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January 4, 1999

RECEIVED
JAN 11 1999
COMMUNICATIONS SECTION

Ms. Blanca S. Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Lake Utility Services, Inc. -- Docket No. 960444-WU

Dear Ms. Bayo:

Enclosed for filing on behalf of Lake Utility Services, Inc. are the original and fifteen copies of its Direct Testimony of Carl Wenz and Donald Rasmussen.

By copy of this letter, these documents are being furnished to the parties on the attached service list.

Very truly yours,

Richard D. Melson

Richard D. Melson

ACK _____
AFA 1
APP _____
CAF _____
CMU RDM/kcg
Enclosures
CTR cc: Parties of Record
EAG _____
LEG 1
LIN 3 to go
OPC _____
RCH _____
SEC 1
WAS Willis
OTH _____

RECEIVED & FILED
[Signature]
FPSC BUREAU OF RECORDS

Wenz
DOCUMENT NUMBER-DATE
00050 JAN-4 99
FPSC-RECORDS/REPORTING

Rasmussen
DOCUMENT NUMBER-DATE
00051 JAN-4 99
FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following by hand delivery this 4th day of January, 1999.

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

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

Tim D. Rose

Attorney

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

CARL WENZ

ON BEHALF OF

LAKE UTILITY SERVICES, INC.

DOCKET NO. 960444-WU

JANUARY 4, 1999

DOCUMENT NUMBER-DATE

00050 JAN-4 8

FPSC-RECORDS/REPORTING

1 **Q. Please state your name and business address.**

2 A. My name is Carl Wenz. My business address is 2335 Sanders Road, Northbrook,
3 Illinois 60062.

4

5 **Q. What is your occupation?**

6 A. I am the Vice President of Regulatory Matters for Utilities, Inc. and all of its
7 subsidiaries, including Lake Utility Services, Inc. ("LUSI").

8

9 **Q. Please state your professional and educational experience.**

10 A. I have been employed by Utilities, Inc. since 1984. Utilities, Inc. owns water and/or
11 wastewater utilities in fifteen states. Over the last twelve years I have been involved
12 in all phases of the regulatory process. I have testified on numerous aspects of utility
13 regulation, including cost of service, rate design, and cost of capital. I have testified
14 before the Commissions in several states, including Florida, Maryland, Nevada, North
15 Carolina, South Carolina, Louisiana, Illinois and Indiana. In my present position I am
16 responsible for all aspects of utility commission regulation for the group of 65
17 subsidiaries of Utilities, Inc.

18

19 I am a Certified Public Accountant and hold a Bachelors Degree in Business
20 Administration from Western Michigan University. I have attended several utility
21 regulation seminars sponsored by NARUC and Arthur Andersen LLP. For the last
22 five years I have been on the faculty of the Eastern Utility Rate School which is
23 sponsored by the NARUC Water Committee and Florida State University.

24

25 **Q. Please explain your responsibilities with Utilities, Inc.**

1 A. My responsibilities encompass all aspects of utility commission regulation in the
2 fifteen states where Utilities, Inc. operates. These duties include preparation of rate
3 case applications, developing and delivering testimony before utility commissions,
4 territory expansions, utility system transfers, participation in rulemaking proceedings,
5 and keeping apprised of industry trends and current events.

6

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is generally to support the utility's application for rate
9 relief and specifically to address the five issues that remain for decision by the
10 Commission in this docket. These are:

- 11 • the appropriate amount of plant in service
- 12 • the appropriate amount of contributions-in-aid-of-construction (CIAC)
- 13 • the appropriate return on equity
- 14 • the appropriate level of service availability charges
- 15 • fall-out issues, including accumulated depreciation, revenue requirement and
16 rates

17

18 In addition, I will provide some background information on the utility and will
19 describe the lengthy history of this proceeding.

20

21 **Q. Are you sponsoring any exhibits in this proceeding?**

22 A. Yes. I am sponsoring the revised accounting minimum filing requirements (MFRs)
23 and Billing Analysis for the test year ending December 31, 1995 that were submitted
24 to the Commission on July 9, 1996. In addition, I am sponsoring the volume of Cost
25 Allocation materials that was submitted to the Commission on June 3, 1996.

1 I have also prepared and attached to my testimony the following revised financial
2 schedules:

- 3 • Exhibit ___ (CW-1) Schedule of Water Rate Base
- 4 • Exhibit ___ (CW-2) Adjustments to Rate Base
- 5 • Exhibit ___ (CW-3) Statement of Water Operations
- 6 • Exhibit ___ (CW-4) Adjustments to Operating Statements
- 7 • Exhibit ___ (CW-5) Rate Schedules

8

9 These revised schedules reflect LUSI's water rate base and operations for the 1995
10 test year after taking into account: (1) the portions of the the PAA Order issued in
11 May, 1997 (the "First PAA Order") which were not protested by LUSI or any other
12 party, and hence are deemed to be stipulated; (2) the portions of the PAA Order
13 issued in May, 1998 (the "Second PAA Order") which were not protested by the
14 Office of Public Counsel or any other party, and hence are deemed to be stipulated;
15 and (3) LUSI's positions on the issues that remain for decision by the Commission.

16

17 ***Background***

18

19 **Q. Please describe LUSI's current service territory.**

20 **A.** LUSI is a water only utility and is a wholly-owned subsidiary of Utilities, Inc.
21 Utilities, Inc. began serving a portion of Lake County in 1982 when another one of its
22 subsidiaries, Utilities, Inc. of Florida, purchased a water utility serving an area south
23 of the City of Clermont. Between 1984 and 1991, the utility acquired a number of
24 small systems in Lake County and extended its service territory to reach additional
25 areas. In 1991, the corporate structure was reorganized, and all of the systems in

1 Lake County were brought under Lake Utility Services, Inc. Today, LUSI provides
2 water service to 18 subdivisions in Lake County through twelve water plants.

3

4 **Q. Are any of these systems interconnected?**

5 A. Yes. LUSI began a program in 1992 to interconnect the ten plants in the South
6 Clermont area. By 1995, these ten plants had been interconnected to form four
7 separate systems:

- 8 • Oranges-Vistas consisting of two interconnected plants
- 9 • Clermont I-Amber Hill-Lake Ridge Club consisting of three interconnected
10 plants
- 11 • Highland Point-Crescent Bay-Crescent West-Lake Crescent Hills consisting of
12 four interconnected plants
- 13 • Clermont II consisting of a stand-alone plant

14

15 In addition, LUSI operates two other systems in Lake County which are located at
16 some distance from South Clermont and are not candidates for interconnection:

- 17 • Lake Saunders Acres consisting of a stand-alone plant
- 18 • Four Lakes/Harbor Oaks consisting of a stand-alone plant

19

20 **Q. Why did LUSI undertake this interconnection program?**

21 A. There were several reasons. First, Florida Department of Environmental Protection
22 (DEP) Rule 62-555.315 limits to one hundred fifty the number of connections that
23 can be served by a single well. Adding a second well to serve a small development
24 that grows larger than 150 connections can be quite costly. By interconnecting
25 nearby systems, however, two or more wells can be combined to serve a greater

1 number of customers in a reliable and efficient manner. This enables the utility not
2 only to serve growth in existing areas in the most cost-effective manner possible, but
3 also provides a base to support extensions to serve nearby areas requiring service at a
4 reasonable cost. This in turn has enabled developers to continue to develop new
5 subdivisions in the desirable Clermont area.

6
7 Second, DEP identified numerous residential well sites scattered throughout the area
8 south of Clermont that had become contaminated from citrus fumigants. The
9 contamination left several homes without potable water. As a stop-gap measure, the
10 State was providing filters and disinfecting systems for these wells. The residences
11 affected were in close proximity to LUSI's facilities. By extending facilities to serve
12 these residences, LUSI provided a safe, clean source of water and a long-term
13 solution to the contamination problem.

14
15 Third, there was a need for a central water system to serve residences in areas around
16 the subdivisions served by LUSI. Many of the residences are located along mains that
17 LUSI had installed to serve new developments and residences with contaminated
18 wells.

19
20 *History of this Case*

21
22 **Q. In an earlier answer, you mentioned two PAA orders that were previously**
23 **issued in this docket. Before we turn to the merits of the issues that remain for**
24 **decision by the Commission, would you please summarize the procedural**
25 **history of this case?**

1 A. This case has a long and complicated history, and actually begins with activity in an
2 earlier docket. On February 8, 1995, the Commission staff sent a letter to LUSI
3 requesting that the utility file a rate restructuring application within 60 days for the
4 purpose of implementing uniform rates for the four systems in the South Clermont
5 area. Although LUSI wanted to postpone any rate proceeding until its
6 interconnection project was complete, LUSI acquiesced to the staff's request and filed
7 an application for a limited proceeding to restructure rates on February 27, 1995 in
8 order to make the monthly rates uniform for these systems. The Commission issued a
9 PAA Order in the limited proceeding on October 5, 1995 and LUSI filed a timely
10 protest. On March 4, 1996, LUSI filed an offer of settlement which was adopted by
11 the Commission in Order No. PSC-96-0504-AS-WU issued April 12, 1996 (the
12 "Limited Proceeding Final Order").

13
14 Under the settlement approved in the Limited Proceeding Final Order, LUSI agreed
15 to file a rate case by June 1, 1996 which would include uniform rates and uniform
16 service availability charges for the four systems in the South Clermont area. The staff
17 calculated uniform rates which would be implemented on the same date that interim
18 rates became effective in the new rate case and would be used as the base from which
19 to make interim rate calculations.

20
21 **Q. Did LUSI follow-through on its obligations under the Limited Proceeding Final**
22 **Order?**

23 A. Yes, on June 3, 1996, LUSI filed its application for a rate increase in this docket based
24 on a historical 1995 test year and requested that the application be processed using
25 the Commission's PAA procedures. In that application, LUSI requested uniform rates

1 and service availability charges for all of its systems in Lake County, including the
2 four systems covered by the Limited Proceeding Final Order as well as Four
3 Lakes/Harbor Oaks and Lake Saunders Acres. Because these latter two systems had
4 not been included in the Limited Proceeding Final Order, the rates for these systems
5 were not made uniform at the interim rate stage of this case. The interim rates for
6 Four Lakes/Harbor Oaks are slightly lower than the uniform interim rates, and the
7 interim rates for Lake Saunders Acres are substantially higher.

8

9 **Q. What happened next?**

10 A. On May 9, 1997, the Commission entered PAA Order No. PSC-96-0531-FOF-WU
11 (the "First PAA Order") approving in part and denying in part LUSI's application for
12 increased rates and charges. LUSI filed a timely protest to this order. That protest
13 challenged seven specific issues:

- 14 • proposed finding regarding quality of service
- 15 • proposed amount of utility plant in service
- 16 • proposed amount of non used and useful plant
- 17 • proposed amount of CIAC
- 18 • proposed amount of rate case expense
- 19 • fall-out issues to the extent affected by the foregoing
- 20 • proposed service availability charges

21

22 This case was proceeding toward hearing, with prefiled testimony submitted by LUSI,
23 intervenor Office of Public Counsel (OPC), and the Commission staff.

24

25 Based on additional information filed by the utility, and on the utility's responses to

1 discovery requests and depositions, the testimony prefiled by the Commission staff in
2 September, 1997, supported rates which were higher than those contained in the First
3 PAA Order, although still lower than the utility's original rate request.

4

5 In an effort to avoid the time and expense of further litigation, LUSI filed an Offer of
6 Settlement that offered to accept the final rates contained in staff's testimony. The
7 utility then attempted over a period of several months to negotiate with OPC to
8 accept the settlement proposal, or some variation thereof. When those negotiations
9 were not productive, the staff presented the Offer of Settlement to the Commission in
10 April, 1998 and the Commission issued its Notice of Proposed Agency Action Order
11 Accepting Settlement Offer (the "Second PAA Order") on May 18, 1998.

12

13 **Q. Did the issuance of the Second PAA Order conclude this case?**

14 A. No. The OPC protested the Second PAA Order and identified a number of issues,
15 including issues that go beyond the scope of what was decided in the Second PAA
16 Order. After the protest was filed, the utility continued to attempt to negotiate a
17 settlement with OPC but those negotiations reached an impasse on August 27, 1998.

18

19 **Q. What did LUSI do when impasse was reached?**

20 A. When impasse was reached, LUSI filed a "Notice of Withdrawal of Offer of
21 Settlement and Notice of Withdrawal of Protest of PAA" in which the utility
22 attempted to exercise its right to allow the First PAA Order to become effective and
23 final on the date of the notice.

24

25 **Q. What happened next?**

1 A. After hearing argument from counsel for LUSI and OPC at an agenda conference in
2 November, 1998, the Commission ruled that LUSI would not be permitted to
3 withdraw its settlement offer, and that this case should proceed to hearing on OPC's
4 protest of the Second PAA Order. This decision was set forth in the Order Rejecting
5 Withdrawal of Settlement Offer and Withdrawal of Protest dated November 25, 1998
6 (the "Order Rejecting Withdrawal"). This was followed by a revised procedural order
7 setting the case for hearing in March, 1999. After these orders were issued, LUSI
8 met for one final time with OPC in an unsuccessful attempt to reach a settlement.

9
10 **Q. In describing the purpose of your testimony, you listed five issues that remain
11 for resolution by the Commission. How did you identify these issues?**

12 A. I identified these issues by reading the Order Rejecting Withdrawal. In that order the
13 Commission discussed the history of this docket and the considered the combined
14 effect of LUSI's protest of the First PAA Order, OPC's protest of the Second PAA
15 Order, and Section 120.80(13)(b), Florida Statutes, on the issues in this case. (See
16 Order on Withdrawal, pages 3-5.) The Commission determined that OPC's protest of
17 the Second PAA Order could challenge only issues that were within the scope of that
18 order. Thus the Commission held that the only issues on the table at this time are:
19 plant in service; CIAC; fall-out issues, including accumulated depreciation and
20 revenue requirement; service availability charges; and return on equity. (See Order
21 Rejecting Withdrawal, page 5.)

22

23 *Plant in Service*

24

25 **Q. What is the appropriate amount for plant in service to be used in determining**

1 **LUSI's revenue requirement?**

2 A. The appropriate total simple average amount of plant in service for the 1995 test year
3 is \$1,875,536. This is the "total company" plant in service balance that was
4 calculated in the earlier prefiled direct testimony of Patricia Merchant; that was
5 proposed by the utility in its Offer of Settlement; and that is shown on page 13 of the
6 Second PAA Order. This amount is lower than the amount requested in the utility's
7 initial MFRs as a result of several adjustments proposed by the staff auditors,
8 endorsed by Ms. Merchant, and accepted by the utility. LUSI also supports fixing the
9 individual account balances of plant in service at December 31, 1995 at the amounts
10 that were calculated by Ms. Merchant and are contained in the schedules attached as
11 pages 14 to 18 of the Second PAA Order.

12

13 ***Contributions in Aid of Construction (CIAC)***

14

15 **Q. What is the appropriate amount of CIAC to be deducted from rate base in**
16 **determining LUSI's revenue requirement?**

17 A. The appropriate simple average CIAC balance for the 1995 test year is \$1,022,766.
18 This is the amount that had been calculated by staff at the time the Offer of Settlement
19 was filed and that was proposed by the utility in its Offer of Settlement. This amount
20 is higher (i.e. results in less rate base) than the amount requested in the utility's initial
21 MFRs. It represents the effect of several adjustments proposed by the staff auditors,
22 endorsed by Ms. Merchant, and accepted by the utility.

23

24 ***Fall-Out Issues -- Accumulated Depreciation***

25

1 **Q. What is the appropriate amount of accumulated depreciation to be used in**
2 **determining LUSI's revenue requirement?**

3 A. The appropriate total simple average balance of accumulated depreciation for the
4 1995 test year is \$197,040. This is the "total company" accumulated depreciation
5 balance that was calculated in the earlier prefiled direct testimony of Patricia
6 Merchant; that was proposed by the utility in its Offer of Settlement; and that is
7 shown on page 19 of the Second PAA Order. This amount is higher (i.e. results in a
8 lower rate base) than the amount requested in the utility's initial MFRs as a result of
9 several adjustments proposed by the staff auditors, endorsed by Ms. Merchant, and
10 accepted by the utility. LUSI also supports fixing the individual account balances of
11 accumulated depreciation at December 31, 1995 at the amounts that were calculated
12 by Ms. Merchant and are contained in the schedules attached as pages 20 to 24 of the
13 Second PAA Order.

14

15 *Cost of Equity*

16

17 **Q. What is the appropriate cost of equity to be used in determining LUSI's revenue**
18 **requirement?**

19 A. The appropriate cost of equity is 11.61%, plus or minus 1%. This is the amount
20 produced by the leverage graph in effect at the time of the utility's Offer of Settlement
21 and is the amount approved by the Commission in the Second PAA Order.

22

23 *Fall-Out Issue -- Revenue Requirement and Rates*

24

25 **Q. Based on the matters determined by the Commission's previous orders in this**

1 **docket, and by the resolution of the issues discussed above, what are the**
2 **appropriate revenue requirement and rates for LUSI?**

3 A. The appropriate 1995 test year revenue requirement is \$336,767, which represents an
4 annual increase in revenue of \$78,323, or 30.31%. This is the amount proposed in
5 the utility's Offer of Settlement and accepted by the Commission in the Second PAA
6 Order. Since the only items still at issue in this case that affect revenue requirement --
7 the appropriate cost of equity and the appropriate plant in service, CIAC and
8 accumulated depreciation balances -- have not changed since the utility's offer of
9 settlement, there is no "fall-out" effect on the rates or revenue requirement. Based on
10 the number of customers during the 1995 test year and their use of water during the
11 test year, this revenue requirement translates into the rates proposed in the utility's
12 Offer of Settlement and accepted by the Commission in the Second PAA Order.
13 These rates are shown on Exhibit ____ (CW-5).

14
15 **Q. Since the Second PAA Order did not determine the amount of non used and**
16 **useful plant, how did you develop the revenue requirement figure?**

17 A. The Offer of Settlement reflected a compromise agreement on an number of contested
18 issues raised by the utility's protest of the First PAA Order. While the utility was able
19 to agree for settlement purposes to a revenue requirement and resulting rates, the
20 utility could not and did not agree to the specific used and useful methodology or
21 calculations performed by the staff as a basis for developing the rates and revenue
22 requirement. (See paragraph 6 of the Offer of Settlement at page 11 of the Second
23 PAA Order.) The revenue requirement was calculated by using -- solely for purposes
24 of calculation -- a non used and useful amount of \$264,111 as shown on Exhibit ____
25 (CW-1).

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Q. Is the amount of used and useful plant on the table for determination by the Commission at this time?

A. No. The Commission stated at pages 4-5 of the Order Rejecting Withdrawal that "because LUSI's settlement offer specifically excluded the protested issues of used and useful and quality of service, and because [the Second PAA Order] resolved the first PAA Order, those issues cease to exist in this docket." The Commission went on to specifically rule that "OPC is precluded from raising these issues, because they go beyond the scope of Order No. PSC-98-0683-AS-WU." (Order Rejecting Withdrawal, page 5.)

Q. Based on these rulings, what non used and useful amount should be used for purposes of the revenue requirements calculation?

A. Under the circumstances, the Commission should use the same figure (i.e. \$264,111) that was used to develop the rates and revenue requirement reflected in the Offer of Settlement. However, consistent with the offer and with the Second PAA Order, the Commission should make it clear that this amount is being used for calculation purposes only, and does not represent a Commission determination of the proper amount of non used and useful plant. If the used and useful issue were on the table for determination in the upcoming hearings, LUSI would have submitted testimony of Mr. Seidman that supports a non used and useful figure of only \$17,265 when applied to test year plant in service balances. This in turn would result in a significant increase in test year revenue requirement and therefore in the required rates.

Q. What are the appropriate service availability charges for LUSI?

1 A. The appropriate service availability charges consist of a main extension charge of
2 \$600 per equivalent residential connection (ERC) and a plant capacity charge of \$600
3 per ERC, for a total charge of \$1,200. These were the amounts contained in the
4 utility's Offer of Settlement, and supported by the staff at that time.

5
6 **Q. Does that conclude your direct testimony?**

7 A. Yes, that concludes my direct testimony on the issues that remain for Commission
8 determination as set out in the Order Rejecting Withdrawal.

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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	ADDITIONAL ADJUSTMENTS	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

*This amount is included for calculation purposes only. It does not represent the utility's position as to an appropriate non-used and useful amount.

LAKE UTILITY SERVICES, INC.
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED 12/31/95

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

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>

*This amount is included for calculation purposes only.
 It does not represent the utility's position as to an
 appropriate non-used and useful adjustment.

LAKE UTILITY SERVICES, INC.
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-A
DOCKET NO. 960444-WU

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	ADDITIONAL ADJUSTMENTS	ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	339,294	107,888	447,182	(188,738)	258,444	78,323	336,767
OPERATING EXPENSES:						30.31%	
2 OPERATION AND MAINTENANCE	218,965	27,767	246,732	(10,024)	236,708 \$		236,708
3 DEPRECIATION (NET OFF CIAC AMOR.)	29,578	(1,724)	27,854	(15,452)	12,402		12,402
4 ACQ. ADJ. AMORTIZATION	(2,175)	0	(2,175)	2,175	0		0
5 TAXES OTHER THAN INCOME	35,332	8,252	43,584	(12,219)	31,365	3,525	34,890
6 INCOME TAXES	9,066	11,708	20,774	(36,902)	(16,128)	28,147	12,018
7 TOTAL OPERATING EXPENSES	290,766	46,003	336,769	(72,421)	264,348	31,671	296,019
8 OPERATING INCOME	48,528	61,885	110,413	(116,317)	(5,904)	46,652	40,748
9 RATE BASE	1,078,196		1,078,196		403,442		403,442
RATE OF RETURN	4.50%		10.24%		-1.46%		10.10%

LAKE UTILITY SERVICES, INC.
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-B
DOCKET NO. 960444-WU

EXPLANATION	WATER
OPERATING REVENUES	
a) To reverse utility's proposed revenue increase	\$ (133,236)
b) To remove AFPI charges (Audit Exception No. 10)	\$ (32,912)
c) To remove Advances booked as revenue (Audit Exception No. 12)	\$ (35,000)
d) Calculation of correction for the MFRs	\$ 10,765
e) To reflect billing adjustment	\$ 1,645
	<u>\$ (188,738)</u>
O & M EXPENSES	
a) To reduce expenses of power and chemical for unaccounted for water	\$ (3,048)
b) To reflect repression adjustment	\$ (3,254)
c) To reflect annual amortization of legal fees, LUSI vs Clermont	\$ 11,474
d) To reflect adjustment to rate case expense	\$ (13,429)
e) To remove non-utility insurance premium per Audit Exception No. 6	\$ (741)
f) To remove refundable security deposit per audit Exception No. 8	\$ (275)
g) To reduce unsupported expenses per Audit Exception No.9	\$ (751)
	<u>\$ (10,024)</u>
DEPRECIATION EXPENSE NET OFF CIAC AMORTIZATION	
* a) To reflect the effect of adjustment to plant in service	\$ (11,395)
* b) To adjust depr. exp. for non-u&u	\$ (8,423)
@ c) To reflect adjustment to CIAC per Audit Exception No. 12	\$ 4,949
* d) To amortize imputation of CIAC on margin reserve	\$ (583)
* e) To reflect the effect of imputation of CIAC on Vistas's water plant	\$ 0
	<u>\$ (15,452)</u>
AMORTIZATION OF ACQUISITION ADJUSTMENT	
To remove amort. exp. associated with incorrectly recorded acq. adj.	<u>\$ 2,175</u>
TAXES OTHER THAN INCOME TAXES	
a) To remove RAFs related to revenue adjustments	\$ (7,497)
b) To remove tax bill unrelated to utility property per Audit Exception No. 5	\$ (1,481)
* c) To remove property taxes for non-used & useful plant	\$ (1,709)
d) To remove payroll taxes associated with capitalized salaries	\$ (1,532)
	<u>\$ (12,219)</u>
INCOME TAXES	
Income taxes associated with adjusted test year income	<u>\$ (36,902)</u>
OPERATING REVENUES	
To reflect recommended revenue requirement	<u>\$ 78,323</u>
TAXES OTHER THAN INCOME TAXES	
To reflect adjustment to RAFs due to revenue change	<u>\$ 3,525</u>
INCOME TAXES	
Income tax related to revenue requirement	<u>\$ 28,147</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						
<i>CRESCENT BAY, PRESTON COVE, SOUTH CLERMONT REGION AND ALL FUTURE AREAS SERVED</i>						
Residential	Rates Prior to Filing	Rates Approved In Settlement	Commission Approved Interim	Utility Requested Final	Utility Proposed Final Rates	
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	
Gallage 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	
Gallage 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	Utility Proposed Final Rates
Base Facility Charge:					
Meter Size:					
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	Utility Proposed Final Rates
Base Facility Charge:				
<u>Meter Size:</u>				
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
Gallonage 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
 COUNTY: LAKE
 RATE SCHEDULE - MONTHLY WATER RATES (BI-MONTHLY BILLING CYCLE)
 TEST YEAR ENDING: DECEMBER 31, 1995

SCHEDULE NO. 4-D
 DOCKET NO. 960444-WU

LAKE SAUNDERS ACRES

Residential and General Service	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Utility Proposed Final Rates
Base Facility Charge:				
Meter Size:				
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
Gallonge 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

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>UTILITY'S FINAL PROPOSAL</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: (If lines constructed by the utility)	\$608.09	\$608.09	Pursuant to PAA Order
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED: (If lines contributed to utility)	\$299.97	\$299.97	\$0.00