the number of customers is based on year end December 31, 1997 and the rates prior to the interim rates currently in effect. This shows that the Company's earned rate of return on equity, based on the Company's proposed capital structure and cost rates, would be 15.48%. This rate of return is above the range proposed by Staff and would increase in 1998 as both customers and usage increases. Obviously, if current interim rates indicate that the company is over earning then the proposed settlement rates which are even higher show that rate payers would be overcharged for services in the future.

Q. IS THERE ANY OTHER INDICATION THAT RATES BASED ON A 1995 TEST YEAR WOULD BE INAPPROPRIATE?

A. Yes. On Exhibit ____(HL-1), Schedule 4, I have made an analysis of the per customer O&M expenses. This analysis shows that the year 1995 has had the highest O&M expenses per customer in the four years shown. In other words, the 1995 O&M expenses per customer were $238 per customer. This is higher than 1994 by $27 per customer, higher than 1996 by $16 per customer and higher than 1997 by $66 per customer. If one were to adjust 1995 based on the per customer expense in 1997 an adjustment would be appropriate in the amount of $61,101. Because of the growth in customers, the average expense per customer is declining. If rates were set based on the relationship between rate base and expenses, earnings would not exceed the authorized rate of return by the excessive amounts shown on Schedules 1 and 2.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Lake Utility Services, Inc.
Earned Rate of Return Rates per Annual Report Form PSC 5
Year End Rate Base
December 31, 1997

Docket No. 960444-WU
Exhibit ___ (HL-1)
Schedule 1
Witness Hugh Larkin Jr.

Line No.	Description	Amount
	Income Statement	
1	Operating Revenues	$474,822
2	Operating Expenses	260,474
3	Depreciation Expense	35,497
4	Taxes Other Than Income	61,577
5	*Operating Expenses Before Income Tax*	$357,548
6	Operating Income Before Income Tax	117,274
7	Income Tax (Line 39)	19,431
8	Net Income	$97,843
	Year End Rate Base	
9	Utility Plant in Service	$2,756,793
10	Accumulated Depreciation	(274,883)
11	Accumulated Amortization of Plant	(12,946)
12	C.I.A.C.	(2,022,629)
13	Accumulated Amortization of C.I.A.C.	202,376
14	Advances for Construction	(38,400)
15	Working Capital Allowance	32,559
16	Total Rate Base	$642,870
	Earned Rate of Return	
17	Net Income Before Income Tax	$117,274
18	Income Tax	19,431
19	*Net Income (Line 9)*	$97,843
20	Rate Base (Line 17)	642,870
21	Overall Rate of Return	15.22%
22	Overall Rate of Return	15.22%
23	Less Weighted Cost of Debt	5.17%
24	Weighted Cost of Equity	10.05%
25	Equity Ratio	43.50%
26	Achieved Return on Equity	23.10%
	Tax Calculation	
27	Rate Base	$642,870
28	Weighted Cost of Debt	5.17%
29	Interest Expense	$33,236
30	Operating Income Before Income Tax	$117,274
31	Less Interest Expense	(33,236)
32	Taxable Income	$84,038
33	*State Income Tax (5% amount over $5,000)*	3,952
34	Federal Taxable Income	$80,086
35	Effective Federal Income Tax Rate	19.33% (1)
36	Federal Income Tax	$15,479
37	State Income Tax	3,952
38	Total Income Tax	$19,431

Note: (1) Federal Income Tax calculated using the Graduated Tax Rates for Corporations. IRS Code Section 219.
Calculation: $13,750 + (82,098 - 75,000) * 34.00%

Lake Utility Services, Inc.
Earned Rate of Return Interim Rates
Year End Rate Base
December 31, 1997

Docket No. 960444-WU
Exhibit ___ (HL-1)
Schedule 2
Witness Hugh Larkin Jr.

Line No.	Description	Amount
	Income Statement	
1	Operating Revenues	$538,004
2	Operating Expenses	260,474
3	Depreciation Expense	35,497
4	Taxes Other Than Income	64,420
5	Operating Expenses Before Income Tax	$360,391
6	Operating Income Before Income Tax	177,613
7	Income Tax (Line 39)	43,808
8	Net Income	$133,805
	Year End Rate Base	
9	Utility Plant in Service	$2,756,793
10	Accumulated Depreciation	(274,883)
11	Accumulated Amortization of Plant	(12,946)
12	C.I.A.C.	(2,022,629)
13	Accumulated Amortization of C.I.A.C.	202,376
14	Advances for Construction	(38,400)
15	Working Capital Allowance	32,559
16	Total Rate Base	$642,870
	Earned Rate of Return	
17	Net Income Before Income Tax	$177,613
18	Income Tax	43,808
19	Net Income (Line 9)	$133,805
20	Rate Base (Line 17)	642,870
21	Overall Rate of Return	20.81%
22	Overall Rate of Return	20.81%
23	Less Weighted Cost of Debt	5.17%
24	Weighted Cost of Equity	15.64%
25	Equity Ratio	43.50%
26	Achieved Return on Equity	35.96%
	Tax Calculation	
27	Rate Base	$642,870
28	Weighted Cost of Debt	5.17%
29	Interest Expense	$33,236
30	Operating Income Before Income Tax	$177,613
31	Less Interest Expense	(33,236)
32	Taxable Income	$144,377
33	State Income Tax (5% amount over $5,000)	6,969
35	Federal Taxable Income	$137,408
35	Effective Federal Income Tax Rate	26.81% (1)
36	Federal Income Tax	$36,839
37	State Income Tax	6,969
38	Total Income Tax	$43,808

Note: (1 Federal Income Tax calculated using the Graduated Tax Rates for Corporations. IRS Code Section 219.
Calculation: $22,250 + (141,881 - 100,000) * 39.00%

Lake Utility Services, Inc.
Earned Rate of Return Rates Prior to Docket 960444-WU
Year End Rate Base
December 31, 1997

Docket No. 960444-WU
Exhibit ___ (HL-1)
Schedule 3
Witness Hugh Larkin Jr.

Line No.	Description	Amount
	Income Statement	
1	Operating Revenues	$442,685
2	Operating Expenses	260,474
3	Depreciation Expense	35,497
4	Taxes Other Than Income	60,131
5	Operating Expenses Before Income Tax	$356,102
6	Operating Income Before Income Tax	86,583
7	Income Tax	10,057
8	Net Income	$76,526
	Year End Rate Base	
9	Utility Plant in Service	$2,756,793
10	Accumulated Depreciation	(274,883)
11	Accumulated Amortization of Plant	(12,946)
12	C.I.A.C.	(2,022,629)
13	Accumulated Amortization of C.I.A.C.	202,376
14	Advances for Construction	(38,400)
15	Working Capital Allowance	32,559
16	Total Rate Base	$642,870
	Earned Rate of Return	
17	Net Income Before Income Tax	$86,583
18	Income Tax	10,057
19	Net Income (Line 9)	$76,526
20	Rate Base (Line 17)	642,870
21	Overall Rate of Return	11.90%
22	Overall Rate of Return	11.90%
23	Less Weighted Cost of Debt	5.17%
24	Weighted Cost of Equity	6.73%
25	Equity Ratio	43.50%
26	Achieved Return on Equity	15.48%
	Tax Calculation	
27	Rate Base	$642,870
28	Weighted Cost of Debt	5.17%
29	Interest Expense	$33,236
30	Operating Income Before Income Tax	$86,583
31	Less Interest Expense	(33,236)
32	Taxable Income	$53,347
33	State Income Tax (5% amount over $5,000)	2,417
34	Federal Taxable Income	$50,929
35	Federal Income Tax Rate	15.00%
36	Federal Income Tax	$7,639
37	State Income Tax	2,417
38	Total Income Tax	$10,057

Lake Utility Services, Inc.
Water Utility Expense Accounts

Docket No. 960444-WU
Exhibit ___ (HL-1)
Schedule 4
Witness Hugh Larkin Jr.

Line No.	Acct. No.	Account Name	31-Dec-94	31-Dec-95	31-Dec-96	31-Dec-97
1	601	Salaries and Wages - Employees	$39,177	$84,681	$116,615	$91,809
2	603	Salaries and Wages - Officers, Directors and Majority Stockholders				
3	604	Employee Pensions and Benefits	12,953	14,512	26,732	19,854
4	610	Purchased Water				
6	616	Fuel for Power Purchased				
7	618	Chemicals	4,191	7,131	11,182	11,180
8	620	Materials and Supplies	41,800	41,476	40,902	44,772
9	631	Contractual Services - Eng.	32	53	62	27
10	632	Contractual Services - Acct.	540	754	1,162	1,348
11	633	Contractual Services - Legal	2,648	203	255	780
11	634	Contractual Services - Management Fees	3,540	798	584	349
13	635	Contractual Services - Other	1,965	3,261	3,217	5,663
14	641	Rental of Building/Real Property				
15	642	Rental of Equipment				
16	650	Transportation Expenses	3,366	3,646	1,869	5,424
17	656	Insurance - Vehicle				
18	657	Insurance - General Liability				
19	658	Insurance - Workman's Compensation				
20	659	Insurance - Other	6,441	7,651	8,934	7,606
21	660	Advertising Expense				
22	666	Regulatory Commission Expenses Amortization of Rate Case Expense	563	815	1,223	
23	667	Regulatory Commission Expenses Other				
24	670	Bad Debt Expense	310	258	537	1,085
25	675	Miscellaneous Expenses	7,568	12,689	15,937	18,135
26		Total Water Utility Expenses	$125,094	$177,928	$229,211	$208,032
27		Number of Customers	737	920	1,234	1,518
28		Expenses Per Customer	$170	$193	$186	$137
29		1995 Expenses Based Upon 1997 Expenses Per Customer		$126,080		
30		Adjustment to Test Year Expenses		$51,848		

<u>CERTIFICATE OF SERVICE</u>
DOCKET NO. 960444-WU

I HEREBY CERTIFY that a correct copy of the Rebuttal Testimony of Hugh Larkin, Jr. has been furnished by U.S. Mail or hand-delivery to the following party representatives on this 13th day of August, 1998.

Richard D. Melson
Hopping, Boyd, Green & Sams
123 South Calhoun Street
P.O. Box 6526
Tallahassee, FL 32314

Tim Vaccaro
Division of Legal Services
Fla. Public Service Commission
2740 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Lake Utility Services, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714-4027

Harold McLean