



Public Service Commission ORIGINAL

-M-E-M-O-R-A-N-D-U-M-

DATE: May 5, 2000
TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF WATER AND WASTEWATER (QUIJANO)
RE: DOCKET NO. 981258-WS - INVESTIGATION OF WATER AND WASTEWATER RATES OF LAKE HAVEN UTILITY ASSOCIATION, LTD. D/B/A LAKE WALES UTILITY CO, LTD. IN POLK COUNTY FOR POSSIBLE OVEREARNINGS

Please place the attached letter of May 5, 2000 in the above-referenced docket file.

Attachment

cc: Division of Water and Wastewater (Quijano, Merchant)

- AFA
APP
CAF
CMU
CTR
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LEG
MAS
OPC
RRR
SEC
WAW
OTH

DOCUMENT NUMBER-DATE
05690 MAY-58
FPSC-RECORDS/REPORTING

STATE OF FLORIDA

Commissioners:
JOE GARCIA, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.
LILA A. JABER



DIVISION OF WATER & WASTEWATER
DANIEL M. HOPPE, DIRECTOR
(850) 413-6900

Public Service Commission

May 05, 2000

Dwight Reeves
Bunting, Tripp & Ingley, LLP
230 East Tillman Avenue
P.O. Box 990
Lake Wales, FL 33859-0990

Re: Docket No. 981258-WS - Investigation of Water and Wastewater of Lake Haven Utility Associates, Ltd. D/b/a Lake Wales Utility Company for Possible Overearnings

Dear Mr. Reeves:

We intend to close the above mentioned docket administratively on or before May 5, 2000. Based on staff's desk audit of the 1999 annual report of Lake Haven Utility Ltd. (utility), staff has verified that the 1999 underearnings will fully offset all of the deferred excess earnings of \$10,202 from 1998 underearnings. However, you were ordered by the Florida Public Service Commission (FPSC) in Order No. PSC-99-1742-PAA-WS, issued on September 7, 1999, to make the necessary adjustments proposed in this order. As requested, we have enclosed a detailed breakdown of the adjustments by account which includes explanations and computations for your reference.

Staff has determined that the utility is no longer required to submit a monthly revenue report to FPSC and that the corporate undertaking may be released. In this docket, the Commission has established rate base as \$68,638 for water and \$241,248 for wastewater. Also, the appropriate rate of return on equity for prospective rate setting purposes is 8.93%, with a range of 7.93% to 9.93%.

As provided for by NARUC Uniform System of Accounts, Accounting Instruction No. 30, monthly accounting using the accrual method should be used. If it is necessary for you to request an approval with the Internal Revenue Service to change to the accrual basis, staff believes that you should do so. Otherwise, a separate set of books should be maintained.

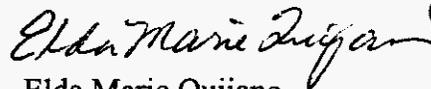
Dwight Reeves

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May 5, 2000

If you have any questions, please feel free to call me at (850)413-6942.

Sincerely,



Elda Marie Quijano
Professional Accountant

Attached: a/s

cc: Division of Records and Reporting
Division of Legal Services (Cibula)
Division of Water and Wastewater (Willis, Merchant, Quijano)

David Pearce
Lake Wales Utility Company
P.O. Box 9076
Lake Shore, FL 33854-9076

LAKE HAVEN ASSOCIATES, LTC
 Detailed Breakdown of Adjustments
 Order No. PSC-99-1742-PAA-WS
 Issued on September 7, 1999

RATE BASE

Plant In Service

101	Utility Plant in Service - Water	1,242.00	
215	Unappropriated Retained Earnings		1,242.00
334	Meters and Meter Installation	1,242.00	

To capitalize the cost of meters purchased on March 20, 1997 that were expensed on the company's books in 1997.

Accumulated Depreciation

215	Unappropriated Retained Earnings	6,695.00	
108	Accumulated Depreciation of UPIS - Water		6,695.00
304	Structures and Improvements	79.00	
307	Wells and Springs		8,049.00
311	Pumping Equipment	795.00	
320	Water Equipment	70.00	
330	Distribution and Reservoirs	184.00	
331	Transmission and Distribution		187.00
334	Meters and Meter Installation	1,109.00	
340	Office Furniture and Equipment		25.00
345	Power Operated Equipment		671.00
		2,237.00	8,932.00

To adjust for the accumulated depreciation in 1997 using Water System Guideline for Average Service in Rule 25-30.140(2)(a), Florida Administrative Code.

108	Accumulated Depreciation of UPIS - Wastewater	12,558.00	
215	Unappropriated Retained Earnings		12,558.00
354	Structures and Improvements	268.00	
360	Collection Sewers - Force	524.00	
361	Collection Sewers - Gravity		240.00
363	Services to Customers	67.00	
371	Pumping Equipment	32.00	
380	Treat/Disposal Equipment	12,451.00	
390	Office Furniture and Equipment		503.00
394	Laboratory Equipment		20.00
398	Other Tangible Plant		22.00
		13,342.00	785.00

To adjust for the accumulated depreciation in 1997 using Wastewater System Guideline for Average Service in Rule 25-30.140(2)(b), Florida Administrative Code.

Accumulated Depreciation of CIAC

271	Contributions in Aid of Construction - Water	1,190.00	
272	Accumulated Amortization of CIAC - Water		1,190.00

To adjust the Amortization of CIAC for Water in the amount of \$531.00 in 1997 and \$659.00 in 1998.

271	Contributions in Aid of Construction - Wastewater	2,905.00	
272	Accumulated Amortization of CIAC - Wastewater		2,905.00

To adjust the Amortization of CIAC for Wastewater in the amount of \$1,484.00 in 1997 and \$1,421.00 in 1998.

NET OPERATING INCOME

No Adjustment Needed for Operating Expense for Prior Year

Account No. 636 - Contractual Services - Others

To show calculation of adjustment:

Total Contract Cost for Water Tank Renovation		26,252.00	
Less: Water Tank Maintenance for 1997		5,100.00	
Net Cost of Water Tank Renovation		<u>21,152.00</u>	
Number of Year to be Amortized		5.00	
Yearly Amortization Cost for Water Tank		<u>4,230.00</u>	
Balance per book, 12/31/98			11,642.00
Water Tank Maintenance	5,100.00		
Yearly Amortization Cost for Water Tank	4,230.00	9,330.00	
Net Amount for Adjustment		<u>2,312.00</u>	

The amortization of regulatory asset is for the period of 1997-2001.

* **Amortization of Regulatory Assets**

186	Miscellaneous Deferred Debits	8,462.00	
215	Unappropriated Retained Earnings		8,462.00
	Miscellaneous Deferred Debits		21,152.00
	1997	4,230.00	
	1998	4,230.00	
	1999	4,230.00	12,690.00
			<u>8,462.00</u>

Depreciation Expense

No Adjustment Needed for Depreciation Expense for Prior Year

	<u>Water</u>	<u>Wastewater</u>
Depreciation Expense	1,287.00	1,987.00
Less: Amortization of CIAC in 1998	659.00	1,421.00
Net of Depreciation Expense & Amortization of CIAC	<u>628.00</u>	<u>566.00</u>

To show computation of depreciation expense net of amortization of CIAC using the Water and Wastewater System Guideline for Average Service in Rule 25-30.140(2).

Taxes Other Than Income

408.10	Utility Regulatory Assessment Fee - Wastewater	472.00	
408.10	Utility Regulatory Assessment Fee - Water		472.00

NOTE: The utility made the adjustments except for this minor distribution error as shown in the year end balance of December 31, 1998

RATES

Other Deferred Credits

No entry necessary since staff has verified that the 1999 underearnings will fully offset all of the deferred excess earnings of \$10,202 from 1998 overearnings.

To Summarize:

108	Accumulated Depreciation of UPIS	12,558.00	
186	Miscellaneous Deferred Debits	8,462.00	
271	Contributions In Aid of Construction	4,095.00	
101	Utility Plant In Service	1,242.00	
215	Unappropriated Retained Earnings		15,567.00
108	Accumulated Depreciation of UPIS		6,695.00
272	Accumulated Amortization of CIAC		4,095.00
		26,357.00	26,357.00
215	Unappropriated Retained Earnings	15,567.00	
218	Proprietary Capital (Partnership)		15,567.00