



Public Service Commission

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RECORDS AND REPORTING

DATE: MARCH 4, 1999

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

FROM: DIVISION OF WATER AND WASTEWATER (MERCHANT, BINFORD, RENDELL)
DIVISION OF LEGAL SERVICES (VACCARO)

RE: DOCKET NO. 960444-WU - APPLICATION FOR RATE INCREASE AND FOR INCREASE IN SERVICE AVAILABILITY CHARGES IN LAKE COUNTY BY LAKE UTILITY SERVICES, INC.
COUNTY: LAKE

AGENDA: MARCH 16, 1999 - REGULAR AGENDA - DECISION ON SETTLEMENT AGREEMENT PRIOR TO HEARING - INTERESTED PERSONS MAY PARTICIPATE - ALL ISSUES FINAL EXCEPT ISSUE 4 WHICH IS PAA

CRITICAL DATES: 8-MONTH EFFECTIVE DATE: February 8, 1999 - UTILITY HAS NOT PLACED REQUESTED RATES INTO EFFECT.

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\960444SA.RCM

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

DOCUMENT NUMBER-DATE

02942 MAR-89

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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, LUSI is in a water conservation area.

The utility filed this application for a rate increase on June 3, 1996. Staff notified the utility of several deficiencies in the filing. 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 three five-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. 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. Pending the Commission's review of the utility's offer of settlement, LUSI filed three eight-month statutory time extensions. By PAA Order No. PSC-98-0683-AS-WU, issued May 18, 1998, the Commission accepted LUSI's settlement offer. OPC opposed the settlement at the time of the Commission's consideration of that matter. On June 8, 1998, OPC filed a petition on PAA, protesting Settlement Order No. PSC-98-0683-AS-WU and requesting a hearing on its protest. As a result of OPC's

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protest of Order No. PSC-98-0683-AS-WU, this matter was scheduled to proceed to hearing on September 15-16, 1998.

Following OPC's protest, the parties attempted to settle this case in lieu of proceeding to a hearing. During settlement negotiations, review of data presented in LUSI's 1997 annual report suggested that LUSI may be overearning under the interim rates set in this docket, due to increased customer growth. Settlement negotiations reached a stalemate, and, as a result, on August 27, 1998, LUSI filed a Notice of Withdrawal of Offer of Settlement and Notice of Withdrawal of Protest of PAA. By its notice, LUSI indicated its intent to withdraw its September 17, 1997 settlement offer and to withdraw its May 30, 1997 petition on PAA, by which it protested Order No. PSC-97-0531-FOF-WU. Following LUSI's notice of withdrawal, a Prehearing Conference was held on August 31, 1998.

At the Prehearing Conference, the Prehearing Officer continued that proceeding, pending Commission review of LUSI's notice of withdrawal. The Chairman's office postponed further action in this docket, and by Order No. PSC-98-1582-PCO-WU, issued November 25, 1998, the Commission rejected LUSI's notice of withdrawal based on OPC's protest of Order No. PSC-98-0683-AS-WU. By Order No. PSC-98-1622-PCO-WU (Order Revising Order Establishing Procedure), issued December 4, 1998, new procedural dates were scheduled, including dates for filing testimony and prehearing statements. The prehearing conference and hearing dates were rescheduled for March 1, 1999 and March 10-11, 1999, respectively.

On February 2, 1999, OPC filed a Motion to Dismiss LUSI's application for increased rates and increased service availability charges. On February 16, 1999, the Commission rejected OPC's motion. On February 25, 1999, the Citizens of the State of Florida (Citizens), through OPC, and LUSI filed a settlement agreement in this matter. As a result, the prehearing and hearing dates were canceled. This recommendation addresses the parties' settlement agreement, a copy of which is attached as Attachment 1.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept the February 25, 1999, settlement agreement filed by Lake Utility Services, Inc. and the Office of Public Counsel?

RECOMMENDATION: Yes. The Commission should accept the parties' settlement agreement. However, provision 5 of the settlement is unenforceable against future actions of the Commission. (VACCARO, MERCHANT, RENDELL)

STAFF ANALYSIS: Based on the parties' desire to settle this docket, and avoid the time, expense, and risk of further litigation, LUSI and OPC filed a settlement agreement with the Commission. The settlement agreement is reflected in Attachment A-1 at the back of this recommendation. Given the amount of time that has elapsed since this case was filed and on LUSI's expectation to make approximately \$1.2 million in capital investments during the period 1999-2000, the parties have agreed, in pertinent part, to the following:

1) Effective for the first meter reading after approval of its tariffs, LUSI agrees to implement uniform rates shown on attachment A of the settlement. For a 5/8-inch by 3/4-inch meter, LUSI will implement a base facility charge of \$5.91 and a gallonage charge of \$0.68 per 1,000 gallons;

2) Within 90 days following implementation of its new rates, LUSI agrees to refund to customers with interest the difference between the interim rates approved in this docket and LUSI's previously authorized rates;

3) LUSI will collect allowance for funds prudently invested charges in the amounts and for the number of connections as set forth on pages 43-45 of Order No. PSC-97-0531-FOF-WU;

4) Upon approval of its tariffs, LUSI will reduce its service availability charges to a plant capacity and main extension charge of \$270 each per equivalent residential connection (ERC);

5) Neither LUSI, Citizens nor **the Commission** (emphasis added) will institute any proceeding to change the rates or charges set forth in the settlement agreement, or to place any rates or charges subject to refund, based on information related to any period earlier than an historical 1999 test year; and that if LUSI makes at least \$525,000 in capital investments during the calendar

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year 1999, proceedings to change rates or charges shall not be initiated based on information earlier than an historical 2000 test year;

6) The parties accept the individual account balances of plant in service and accumulated depreciation at December 31, 1995, as shown on Exhibits PWM-1 and PWM-2 of the prefiled testimony of staff witness Patricia W. Merchant, and contained on Attachment B of the settlement;

7) The parties agree that the settlement is a complete resolution of Docket No. 960444-WU, and, except as specifically provided therein, Orders Nos. PSC-97-0531-FOF-WU and PSC-98-0683-AS-WU are deemed withdrawn, having no further force or effect;

8) The settlement shall become null and void unless accepted in its entirety.

Staff believes that the Commission should accept the parties' settlement as a reasonable resolution of this matter. We do, however, have concern regarding certain wording of the parties' settlement in provision 5, but, as discussed later in this analysis, staff does not believe that our concern is sufficient to warrant denial of the settlement by the Commission.

This case has been pending since 1996 and has been problematic from the beginning. Given the amount of time that has elapsed, the customer growth and the less than satisfactory quality of the utility's books and records during the rate proceeding, staff believes that this settlement is prudent for the Commission to accept, as well as all of the parties to this proceeding. LUSI has agreed to lower rates and service availability charges below those that were in effect prior to the rate case. LUSI has also agreed to refund all interim rates collected since 1996. However, both of these reductions were agreed to by the utility, with the provision that rates and charges would not be changed again before a 1999 test year, with an additional year added on if the utility invests in a substantial amount of plant in 1999.

This is not the first time that the Commission has ruled on a settlement agreement which includes language purporting to restrict the Commission's actions. By Order No. PSC-94-0172-FOF-TL, issued in February 11, 1994 in Dockets Nos. 920260-TL, 910163-TL, 910727-TL, 900960-TL and 911034-TL, the Commission approved a settlement agreement between OPC and Southern Bell, which resolved issues regarding Southern Bell's earnings and revenue requirement. In that Order, the Commission noted that certain provisions of the

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settlement purported to require the Commission to act, to refrain from acting or to otherwise restrict its actions in some manner. However, at page five of that Order, the Commission stated that such provisions generally must fail as a matter of law. "See, e.g., United Telephone Company v. Public Service Commission, 496 So. 2d 116, 118 (Fla. 1986), (parties to a contract cannot confer jurisdiction). Similarly, parties cannot by contract or agreement . . . limit our jurisdiction."

Further at page five, the Commission indicated that it had an ongoing responsibility under Chapter 364, Florida Statutes, to ensure that Southern Bell's rates charges and practices were fair, just and reasonable, and stated:

When we approve a stipulation between parties, the provisions of the stipulation become part of our order. However, we cannot by our own order, require or preclude a future Commission from carrying out its mandate. This is analogous to the principle that in adopting legislation, the legislature is not bound by actions of prior legislatures nor can it bind future legislatures.

Likewise, the Commission has an ongoing responsibility under Section 367.081, Florida Statutes, to ensure that LUSI's rates are fair just and reasonable. Therefore, the parties cannot limit the Commission's jurisdiction by way of a settlement agreement.

Citing to a previous order, the Commission also indicated at page six of its Order that, even if it so desired, it cannot be bound to a specific course of action by stipulation, stating:

[W]e do not possess the legal capacity of a private party to enter into contracts covering our statutory duties. Indeed, we cannot abrogate -- by contract or otherwise -- our authority to assure that our mandate from the Legislature is carried out. As a result, we may not bind the Commission to take or forego action in derogation of our statutory obligations.

See Order No. 22352, issued December 29, 1989 in Docket No. 890216-TL.

Nevertheless, the Commission determined that the specific provisions in OPC's and Southern Bell's settlement agreement were "not fatal flaws; they are simply unenforceable against the Commission and are void ab initio. The parties cannot give away or obtain that for which they have no authority" Order No. PSC-94-

0172-FOF-TL at page six. Therefore, the Commission accepted the parties' settlement agreement but indicated that if it were required to alter the provisions it was accepting, such changes could be the basis for a party to the settlement to abrogate the prospective portions of the agreement. Likewise, staff believes that the Commission can approve OPC's and LUSI's settlement in this same manner.

However, given the factors in this case (Docket No. 960444-WU), staff believes that the risk of continued overearning in 1999 and 2000 is clearly minimized. If LUSI, as it has projected, invests \$1.2 million in 1999 and 2000, the utility should be able to build back its rate base to a reasonable level on a perspective basis. It is certainly an objectionable part of the settlement to attempt to limit the Commission's statutory authority in setting reasonable rates. In this case, however, as a practical matter, a change in rates prior to the year ended 2000 is improbable given the rates and service availability charges in the settlement and the plant additions that LUSI has projected. Based on the above, staff recommends that the settlement is reasonable and should be approved.

ISSUE 2: What are the appropriate water rates and service availability charges?

RECOMMENDATION: If the Commission approves the settlement, monthly uniform rates as attached on Schedule 1 should be effective for the first meter reading after the stamped approval date of the revised tariff sheets, provided customers have received notice required by Rule 25-30.475, Florida Administrative Code. The service availability charges as attached on Schedule 2 should be effective for service rendered or connections made on or after the stamped approval date of the revised tariff sheets, provided customers have received notice. The utility should be required to file revised tariff sheets within thirty days of the Commission vote, which are consistent with that vote. Staff should be given authority to administratively approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision and the proposed customer notices are adequate. The utility should provide notice to the Commission of the date notice was given to the customers within ten days after the date of the customer notice. (BINFORD, MERCHANT)

STAFF ANALYSIS: In the first provision of the settlement, LUSI agreed to implement uniform rates for all of its service territory in Lake County. The settlement stated that rates would be effective for the first meter reading after the approval of tariffs. For a 5/8" x 3/4" meter, the rate is a base facility charge of \$5.91 and a gallonage charge of \$0.68 per 1,000 gallons. Further, in provision 4, LUSI will reduce its service availability charges to a plant capacity charge of \$270 per ERC and a main extension charge of \$270 per ERC. The settlement does not specifically address notice to the customers.

Rule 25-30.475, Florida Administrative Code, requires, that unless otherwise authorized by the Commission, metered rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. While the settlement is not worded consistent with the above rule, staff believes it is reasonable given that all rates will be decreasing. Further, the settlement methodology will allow the customers to receive lower rates quicker than would be allowed by the rule. The approved rates should be effective for meter readings on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided that the customers have received notice. The service availability charges should be effective for service rendered or connections made on or after the stamped approval date

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of the revised tariff sheets, provided customers have received notice. The utility should be required to file revised tariff sheets within thirty days of the Commission vote, which are consistent with that vote. Staff should be given authority to administratively approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision and the proposed customer notices are adequate. The utility should provide notice to the Commission of the date notice was given to the customers within ten days after the date of the customer notice.

ISSUE 3: What is the appropriate amount of interim refund?

RECOMMENDATION: If the Commission approves the settlement, the utility should be required to refund all interim rates collected in accordance with Rule 25-30.360, Florida Administrative Code. Interim revenues authorized were 27.10% of water revenues collected since September 20, 1996. For the Harbor Oaks/Four Lakes and Lake Saunders Acres systems, the refund should be the difference between the interim rates and the rates prior to filing. For all other systems, the refund should be the difference between the interim rates and the "Rates Approved in Settlement" in Order No. PSC-96-0504-AS-WU (Docket No. 950237-WU). The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should be required to submit the proper refund reports and treat any unclaimed refunds as CIAC as required by Rule 25-30.360(7) and (8), Florida Administrative Code. (BINFORD, MERCHANT)

STAFF ANALYSIS: In Order No. PSC-96-1187-FOF-WU (Interim Order), issued on September 23, 1996, the utility's proposed rates were suspended and interim water rates were approved subject to refund, pursuant to Sections 367.082, Florida Statutes. The approved interim revenue is shown below:

	<u>Revenues</u>	<u>Increase</u>	<u>Percentage</u>
Water	\$399,013	\$85,067	27.10%

Pursuant to Order No. PSC-96-0504-AS-WU, issued on April 12, 1996, (Docket No. 950232-WU), the Commission approved LUSI's offer of settlement for uniform rates for all but two of LUSI's systems. The uniform rates would be placed into effect immediately prior to any interim adjustment in a future rate case. Those systems were Crescent Bay, Preston Cove, South Clermont Region, Clermont I&II, Amber Hill, Highland Point, The Oranges, Lake Ridge Club, Crescent West, Lake Crescent Hills, and the Vistas I&II. Accordingly, in this current docket, 960444-WU, the interim rate increase of 27.01% was applied across the board to the "Rates Approved in Settlement" (from Order No. PSC-96-0504-AS-WU) for these systems. For the Harbor Oaks/Four Lakes and Lake Saunders Acres systems, the interim rate increase was applied across the board to the rates in effect prior to the rate case filing.

Within 90 days of the final order in this case, the utility should be required to refund 27.10% of water revenues collected under interim rates. The refund should be made with interest in

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accordance with Rule 25-30.360(4), Florida Administrative Code. Further, the utility should be required to submit the proper refund reports and should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(7) and (8), Florida Administrative Code.

ISSUE 4: What are the appropriate meter installation charges for LUSI?

RECOMMENDATION: Uniform meter installation charges, as proposed by LUSI, are appropriate for LUSI. Staff's recommended meter installation charges are contained in Schedule Nos. 2-A and 2-B. The utility should be required to file revised tariff sheets within thirty days of the effective date of the order, which are consistent with the Commission's vote, staff should be given authority to administratively approve the revised tariff sheets upon expiration of the protest period and staff's verification that the tariff sheets are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the meter installation charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. (RENDELL)

STAFF ANALYSIS: The service rates for LUSI have historically been assigned to new acquisitions on an arbitrary basis based on either existing rates of the acquired subdivision or the rates in effect for some other area served by LUSI. As a result, the utility has a disparity in the service availability charges, including meter installation charges. There currently exist two different service availability charges for the subdivisions of this utility. The service availability charges differ within an interconnected group. The Offer of Settlement addresses the main extension charge and the plant capacity charge, making them uniform. However, the settlement offer fails to address the meter installation charges.

The utility's original proposed uniform installation charges are the same as the meter installation charges currently approved for Amber Hill, Clermont I & II, Crescent West, Highland Point, Lake Ridge Club, The Oranges, The Vistas I & II, and Lake Crescent Hills. The meter installation fees are as follows:

Meter Installation Charge:

5/8" x 3/4" meter:	\$150
1" meter:	\$250
1.5" meter:	\$450
2" meter:	\$650
Over 2" meter:	Actual Cost

In order to remain consistent with uniform rates and uniform service availability charges for this utility, staff believes the

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charges are just and reasonable for all of the utility's territory and should be approved.

The utility should be required to file revised tariff sheets within thirty days of the effective date of the order, which are consistent with the Commission's vote, staff should be given authority to administratively approve the revised tariff sheets upon expiration of the protest period and staff's verification that the tariff sheets are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the meter installation charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code.

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ISSUE 5: What are the appropriate allowance for funds prudently invested (AFPI) charges?

RECOMMENDATION: The AFPI charges that were approved in Order No. PSC-97-0531-FOF-WU (Schedule 7) should continue to remain in effect until the total number of connections allowed by the tariff have been made. In no instance should the utility collect more than 1,080 ERCs for the water treatment plant and 977 ERCs for the water transmission and distribution system commencing from the tariff effective date of May 15, 1998. Further, this tariff page should be revised to state the number of total ERCs allowed for water treatment and transmission and distribution. The utility should be required to file revised tariff sheets within thirty days of the Commission vote, which are consistent with that vote. Staff should be given authority to administratively approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. (MERCHANT)

STAFF ANALYSIS: As agreed upon in the settlement, LUSI will be entitled to collect AFPI charges in the amounts and for the number of connections as set forth on pages 43-45 of PAA Order PSC-97-0531-FOF-WU (First PAA) and Schedule 7 of that order, issued May 9, 1997. When LUSI protested that First PAA order, it did not protest the AFPI charges which were deemed stipulated by LUSI's protest. After staff's approval, the utility implemented the Commission approved AFPI charges from the First PAA order and these charges are currently in effect and have been in effect since May 15, 1998. Staff agrees with this settlement regarding AFPI. However, we would emphasize that the AFPI charges will cease when 1,080 and 977 ERCs have been connected for water treatment and transmission and distribution lines, respectively.

Further, the AFPI tariff page should be revised to specifically state the number of total ERCs allowed for water treatment and transmission and distribution. The utility should be required to file revised tariff sheets within thirty days of the Commission vote, which are consistent with that vote. Staff should be given authority to administratively approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision.

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ISSUE 6: Should this docket be closed?

RECOMMENDATION: Yes. The docket should be closed upon staff's verification that the utility has completed the required refunds and upon the utility's filing of and staff's approval of revised tariff sheets and customer notice. (BINFORD, VACCARO)

STAFF ANALYSIS: This docket should be closed upon staff's verification that the utility has completed the required refunds and upon the utility's filing of and staff's approval of revised tariff sheets and customer notice.

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LAKE UTILITY SERVICES, INC		SCHEDULE NO. 1-A				
COUNTY: LAKE		DOCKET NO. 960444-WU				
RATE SCHEDULE - MONTHLY WATER RATES						
TEST YEAR ENDING DECEMBER 31, 1995						
<i>CRESCENT BAY, PRESTON COVE, SOUTH CLERMONT REGION AND ALL FUTURE AREAS SERVED</i>						
	<u>Rates</u> <u>Prior to</u> <u>Filing</u>	<u>Rates</u> <u>Approved In</u> <u>Settlement</u>	<u>Commission</u> <u>Approved</u> <u>Interim</u>	<u>Utility</u> <u>Requested</u> <u>Final</u>	<u>Offer of</u> <u>Settlement</u> <u>Final</u>	
Residential						
Base Facility Charge:						
Meter Size:						
5/8 x 3/4"	\$16.52	\$6.80	\$8.64	\$18.00	\$5.91	
1"	--	\$17.00	\$21.61	\$27.00	\$14.78	
1 1/2"	--	\$34.00	\$43.21	\$45.00	\$29.55	
2"	--	\$54.40	\$69.14	\$90.00	\$47.28	
3"	--	--	\$0.00	\$144.00	\$88.65	
4"	--	--	\$0.00	\$288.00	\$147.75	
6"	--	--	\$0.00	\$450.00	\$295.50	
Gallonage Charge						
per 1,000 Gallons	\$1.86	\$0.84	\$1.07	\$2.195	\$0.68	
General Service						
Base Facility Charge:						
Meter Size:						
5/8 x 3/4"	\$16.52	\$6.80	\$8.64	\$18.00	\$5.91	
1"	\$41.24	\$17.00	\$21.61	\$27.00	\$14.78	
1 1/2"	\$82.49	\$34.00	\$43.21	\$45.00	\$29.55	
2"	\$131.97	\$54.40	\$69.14	\$90.00	\$47.28	
3"	\$263.94	--	\$0.00	\$144.00	\$88.65	
4"	\$412.41	--	\$0.00	\$288.00	\$147.75	
6"	--	--	\$0.00	\$450.00	\$295.50	
Gallonage Charge						
per 1,000 Gallons	\$1.86	\$0.84	\$1.07	\$2.195	\$0.68	
Typical Residential Bill						
5/8" x 3/4" meter						
3,000	\$22.10	\$9.32	\$11.85	\$24.59	\$7.95	
5,000	\$25.82	\$11.00	\$13.98	\$28.98	\$9.31	
10,000	\$35.12	\$15.20	\$19.32	\$39.95	\$12.71	

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LAKE UTILITY SERVICES, INC		SCHEDULE NO. 1-B				
COUNTY: LAKE		DOCKET NO. 960444-WU				
RATE SCHEDULE - MONTHLY WATER RATES						
TEST YEAR ENDING DECEMBER 31, 1995						
<p>CLERMONT I & II, AMBER HILL, HIGHLAND POINT, THE ORANGES, LAKE RIDGE CLUB, CRESCENT WEST, LAKE CRESCENT HILLS, THE VISTAS I & II</p>						
	Rates Prior to Filing	Rates Approved In Settlement	Commission Approved Interim	Utility Requested Final	Offer of Settlement Final	
<u>Residential and General Service</u>						
Base Facility Charge:						
Meter Size:						
5/8 x 3/4"	A) \$7.035	\$6.80	\$8.64	\$18.00	\$5.91	
1"	--	\$17.00	\$21.61	\$27.00	\$14.78	
1 1/2"	--	\$34.00	\$43.21	\$45.00	\$29.55	
2"	--	\$54.40	\$69.14	\$90.00	\$47.28	
3"	--	--	\$0.00	\$144.00	\$88.65	
4"	--	--	\$0.00	\$288.00	\$147.75	
6"	--	--	\$0.00	\$450.00	\$295.50	
Gallonage Charge						
per 1,000 Gallons	\$0.69	\$0.84	\$1.07	\$2.195	\$0.68	
<u>Typical Residential Bill</u>						
5/8" x 3/4" meter						
3,000 gallons	\$7.04	\$9.32	\$11.85	\$24.59	\$7.95	
5,000 gallons	\$7.04	\$11.00	\$13.98	\$28.98	\$9.31	
10,000 gallons	\$10.49	\$15.20	\$19.32	\$39.95	\$12.71	
A) Includes 5,000 gallons per month						

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LAKE UTILITY SERVICES, INC		SCHEDULE NO. 1-C			
COUNTY: LAKE		DOCKET NO. 960444-WU			
RATE SCHEDULE - MONTHLY WATER RATES					
TEST YEAR ENDING DECEMBER 31, 1995					
<i>HARBOR OAKS AND FOUR LAKES SUBDIVISIONS</i>					
	Rates Prior to <u>Filing</u>	Commission Approved <u>Interim</u>	Utility Requested <u>Final</u>	Offer of Settlement <u>Final</u>	
Residential and General Service					
Base Facility Charge:					
Meter Size:					
5/8 x 3/4"	(A) \$5.54	\$7.04	\$18.00	\$5.91	
1"	--	\$0.00	\$27.00	\$14.78	
1 1/2"	--	\$0.00	\$45.00	\$29.55	
2"	--	\$0.00	\$90.00	\$47.28	
3"	--	\$0.00	\$144.00	\$88.65	
4"	--	\$0.00	\$288.00	\$147.75	
6"	--	\$0.00	\$450.00	\$295.50	
Gallonage Charge per 1,000 Gallons	\$0.81	\$1.03	\$2.195	\$0.68	
<u>Typical Residential Bill</u>					
3,000 Gallons	\$5.54	\$10.13	\$24.59	\$7.95	
5,000 Gallons	\$7.16	\$12.19	\$28.98	\$9.31	
10,000 Gallons	\$11.21	\$17.34	\$39.95	\$12.71	

(A) Includes 3,000 gallons per month

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LAKE UTILITY SERVICES, INC		SCHEDULE NO. 1-D			
COUNTY: LAKE		DOCKET NO. 960444-WU			
RATE SCHEDULE - MONTHLY WATER RATES					
TEST YEAR ENDING DECEMBER 31, 1995					
<i>LAKE SAUNDERS ACRES</i>					
	<u>Rates</u> Prior to <u>Filing</u>	<u>Commission</u> Approved <u>Interim</u>	<u>Utility</u> Requested <u>Final</u>	<u>Offer of</u> Settlement <u>Final</u>	
<u>Residential and General Service</u>					
Base Facility Charge:					
<u>Meter Size:</u>					
5/8 x 3/4"	\$16.52	\$21.00	\$18.00	\$5.91	
1"	--	\$0.00	\$27.00	\$14.78	
1 1/2"	--	\$0.00	\$45.00	\$29.55	
2"	--	\$0.00	\$90.00	\$47.28	
3"	--	\$0.00	\$144.00	\$88.65	
4"	--	\$0.00	\$288.00	\$147.75	
6"	--	\$0.00	\$450.00	\$295.50	
Gallonage Charge per 1,000 Gallons	\$1.86	\$2.36	\$2.195	\$0.68	
<u>Typical Residential Bill</u>					
<u>5/8" x 3/4" meter</u>					
3,000 Gallons	\$22.10	\$28.09	\$24.59	\$7.95	
5,000 Gallons	\$25.82	\$32.82	\$28.98	\$9.31	
10,000 Gallons	\$35.12	\$44.64	\$39.95	\$12.71	

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

LAKE UTILITY SERVICES, INC.		SCHEDULE 2-A		
TEST YEAR ENDED DECEMBER 31, 1995		DOCKET NO. 960444-WU		
RATE SCHEDULE - SERVICE AVAILABILITY CHARGES				
CRESCENT BAY, PRESTON COVE, LAKE SAUNDERS ACRES, SOUTH CLERMONT REGION, AND ALL FUTURE AREAS SERVED				
	<u>Present Charges</u>	<u>Utility's Original Proposal</u>	<u>Utility's Revised Proposal</u>	<u>Offer of Settlement</u>
<u>PLANT CAPACITY CHARGE:</u>				
Residential - per ERC (350 gpd)	\$569.00	\$600.00	\$270.00	\$270.00
<u>MAIN EXTENSION CHARGE:</u>				
Residential - per ERC (350 gpd)	\$506.00	\$600.00	\$270.00	\$270.00
	<u>Present Charges</u>	<u>Utility's Proposed</u>		<u>Staff Recommended</u>
<u>METER INSTALLATION CHARGE:</u>				
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

LAKE UTILITY SERVICES, INC.		SCHEDULE 2-B		
TEST YEAR ENDED DECEMBER 31, 1995		DOCKET NO. 960444-WU		
RATE SCHEDULE - SERVICE AVAILABILITY CHARGES				
Amber Hill, Clermont I & II, Crescent West, Highland Point, Lake Ridge Club, The Oranges, The Vistas I & II, and Lake Crescent Hills				
	<u>Present Charges</u>	<u>Utility's Original Proposal</u>	<u>Utility's Revised Proposal</u>	<u>Offer of Settlement</u>
PLANT CAPACITY CHARGE:				
Residential - per ERC (350 gpd)	\$200.00	\$600.00	\$270.00	\$270.00
MAIN EXTENSION CHARGE:				
Residential - per ERC (350 gpd)	\$0.00	\$600.00	\$270.00	\$270.00
	<u>Present Charges</u>	<u>Utility's Proposed</u>		<u>Staff Recommended</u>
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

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: February 25, 1999
Services, Inc.)
_____)

SETTLEMENT AGREEMENT

Lake Utility Services, Inc. (LUSI) and the Citizens of the State of Florida ("Citizens") hereby agree as follows:

WHEREAS, this case has been pending since 1996 and is currently scheduled for hearing on March 10-11, 1999 on Citizens' protest of Notice of Proposed Agency Action Order No. PSC-98-0683-AS-WU, which was the second proposed agency action order issued in this docket;

WHEREAS, LUSI expects to make approximately \$1.2 million in capital investment in its water system during the period 1999-2000 in order to continue its interconnection program and to maintain or improve the quality and reliability of service; and

WHEREAS, in order to avoid the time, expense, and risk of further litigation, LUSI and Citizens desire to settle this case on the terms and conditions set forth below.

NOW, THEREFORE, LUSI and Citizens agree as follows:

1. Effective for the first meter reading after the approval of tariffs, LUSI will implement the uniform rates shown on Attachment A for all of its service territory in Lake County. For

a 5/8" x 3/4" meter, the rate is a base facility charge of \$5.91 and a gallonage charge of \$0.68 per 1,000 gallons.

2. Within 90 days following implementation of these rates, LUSI will refund to customers with interest the difference between the interim rates and the previously authorized rates in accordance with Rule 25-30.360. For purposes of the refund calculation, the previously authorized rates for the various service territories are those set forth on pages 13 and 14 of Order No. PSC-96-1187-FOF-WU under the column "Rates Approved in Settlement" and on pages 15 and 16 of that order under the column "Rates Prior to Filing".

3. LUSI will be entitled to collect AFPI charges in the amounts and for the number of connections as set forth on pages 43-45 of Order PSC-97-0531-FOF-WU and Schedule 7 to that order. These are the rates that are currently being collected pursuant to a Commission-approved tariff.

4. Effective upon the approval of tariffs, LUSI will reduce its service availability charges to a plant capacity charge of \$270 per ERC and a main extension charge of \$270 per ERC.

5. Neither LUSI, Citizens, nor the Commission will institute any proceeding to change the rates or charges established by this Settlement Agreement, or to place any portion of such rates or charges subject to refund, based on information related to any period earlier than an historical 1999 test year; provided, that if LUSI makes at least \$525,000 of capital investment in the water

system during calendar year 1999 (whether accounted for as Plant in Service or Construction Work in Progress), then neither LUSI, Citizens, nor the Commission will institute any proceeding to change the rates or charges established by this Settlement Agreement, or to place any portion of such rates or charges subject to refund, based on information related to any period earlier than an historical 2000 test year.

6. The parties accept the individual account balances of Plant-in-Service and Accumulated Depreciation at 12/31/95 as shown on Exhibits PWM-1 and PWM-2 to the prefiled direct testimony of Patricia W. Merchant filed on February 8, 1999. A copy of these exhibits is attached to this Settlement Agreement as Attachment B.

7. This Settlement Agreement is a complete resolution of this docket. Except as specifically set forth herein, upon acceptance of this Settlement Agreement by the Commission, PAA Order Nos. PSC-97-0531-FOF-WU and PSC-98-0683-AS-WU shall be deemed to be withdrawn and shall have no further force and effect.

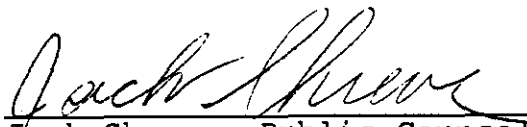
8. This Settlement Agreement is a compromise. In the event this Settlement Agreement is not accepted by the Commission in its entirety, and without amendment: (a) this Settlement Agreement shall become null and void, (b) this Settlement Agreement shall not be admissible for any purpose in this or any other proceeding, and (c) LUSI and Citizens do not waive their right to take any position available to them in this or any other proceeding. LUSI and

other proceeding, and (c) LUSI and Citizens do not waive their right to take any position available to them in this or any other proceeding. LUSI and Citizens will use their best efforts to obtain Commission acceptance of this Settlement Agreement.

9. Upon acceptance of this Settlement Agreement by the Commission, this Settlement Agreement shall be attached to and become a part of the Commission's final order in this proceeding.

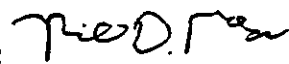
EXECUTED this 25 th day of February, 1999.

CITIZENS OF FLORIDA

By: 
Jack Shreve, Public Counsel

Attorneys for the
Citizens of Florida

HOPPING GREEN SAMS & SMITH,
P.A.

By: 
Richard D. Melson

Attorneys for
Lake Utility Services, Inc.

**Lake Utility Services, Inc.
Docket No. 960444-WU
Settlement Agreement
February 1999**

Attachment A

RESIDENTIAL AND GENERAL SERVICE

WATER

MONTHLY RATES

Meter Size

5/8 x 3/4"	\$	5.91
1"	\$	14.78
1-1/2"	\$	29.55
2"	\$	47.28
3"	\$	88.65
4"	\$	147.75
6"	\$	295.50

Gallage charge per 1,000 gallons	\$	0.68
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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
 PAGE 2 OF 6

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

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

Account 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	STRUCT. & IMPROV.	14,364	105	0	14,469	14,416
307	WELLS & SPRINGS	57,781	0	0	57,781	57,781
311	PUMPING EQUIP.	34,879	2,048	(280)	36,647	35,763
320	WTR. TREAT. EQUIP	25,104	742	(190)	25,655	25,380
330	DISTRIB. RESERVOIR	21,968	0	0	21,968	21,968
331	TRANS. & DIST. MAIN	138,479	5,904	0	144,383	141,431
333	SERVICES	23,488	6,818	0	30,306	26,897
334	METERS & INSTALL	14,262	5,903	(2,696)	17,469	15,865
335	HYDRANTS	3,780	0	0	3,780	3,780
343	TOOLS, SHOP & GRG	5,405	1,333	0	6,737	6,071
	TOTAL	\$342,823	\$24,420	(\$3,166)	\$364,077	\$353,450

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 3 OF 6

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

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

Account 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	STRUCT. & IMPROV.	26,161	2,413	0	28,575	27,368
307	WELLS & SPRINGS	55,512	26,623	(4,500)	82,135	68,824
311	PUMPING EQUIP.	29,942	11,925	(2,626)	41,866	35,904
320	WTR. TREAT. EQUIP	66,736	3,478	(1,393)	70,214	68,475
330	DISTRIB. RESERVOIR	35,754	995	(309)	36,749	36,252
331	TRANS. & DIST. MAIN	837,668	7,595	0	845,263	841,465
333	SERVICES	50,501	12,119	0	62,620	56,560
334	METERS & INSTALL	3,252	1,412	0	4,664	3,958
335	HYDRANTS	28,081	1,072	0	29,153	28,617
343	TOOLS, SHOP & GRG	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
 PAGE 4 OF 6

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

UPIS SUMMARY - ORANGES, VISTAS I & II

Account No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0	\$0	\$0
304	STRUCT. & IMPROV.	1,484	114	0	1,599	1,542
307	WELLS & SPRINGS	24,186	98	0	24,284	24,235
311	PUMPING EQUIP.	12,734	5,692	(572)	17,855	15,295
320	WTR. TREAT. EQUIP	1,518	1,017	(557)	1,978	1,748
330	DISTRIB. RESERVOIR	5,398	8,060	(3,120)	10,338	7,868
331	TRANS. & DIST. MAIN	121,524	1,287	0	122,811	122,168
333	SERVICES	4,974	196	0	5,170	5,072
334	METERS & INSTALL	0	0	0	0	0
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GRG	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
 PAGE 5 OF 6

UPIS SUMMARY - 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	STRUCT. & IMPROV.	223	0	0	223	223
307	WELLS & SPRINGS	11,068	0	0	11,068	11,068
311	PUMPING EQUIP.	8,984	1,991	(784)	10,191	9,587
320	WTR. TREAT. EQUIP	4,232	0	0	4,232	4,232
330	DISTRIB. RESERVOIR	2,214	0	0	2,214	2,214
331	TRANS. & DIST. MAIN	26,923	288	0	27,211	27,067
333	SERVICES	3,330	196	0	3,526	3,428
334	METERS & INSTALL	1,140	0	0	1,140	1,140
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GRG	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

UPIS SUMMARY - LAKE SAUNDERS ACRES

Account No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0	\$0	\$0
304	STRUCT. & IMPROV.	149	0	0	149	149
307	WELLS & SPRINGS	34,228	0	0	34,228	34,228
311	PUMPING EQUIP.	10,324	0	0	10,324	10,324
320	WTR. TREAT. EQUIP	574	0	0	574	574
330	DISTRIB. RESERVOIR	11,770	0	0	11,770	11,770
331	TRANS. & DIST. MAIN	22,924	0	0	22,924	22,924
333	SERVICES	4,244	98	0	4,342	4,293
334	METERS & INSTALL	0	0	0	0	0
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GRG	0	0	0	0	0
	TOTAL	\$84,214	\$98	\$0	\$84,312	\$84,263

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

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

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

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

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$279	\$382	\$330
304	STRUCTURES & IMPROVEMENT	2,009	2,445	2,227
307	WELLS & SPRINGS	9,840	11,766	10,803
311	PUMPING EQUIPMENT	1,373	2,881	2,127
320	WATER TREATMENT EQUIPMENT	2,269	3,233	2,751
330	DISTRIBUION RESERVOIRS	3,713	4,307	4,010
331	TRANSMISSION & DISTRIB. MAIN	20,833	24,122	22,478
333	SERVICES	4,354	5,026	4,690
334	METERS & INSTALLATION	875	1,664	1,270
335	HYDRANTS	989	1,073	1,031
343	TOOLS, SHOP & GARAGE	194	370	282
	TOTAL	\$46,728	\$57,270	\$51,999

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

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

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

DEPRECIATION SUMMARY - LAKE SAUNDERS ACRES

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	7	12	10
307	WELLS & SPRINGS	7,776	8,917	8,347
311	PUMPING EQUIPMENT	2,598	3,114	2,856
320	WATER TREATMENT EQUIPMENT	15	41	28
330	DISTRIBUION RESERVOIRS	2,795	3,113	2,954
331	TRANSMISSION & DISTRIB. MAIN	5,868	6,401	6,135
333	SERVICES	1,025	1,132	1,079
334	METERS & INSTALLATION	0	0	0
335	HYDRANTS	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0
	TOTAL	\$20,085	\$22,731	\$21,408

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

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

DEPRECIATION SUMMARY - FOUR LAKES

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$774	\$946	\$860
304	STRUCTURES & IMPROVEMENT	25	32	28
307	WELLS & SPRINGS	3,435	3,804	3,620
311	PUMPING EQUIPMENT	216	0	108
320	WATER TREATMENT EQUIPMENT	1,957	2,150	2,053
330	DISTRIBUION RESERVOIRS	1,024	1,084	1,054
331	TRANSMISSION & DISTRIB. MAIN	10,114	10,744	10,429
333	SERVICES	912	997	955
334	METERS & INSTALLATION	392	449	421
335	HYDRANTS	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0
	TOTAL	\$18,850	\$20,206	\$19,528

STATE OF FLORIDA



Public Service Commission

Please replace the Attachment A-1 included with the recommendation for Docket No. 960444-WU with this Attachment A-1. The Attachment A-1 distributed with the recommendation has pages missing.

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: February 25, 1999
Services, Inc.)
_____)

SETTLEMENT AGREEMENT

Lake Utility Services, Inc. (LUSI) and the Citizens of the State of Florida ("Citizens") hereby agree as follows:

WHEREAS, this case has been pending since 1996 and is currently scheduled for hearing on March 10-11, 1999 on Citizens' protest of Notice of Proposed Agency Action Order No. PSC-98-0683-AS-WU, which was the second proposed agency action order issued in this docket;

WHEREAS, LUSI expects to make approximately \$1.2 million in capital investment in its water system during the period 1999-2000 in order to continue its interconnection program and to maintain or improve the quality and reliability of service; and

WHEREAS, in order to avoid the time, expense, and risk of further litigation, LUSI and Citizens desire to settle this case on the terms and conditions set forth below.

NOW, THEREFORE, LUSI and Citizens agree as follows:

1. Effective for the first meter reading after the approval of tariffs, LUSI will implement the uniform rates shown on Attachment A for all of its service territory in Lake County.

For a 5/8" x 3/4" meter, the rate is a base facility charge of \$5.91 and a gallonage charge of \$0.68 per 1,000 gallons.

2. Within 90 days following implementation of these rates, LUSI will refund to customers with interest the difference between the interim rates and the previously authorized rates in accordance with Rule 25-30.360. For purposes of the refund calculation, the previously authorized rates for the various service territories are those set forth on pages 13 and 14 of Order No. PSC-96-1187-FOF-WU under the column "Rates Approved in Settlement" and on pages 15 and 16 of that order under the column "Rates Prior to Filing".

3. LUSI will be entitled to collect AFPI charges in the amounts and for the number of connections as set forth on pages 43-45 of Order PSC-97-0531-FOF-WU and Schedule 7 to that order. These are the rates that are currently being collected pursuant to a Commission-approved tariff.

4. Effective upon the approval of tariffs, LUSI will reduce its service availability charges to a plant capacity charge of \$270 per ERC and a main extension charge of \$270 per ERC.

5. Neither LUSI, Citizens, nor the Commission will institute any proceeding to change the rates or charges established by this Settlement Agreement, or to place any portion of such rates or charges subject to refund, based on information related to any period earlier than an historical 1999 test year;

provided, that if LUSI makes at least \$525,000 of capital investment in the water system during calendar year 1999 (whether accounted for as Plant in Service or Construction Work in Progress), then neither LUSI, Citizens, nor the Commission will institute any proceeding to change the rates or charges established by this Settlement Agreement, or to place any portion of such rates or charges subject to refund, based on information related to any period earlier than an historical 2000 test year.

6. The parties accept the individual account balances of Plant-in-Service and Accumulated Depreciation at 12/31/95 as shown on Exhibits PWM-1 and PWM-2 to the prefiled direct testimony of Patricia W. Merchant filed on February 8, 1999. A copy of these exhibits is attached to this Settlement Agreement as Attachment B.

7. This Settlement Agreement is a complete resolution of this docket. Except as specifically set forth herein, upon acceptance of this Settlement Agreement by the Commission, PAA Order Nos. PSC-97-0531-FOF-WU and PSC-98-0683-AS-WU shall be deemed to be withdrawn and shall have no further force and effect.

8. This Settlement Agreement is a compromise. In the event this Settlement Agreement is not accepted by the Commission in its entirety, and without amendment: (a) this Settlement Agreement shall become null and void, (b) this Settlement Agreement shall not be admissible for any purpose in this or any

other proceeding, and (c) LUSI and Citizens do not waive their right to take any position available to them in this or any other proceeding. LUSI and Citizens will use their best efforts to obtain Commission acceptance of this Settlement Agreement.

9. Upon acceptance of this Settlement Agreement by the Commission, this Settlement Agreement shall be attached to and become a part of the Commission's final order in this proceeding.

EXECUTED this 25 th day of February, 1999.

CITIZENS OF FLORIDA

By: Jack Shreve
Jack Shreve, Public Counsel

Attorneys for the
Citizens of Florida

HOPPING GREEN SAMS & SMITH,
P.A.

By: Richard D. Melson
Richard D. Melson

Attorneys for
Lake Utility Services, Inc.

**Lake Utility Services, Inc.
Docket No. 960444-WU
Settlement Agreement
February 1999**

Attachment A

RESIDENTIAL AND GENERAL SERVICE

WATER

MONTHLY RATES

<u>Meter Size</u>		
5/8 x 3/4"	\$	5.91
1"	\$	14.78
1-1/2"	\$	29.55
2"	\$	47.28
3"	\$	88.65
4"	\$	147.75
6"	\$	295.50
 Gallage charge per 1,000 gallons	 \$	 0.68

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

DOCKET NO. 960444-WU
 DATE: MARCH 4, 1999

UPIS SUMMARY - TOTAL COMPANY

Account 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	STRUCT. & IMPROV.	42,380	2,633	0	45,014	43,697
307	WELLS & SPRINGS	182,775	26,721	(4,500)	204,995	193,885
311	PUMPING EQUIP.	96,862	21,656	(4,262)	114,257	105,559
320	WTR. TREAT. EQUIP	98,164	5,236	(2,140)	101,260	99,712
330	DISTRIB. RESERVOIR	77,104	9,055	(3,429)	82,731	79,918
331	TRANS. & DIST. 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 & INSTALL	18,654	7,314	(2,696)	23,273	20,963
335	HYDRANTS	31,861	1,072	0	32,933	32,397
343	TOOLS, SHOP & GRG	5,405	1,333	0	6,737	6,071
	SUBTOTAL	1,802,254	111,088	(17,027)	1,896,315	1,849,285
344	LABORATORY EQT	0	261	0	261	131
346	COMMUN. EQT.	2,000	0	0	2,000	2,000
347	COMPUTER EQT.	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
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UPIS SUMMARY - CLERMONT I & II, AMBER HILL, LAKE RIDGE CLUB, CLERMONT COST CENTER, LUSI PARENT COSTS

Account 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	STRUCT. & IMPROV.	14,364	105	0	14,469	14,416
307	WELLS & SPRINGS	57,781	0	0	57,781	57,781
311	PUMPING EQUIP.	34,879	2,048	(280)	36,647	35,763
320	WTR. TREAT. EQUIP	25,104	742	(190)	25,655	25,380
330	DISTRIB. RESERVOIR	21,968	0	0	21,968	21,968
331	TRANS. & DIST. MAIN	138,479	5,904	0	144,383	141,431
333	SERVICES	23,488	6,818	0	30,306	26,897
334	METERS & INSTALL	14,262	5,903	(2,696)	17,469	15,865
335	HYDRANTS	3,780	0	0	3,780	3,780
343	TOOLS, SHOP & GRG	5,405	1,333	0	6,737	6,071
	TOTAL	\$342,823	\$24,420	(\$3,166)	\$364,077	\$353,450

LAKE UTILITY SERVICES, INC
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UPIS SUMMARY - HIGHLAND PT, CRESENT BAY, CRESENT W., LK CRESENT HILLS, PRESTON, COVE, S. CLERMONT

Account 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	STRUCT. & IMPROV.	26,161	2,413	0	28,575	27,368
307	WELLS & SPRINGS	55,512	26,623	(4,500)	82,135	68,824
311	PUMPING EQUIP.	29,942	11,925	(2,626)	41,866	35,904
320	WTR. TREAT. EQUIP	66,736	3,478	(1,393)	70,214	68,475
330	DISTRIB. RESERVOIR	35,754	995	(309)	36,749	36,252
331	TRANS. & DIST. MAIN	837,668	7,595	0	845,263	841,465
333	SERVICES	50,501	12,119	0	62,620	56,560
334	METERS & INSTALL	3,252	1,412	0	4,664	3,958
335	HYDRANTS	28,081	1,072	0	29,153	28,617
343	TOOLS, SHOP & GRG	0	0	0	0	0
	TOTAL	\$1,138,404	\$67,631	(\$8,828)	\$1,206,035	\$1,172,219

LAKE UTILITY SERVICES, INC
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UPIS SUMMARY - ORANGES, VISTAS I & II

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

LAKE UTILITY SERVICES, INC
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UPIS SUMMARY - 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	STRUCT. & IMPROV.	223	0	0	223	223
307	WELLS & SPRINGS	11,068	0	0	11,068	11,068
311	PUMPING EQUIP.	8,984	1,991	(784)	10,191	9,587
320	WTR. TREAT. EQUIP	4,232	0	0	4,232	4,232
330	DISTRIB. RESERVOIR	2,214	0	0	2,214	2,214
331	TRANS. & DIST. MAIN	26,923	288	0	27,211	27,067
333	SERVICES	3,330	196	0	3,526	3,428
334	METERS & INSTALL	1,140	0	0	1,140	1,140
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GRG	0	0	0	0	0
	TOTAL	\$64,994	\$2,475	(\$784)	\$66,684	\$65,839

LAKE UTILITY SERVICES, INC
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UPIS SUMMARY - LAKE SAUNDERS ACRES

Account No.	DESCRIPTION	BALANCE @12/31/94	ADD	RETIRE	BALANCE @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0	\$0	\$0
304	STRUCT. & IMPROV.	149	0	0	149	149
307	WELLS & SPRINGS	34,228	0	0	34,228	34,228
311	PUMPING EQUIP.	10,324	0	0	10,324	10,324
320	WTR. TREAT. EQUIP	574	0	0	574	574
330	DISTRIB. RESERVOIR	11,770	0	0	11,770	11,770
331	TRANS. & DIST. MAIN	22,924	0	0	22,924	22,924
333	SERVICES	4,244	98	0	4,342	4,293
334	METERS & INSTALL	0	0	0	0	0
335	HYDRANTS	0	0	0	0	0
343	TOOLS, SHOP & GRG	0	0	0	0	0
	TOTAL	\$84,214	\$98	\$0	\$84,312	\$84,263

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LAKE UTILITY SERVICES, INC
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DEPRECIATION SUMMARY - TOTAL COMPANY

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$1,805	\$2,200	\$2,003
304	STRUCTURES & IMPROVEMENT	6,604	7,928	7,266
307	WELLS & SPRINGS	31,116	35,328	33,222
311	PUMPING EQUIPMENT	7,033	9,784	8,408
320	WATER TREATMENT EQUIPMENT	11,879	14,576	13,228
330	DISTRIBUION RESERVOIRS	14,244	15,546	14,895
331	TRANSMISSION & DISTRIB. MAIN	79,451	106,312	92,881
333	SERVICES	13,399	15,805	14,602
334	METERS & INSTALLATION	1,825	2,870	2,347
335	HYDRANTS	6,182	6,902	6,542
343	TOOLS, SHOP & GARAGE	194	370	282
	SUBTOTAL	173,732	217,622	195,677
344	LABORATORY EQT	0	9	4
346	COMMUN. EQT.	275	475	375
347	COMPUTER EQT.	70	349	209
348	WSC RATE BASE	222	1,328	775
	TOTAL	\$174,298	\$219,782	\$197,040

LAKE UTILITY SERVICES, INC
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DEPRECIATION SUMMARY-CLERMONT I & II, AMBER HILL, LAKE RIDGE CLUB, CLERMONT COST CENTER, LUSI PARENT COSTS

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$279	\$382	\$330
304	STRUCTURES & IMPROVEMENT	2,009	2,445	2,227
307	WELLS & SPRINGS	9,840	11,766	10,803
311	PUMPING EQUIPMENT	1,373	2,881	2,127
320	WATER TREATMENT EQUIPMENT	2,269	3,233	2,751
330	DISTRIBUION RESERVOIRS	3,713	4,307	4,010
331	TRANSMISSION & DISTRIB. MAIN	20,833	24,122	22,478
333	SERVICES	4,354	5,026	4,690
334	METERS & INSTALLATION	875	1,664	1,270
335	HYDRANTS	989	1,073	1,031
343	TOOLS, SHOP & GARAGE	194	370	282
	TOTAL	\$46,728	\$57,270	\$51,999

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ATTACHMENT A-1

LAKE UTILITY SERVICES, INC
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DEPRECIATION SUMMARY - HIGHLAND PT, CRESENT BAY, CRESENT W., LK CRESENT HILLS, PRESTON, COVE, S. CLERMONT

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$752	\$872	\$812
304	STRUCTURES & IMPROVEMENT	4,401	5,230	4,816
307	WELLS & SPRINGS	7,059	7,027	7,043
311	PUMPING EQUIPMENT	1,660	2,064	1,862
320	WATER TREATMENT EQUIPMENT	7,464	9,152	8,308
330	DISTRIBUION RESERVOIRS	6,326	6,992	6,659
331	TRANSMISSION & DISTRIB. MAIN	35,671	55,240	45,456
333	SERVICES	6,767	8,181	7,474
334	METERS & INSTALLATION	558	756	657
335	HYDRANTS	5,193	5,829	5,511
343	TOOLS, SHOP & GARAGE	0	0	0
	TOTAL	\$75,852	\$101,344	\$88,598

LAKE UTILITY SERVICES, INC
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DEPRECIATION SUMMARY - ORANGES, VISTAS I & II

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	162	208	185
307	WELLS & SPRINGS	3,005	3,813	3,409
311	PUMPING EQUIPMENT	1,185	1,726	1,455
320	WATER TREATMENT EQUIPMENT	173	0	87
330	DISTRIBUION RESERVOIRS	386	51	218
331	TRANSMISSION & DISTRIB. MAIN	6,964	9,805	8,385
333	SERVICES	341	468	405
334	METERS & INSTALLATION	0	0	0
335	HYDRANTS	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0
	TOTAL	\$12,216	\$16,070	\$14,143

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LAKE UTILITY SERVICES, INC
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DEPRECIATION SUMMARY - FOUR LAKES

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$774	\$946	\$860
304	STRUCTURES & IMPROVEMENT	25	32	28
307	WELLS & SPRINGS	3,435	3,804	3,620
311	PUMPING EQUIPMENT	216	0	108
320	WATER TREATMENT EQUIPMENT	1,957	2,150	2,053
330	DISTRIBUION RESERVOIRS	1,024	1,084	1,054
331	TRANSMISSION & DISTRIB. MAIN	10,114	10,744	10,429
333	SERVICES	912	997	955
334	METERS & INSTALLATION	392	449	421
335	HYDRANTS	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0
	TOTAL	\$18,850	\$20,206	\$19,528

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LAKE UTILITY SERVICES, INC
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DEPRECIATION SUMMARY - LAKE SAUNDERS ACRES

ACCOUNT NUMBER	DESCRIPTION	ACC. DEPR. @12/31/94	ACC. DEPR. @12/31/95	SIMPLE AVERAGE
301	ORGANIZATION	\$0	\$0	\$0
304	STRUCTURES & IMPROVEMENT	7	12	10
307	WELLS & SPRINGS	7,776	8,917	8,347
311	PUMPING EQUIPMENT	2,598	3,114	2,856
320	WATER TREATMENT EQUIPMENT	15	41	28
330	DISTRIBUION RESERVOIRS	2,795	3,113	2,954
331	TRANSMISSION & DISTRIB. MAIN	5,868	6,401	6,135
333	SERVICES	1,025	1,132	1,079
334	METERS & INSTALLATION	0	0	0
335	HYDRANTS	0	0	0
343	TOOLS, SHOP & GARAGE	0	0	0
	TOTAL	\$20,085	\$22,731	\$21,408

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