

BEFORE THE PUBLIC SERVICE COMMISSION
NOTICE OF CUSTOMER MEETINGS TO THE CUSTOMERS OF
LANIGER ENTERPRISES OF AMERICA, INC.

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 000584-WS

APPLICATION OF LANIGER ENTERPRISES OF AMERICA, INC.
FOR A STAFF-ASSISTED RATE CASE IN
MARTIN COUNTY

Issued:

Notice is hereby given that the staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Laniger Enterprises of America, Inc. (Laniger or Utility) for a staff-assisted rate case in Martin County. The meeting will be held at the following time and place:

6:00 p.m., Monday, April 23, 2001
Martin County Commissioners
Commission Meeting Room
2401 SE Monterey Road
Stuart, Florida 34996

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Florida Public Service Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

In addition, the Public Service Commission Staff is also attempting to meet with representatives of customer groups and homeowners associations on April 23, 2001, from 2:00 p.m. to 4:00 p.m. If you are a representative of a customer group or homeowners association and you have not been contacted by the Public Service Commission Staff, please contact Ryan Fitch at (850) 413-6928 at least five calendar days prior to April 23, 2001.

All persons who wish to participate in individual meetings are urged to make an appointment, since the individual meeting session may be canceled if no appointments are made.

Any person requiring some accommodation at the customer meeting(s) because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least five calendar days prior to the meeting(s). Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to the Public Service Commission Staff regarding the quality of service the utility provides, the proposed rate increase, and to ask questions and comment on Staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Laniger's proposed filing, the preliminary work accomplished, and answer questions to the extent possible. A representative from the utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. The Public Service Commission Staff will have sign-up sheets, and customers will be called to speak in the order that they sign-up. Public Service Commission Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meeting(s), orally or in writing. Written comments may also be sent to the Commission address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Public Service Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Laniger is a Class C water utility providing service to 283 water customers and 527 wastewater customers in Martin County. The utility's revenues for the test period are \$116,419 and \$114,516 for water and wastewater, respectively, with adjusted operating expenses of \$95,734 and \$155,760 for water and wastewater, respectively. The test period for setting rates is the historical twelve month period ending June 30, 2000.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final approval by

the Commissioners. The utility's current and staff's preliminary rates and charges are as follows:

Monthly Rates - Water
Residential and General Service

Base Facility Charge

<u>Meter Sizes</u>	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
5/8" x 3/4"	\$10.86	\$10.86
3/4"	\$16.28	\$16.28
1"	\$27.14	\$27.14
1 1/2"	\$54.27	\$54.27
2"	\$86.83	\$86.83
3"	\$173.66	\$173.66
4"	\$271.33	\$271.33
6"	\$542.67	\$542.67
<u>Gallonage Charge</u> per 1,000 gallons	\$3.58	\$3.58

Monthly Rates - Water
Multi-Residential Service

<u>Base Facility Charge</u>	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
Per Unit	\$10.86	\$10.86
<u>Gallonage Charge</u> per 1,000 gallons	\$3.58	\$3.58

Our preliminary analysis shows that the utility's current water rates allow the utility to cover its expenses and earn the appropriate rate of return on its investment. Therefore, staff has left water rates unchanged. However, as discussed in Issue No. 9 of the staff report, staff is analyzing whether a change to an inclining-block rate structure for irrigation, swimming pool and recreational area usage is appropriate. Staff's final recommendation on this issue will be contained in its June 12, 2001, Agenda Recommendation.

Monthly Rates - Wastewater

Residential

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Flat Rates</u>		
River Club (Per Unit)	\$17.52	\$26.82
<u>Base Facility Charge</u>		
All Meter Sizes	N/A	\$15.18
<u>Gallonge Charge</u>		
per 1,000 gallons	N/A	\$4.20

Monthly Rates - Wastewater

Multi-Residential Service

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Base Facility Charge</u>		
Per Unit	\$10.80	\$15.18
<u>Gallonge Charge</u>		
per 1,000 gallons	\$2.70	\$5.04

Monthly Rates - Wastewater

General Service

	<u>Existing</u>	<u>Staff's Preliminary Rates</u>
Flat Rate (River Club Wash House)	\$96.60	\$152.80
<u>Base Facility Charge</u>		
<u>Meter Sizes</u>		
5/8" x 3/4"	\$10.80	\$15.18
3/4"	\$16.22	\$22.77
1"	\$27.02	\$37.95
1 1/4"	\$54.03	\$75.89
2"	\$86.44	\$121.43
3"	\$172.89	\$242.86
4"	\$270.14	\$379.47
6"	\$540.02	\$758.95
<u>Gallonge Charge</u>		
Per 1,000 Gallons	\$2.70	\$5.04

Monthly Rates - Wastewater
Palm Circle Park (Phase I)

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Flat Rates</u>		
Palm Circle Park (Per Unit)	\$17.52	\$29.74

Monthly Rates - Wastewater
Palm Circle Park (Phase II)

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Base Facility Charge</u>		
Per Unit	N/A	\$15.76
<u>Influent Gallonage Charge</u>		
metered wastewater only customers (per 1,000 gal)	N/A	\$5.04

Water

Residential, Multi-Residential, and General Service

<u>Meter Size</u>	<u>Existing deposit</u>	<u>Staff's Preliminary deposit</u>
5/8" x 3/4"	N/A	\$55.00
All over 5/8" x 3/4"	N/A	2 x average bill

Wastewater

Residential, Multi-Residential, and General Service

<u>Meter Size</u>	<u>Existing deposit</u>	<u>Staff's Preliminary deposit</u>
5/8" x 3/4"	N/A	\$55.00
All over 5/8" x 3/4"	N/A	2 x average bill

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated March 16, 2001. Copies of the report may be

examined by interested members of the public during regular business hours, Monday through Friday, at the following address:

Laniger Enterprises of America, Inc.
2340 NE Dixie Highway
Jenson Beach, Florida 34957

PROCEDURES AFTER CUSTOMER MEETINGS

After the meetings, Public Service Commission Staff will prepare a recommendation which is scheduled to be submitted to the Commission on May 31, 2001. The Public Service Commission will then vote on staff's recommendation at its June 12, 2001, agenda conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date the PAA order is issued to protest the Commission's proposed agency action order. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order should so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to customers. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so in writing to the Commission at the address at the end of this notice.

HOW TO CONTACT THE COMMISSION

Written comments regarding the utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 000584-WS, Laniger Enterprises of America, Inc."

If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

This notice was prepared by Commission Staff for distribution by the utility to its customers.

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: MARCH 16, 2001

TO: MARSHALL WILLIS, BUREAU CHIEF

FROM: RYAN FITCH, PROFESSIONAL ACCOUNTANT ^{RF}
MIKE WETHERINGTON, ENGINEER
JENNIE LINGO, ECONOMIC ANALYST ^{HL} ^{CS} ^{BS} ^{RL}

RE: DOCKET NO. 000584-WS - APPLICATION FOR STAFF-ASSISTED RATE
CASE BY LANIGER ENTERPRISES OF AMERICA, INC.
COUNTY: MARTIN

- STAFF REPORT -

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

Table of Contents

<u>ISSUE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
	Case Background	2
	<u>QUALITY OF SERVICE</u>	
1	Quality of Service (Wetherington)	5
	<u>RATE BASE</u>	
2	Excessive Unaccounted for Water (Wetherington)	7
3	Used and Useful Percentages (Wetherington)	8
	Attachments	11
4	Rate Base (Fitch)	15
	<u>COST OF CAPITAL</u>	
5	Rate of Return (Fitch)	24
	<u>NET OPERATING INCOME</u>	
6	Test Year Operating Revenue (Fitch)	25
7	Operating Expenses (Fitch)	26
	<u>REVENUE REQUIREMENT</u>	
8	Revenue Requirement (Fitch)	39
	<u>RATES AND CHARGES</u>	
9	Conservation Rate Structure (Lingo)	40
10	Repression Adjustment (Lingo)	42
11	Rates (Fitch)	43

<u>ISSUE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
12	Customer Deposits (Fitch)	49
	<u>OTHER ISSUES</u>	
13	Rates Subject to Refund (Fitch, Brubaker)	51
	<u>SCHEDULES</u>	
	<u>DESCRIPTION</u>	
1-A	Water Rate Base	54
1-B	Wastewater Rate Base	55
1-C	Adjustments to Rate Base	56
2	Capital Structure	57
3-A	Water Operating Income	58
3-B	Wastewater Operating Income	59
3-C, 3-D	Adjustments to Operating Income	60
3-E	Water O&M Expenses	63
3-F	Wastewater O&M Expenses	64

CASE BACKGROUND

This Staff Report is a preliminary analysis of the utility prepared by the Florida Public Service Commission (PSC) staff to give utility customers and the utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed May 31, 2001 for the June 12, 2001 Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

Laniger Enterprises of America, Inc. (Laniger or Utility) is a Class C water and wastewater utility. The utility was first organized in 1972, and certificated by this Commission in 1982. By Order No. 11423, issued on December 15, 1982, Certificates Nos. 362-W and 317-S were issued to Environmental Concern, Ltd. After several transfers, Reginald Burge and Lois Burge bought the utility, along with over \$1,000,000 in residential property from Chicago Title. Reginald and Lois Burge then applied for transfer of the utility to Laniger Enterprises of America, Inc., the transfer was approved in Order No. 22203.

The utility's service area is located in Jensen Beach, Florida, and the utility provides service to 283 water customers and 527 wastewater customers. The service area includes condominium style developments known as Beacon 21 (277 water and wastewater customers), River Club (192 wastewater customers), and a mobile home park known as Palm Circle (56 wastewater customers). The utility also serves 6 general service water customers and 2 general service wastewater customers.

On May 15, 2000, the utility filed an application for a staff assisted rate case (SARC) and paid the appropriate filing fee on July 7, 2000. The Commission has the authority to consider this rate case under Section 367.0814, Florida Statutes. Rate base was last established for this utility in Order No. PSC-96-0629-FOF-WS, issued May 10, 1996, in Docket No. 950515-WS. The utility's current method of billing was also established in that previous docket. Staff has audited the utility's records for compliance with Commission rules and Orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. Staff has selected a historical test year ended June 30, 2000 for this rate case.

The Commission has a memorandum of understanding with the Florida Water Management Districts. This memorandum recognizes a joint cooperative effort is necessary to implement an effective, state wide water conservation policy. Water use in the utility's area is under the jurisdiction of the South Florida Water Management District (SFWMD or District). The utility is currently operating under water permit No. 43-00097-W, issued July 7, 1996, by the district.

The following is a list of acronyms which are used throughout this recommendation:

COMPANY AND PARTY NAMES

DEP · Department of Environmental Protection
FPSC Florida Public Service Commission
NARUC National Association of Regulatory Utility Commissioners
SFWMD South Florida Water Management District

GLOSSARY OF TECHNICAL TERMS

BFC Base Facility Charge - The portion of the total expenses required to provide water and sewer service incurred whether or not the customer actually uses the services and regardless of how much is consumed.

CIAC Contributions In Aid Of Construction - Any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, and which is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. The term included, but is not limited to, system capacity charges, main extension charges, and customer connection charges.

ERCs Equivalent Residential Connections - A statistic used to determine the total number of water or wastewater connections that can be served by a plant of some specific capacity. The consumption of each connection size is compared to that of a single family residential connection, which is usually considered to be a unit comprised of 3.5 persons.

- GPD Gallons Per Day - An expression of a measured amount of liquid that can be delivered or actually measured during a 24-hour period.
- GPM Gallons Per Minute - An expression of a measured amount of liquid that can be delivered or actually measured during a one-minute time period.
- O&M Operations and Maintenance Expense
- RAF Regulatory Assessment Fees
- SARC Staff Assisted Rate Case
- UPIS Utility Plant in Service - The land, facilities, and equipment used to generate, transmit, and/ or distribute utility service to customers.
- Used and Useful the amount of plant capacity that is used by current customers including an allowance for the margin reserve.
- USOA Uniform System of Accounts - A list of accounts for the purpose of classifying all plant and expenses associated with a utility's operations.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Laniger Enterprises of America, Inc. to its customers satisfactory?

PRELIMINARY RECOMMENDATION: A final determination for quality of service provided by the utility will be deferred until after the customer meeting scheduled on April 23, 2001. (Wetherington)

STAFF ANALYSIS: Rule 25-30.433(1), Florida Administrative Code, states that:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of the utility's product (water and wastewater); operational conditions of the utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and the county health departments (DOH) or lack thereof over the preceding 3-year period shall also be considered. DEP and DOH officials' comments or testimony concerning quality of service as well as the complaints or testimony of utility's customers shall be considered.

Staff's analysis below addresses each of these three components.

The utility's service area is located in Jensen Beach, Florida, in Martin County. The utility provides water service to 277 residential customers and wastewater service to 524 residential customers. Their raw water is obtained from 2 wells in the area surrounding the water plant. The water treatment includes a 10,000 gallon hydro pneumatic storage tank and an 82,000 gallon ground storage tank. The wastewater plant is permitted by DEP at 99,000 gallons per day (gpd) based upon three month average daily flow.

Quality of Utility's Product:

A check of DEP files indicates that there are no outstanding significant violations and that Laniger meets all regulatory requirements. Consequently staff recommends quality of water is satisfactory.

Operational Conditions of the Utility's Plant and Facilities:

The two wells are rated at 150 gallons per minute (gpm) each. The firm reliable capacity of the plant is 191,800 gallons per day (82,000 gallon ground storage tank - 8,200 gallons dead storage + 10,000 gallon hydro pneumatic tank plus the smallest well of 108,000 gallons per day).

The wastewater treatment plant is permitted by DEP at 99,000 gallons per day three month average daily flow and is currently meeting regulatory requirements. DEP reports no significant violations. Therefore, staff recommends the quality of the utility's plant as satisfactory.

Utility's Attempt to Address Customer Satisfaction:

By all appearances, the utility appears to be putting forth sufficient good faith effort to provide the best quality service within its' means. Final judgement on customer satisfaction will be withheld until after the customer meeting scheduled for April 23, 2001.

Conclusion:

A final determination for quality of service provided by the utility will be deferred until after the customer meeting scheduled on April 23, 2001.

DOCKET NO. 000584-WS
DATE: March 16, 2001

ISSUE 2: Does Laniger have excessive unaccounted for water and, if so, what adjustments should be made?

PRELIMINARY RECOMMENDATION: Yes. Laniger has approximately 2.5% excessive unaccounted for water. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 2.5%. (Wetherington)

STAFF ANALYSIS: It is Commission practice to allow 10% of the total water treated as acceptable, unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc. (See Orders Nos. PSC-00-0248-PAA-WU, issued February 7, 2000, in Docket No. 990535-WU, Consummating Order PSC-00-0434-CO-WU, issued March 2, 2000, and PSC-00-2005-PAA-WU, issued June 7, 2000, in Docket No. 000331-WU, Consummating Order PSC-00-1196-CO-WU, issued July 2, 2000).

The Utility reported 22,124,360 gallons of water treated during the test year and 19,369,710 gallons sold or otherwise accounted for, leaving 2,754,650 gallons as unaccounted for. This was 12.5% unaccounted for water. Staff recommends that, in accordance with Commission practice, 2.5% be considered excessive and that allowable expenses for purchased electricity and chemicals be reduced by 2.5%.

ISSUE 3: What portions of the water and wastewater treatment plants and the water distribution and wastewater collection systems should be considered used and useful?

PRELIMINARY RECOMMENDATION: The water treatment plant should be considered 64.1% used and useful, the water distribution system should be considered 78.8% used and useful. The wastewater treatment plant should be considered 100% used and useful and the wastewater collection system should be considered 87.3% used and useful. (Wetherington)

STAFF ANALYSIS:

Water Treatment Plant - The water treatment plant draws raw water from two wells at 150 gpm each. The well pumps deliver the water to a 82,000 gallon ground storage tank. Three 250 gpm high service pumps deliver the water from the ground storage tank through the 10,000 gallon hydro pneumatic tank to the distribution system. The firm reliable capacity of the system with the largest well removed from service plus the storage capacity, minus the dead storage space is 191,800 gallons per day (150 gpm x 12 hour day + 82,000 gallons of storage - 8,200 gallons of dead storage + 10,000 gallons of storage).

In the last five years the utility has added only one new customer. There are no definitive plans to add any others.

By the formula, it is recommended that the water treatment plant be considered 64.1% used and useful with the exception of Account Numbers:

- 303 Land and Land Rights
- 304 Structures and Improvements
- 309 Supply Mains
- 310 Power Generation Equipment
- 334 Meters and Meter Installations
- 336 Backflow Prevention Devices
- 310 Power Generation Equipment

which should be considered 100% used and useful. This is calculated by taking the average daily flow of the five peak days to which is added the growth allowance and subtracting the excess unaccounted for water which produces the flows that are then divided by the plant capacity. The calculation is summarized in Attachment A, page 1 of 4, to this issue.

The 64.1% used and useful should be applied to the following accounts:

307 Wells and Springs
320 Water Treatment Equipment
339 Other Plant and Miscellaneous Equipment

Water Distribution System - The water distribution system has been unchanged during the last five years with one exception. A single family residence was added to the system by the addition of 300 feet of 2 inch pipe. Otherwise there has been no growth to the system with no definitive plans for growth in the future. The water distribution is estimated to have the potential to serve 353 connections of which 277 are currently connected. Since the utility serves entirely residential customers, connections and ERCs are identical. By the formula, it is recommended that the water distribution system be considered 78.8% used and useful. The calculation is summarized in Attachment A, page 2 of 4, to this issue.

The 78.8% used and useful should be applied to the following accounts:

330 Distribution Reservoirs and Standpipes
331 Transmission and Distribution Mains
333 Services

Wastewater Treatment Plant - The wastewater treatment plant is permitted by DEP at 99,000 gpd based on a three month average daily flow. It is operating in the extended aeration mode with effluent disposal into two percolation ponds. A recent inspection by DEP indicated no significant enforcement issues at the plant and two minor issues. These two minor issues were pond cleaning and fencing at the pond. The flow per connection is 227 gpd which is within the range of normal flow and indicates that there is probably no excessive infiltration and inflow. In the last five years there have been no new connections to the treatment plant and there are no definitive plans for growth in the future. By the formula it is recommended that the wastewater treatment plant be considered 100% used and useful. This is calculated by taking the highest three month average daily flow (118,960 gpd for February, March and April 2000) plus the growth factor minus infiltration and inflow all divided by the permitted flow. The calculation is summarized in Attachment A, page 3 of 4, to this issue.

DOCKET NO. 000584-WS
DATE: March 16, 2001

Wastewater Collection System - The wastewater collection system has been unchanged during the last five years and there are no definitive plans for growth in the future. It is estimated that the wastewater collection system has the potential to serve 600 connections while currently serving 524 connections. Since the utility serves entirely residential customers, connections and ERCs are identical. By the formula it is recommended that the wastewater collection system be considered 87.3% used and useful with the exception of account number 360 Collecting Sewers - Force which should be considered 100% used and useful. The calculation is summarized in Attachment A, page 4 of 4, to this issue.

The 87.3% used and useful should be applied to the following accounts:

361	Collecting Sewers - Gravity
363	Services to Customers

WATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No.000584-WS - Laniger Enterprises, Inc.

- | | | |
|---|---------|-----------------|
| 1) Firm Reliable Capacity of Plant | 191,800 | gallons per day |
| 2) Average of 5 Highest Days From Maximum Month | 124,200 | gallons per day |
| 3) Average Daily Flow | 60,615 | gallons per day |
| 4) Fire Flow Capacity | 0 | gallons per day |
| a) Required Fire Flow: 500 gallons per minute for 2 hours
(Laniger is not providing fire flow) | | |
| 5) Growth | 219 | gallons per day |
| a) Test year Customers in ERCs: | | |
| | Begin | 277 |
| | End | 277 |
| | Average | 277 |
| (Use average number of customers) | | |
| b) Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year | | 0.2/year |
| c) Statutory Growth Period | | 5 Years |
| (b)x(c)x [3/(a)] = 219 gallons per day for growth | | |
| 6) Excessive Unaccounted for Water | 1,487 | gallons per day |
| a) Total Unaccounted for Water | | |
| Percent of Average Daily Flow | 7,548 | gallons per day |
| | 12.5% | |
| b) Reasonable Amount | | |
| (10% of average Daily Flow) | 6,061 | gallons per day |
| c) Excessive Amount | | |
| | 1,487 | gallons per day |

USED AND USEFUL FORMULA

$$[(2)+(4)+(5)-(6)]/(1) = 64.1\% \text{ Used and Useful}$$

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

Docket No. 000584-WS - Laniger Enterprises, Inc.

1) **Capacity of System** (Number of Potential ERCs Without Expansion) 353 ERCs

2) **Test year connections**

a) Beginning of Test Year 277 ERCs

b) End of Test Year 277 ERCs

c) Average Test Year 277 ERCs

3) **Growth** 1 ERCs

(Use End of Test Year and End of Previous Years for growth connections)

a) customer growth in connections for last 5 years including Test Year using Regression Analysis 0.2/year ERCs

b) Statutory Growth Period 5 Years

(a)x(b) = 1 connection allowed for growth

USED AND USEFUL FORMULA

$$[(2)+(3)]/(1) = \text{Used and Useful}$$

$$(277+1)/353 = 78.8\% \text{ Used and Useful}$$

WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 000584-WS - Laniger Enterprises, Inc.

1) Permitted Capacity of Plant (3 month average)	99,000	gallons per day
2) Maximum Daily Flow	245,000	gallons per day
3) Average Daily Flow (3 month average daily flow)	118,960	gallons per day
4) Growth	0	gallons per day
a) Test year Customers in ERCs:		
Beginning		524
Ending		524
Average		524
(Use average number of customers)		
b) Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year		0 conn.
c) Statutory Growth Period		5 Years
(b)x(c) x 3/(a)] = 0 gallons per day for growth		
5) Excessive Infiltration or Inflow (I&I)	N/A	gallons per day
a) Total I&I:		gallons per day
Percent of Average Daily Flow		
b) Reasonable Amount (10% of average Daily Flow)		gallons per day
c) Excessive Amount		gallons per day

USED AND USEFUL FORMULA

$$[(3)+(4)-(5)]/(1) = \text{Used and Useful}$$

$$(118,960+0-0)/99,000 = 100\% \text{ Used and Useful}$$

WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA

Docket No. 000584-WS - Laniger Enterprises, Inc.

- | | | |
|---|-----|-------|
| 1) Capacity of System (Number of potential ERCs without expansion) | 600 | ERCs |
| 2) Test year connections | | |
| a) Beginning of Test Year | 524 | ERCs |
| b) End of Test Year | 524 | ERCs |
| c) Average Test Year | 524 | ERCs |
| 3) Growth | 0 | ERCs |
| (Use End of Test Year and End of Previous Years for growth connections) | | |
| a) customer growth in ERCs for last 5 years including Test Year using Regression Analysis | 0 | ERCs |
| b) Statutory Growth Period | 5 | Years |
| (a)x(b) = 0 connections allowed for growth | | |

USED AND USEFUL FORMULA

$$[(2)+(3)]/(1) = \text{Used and Useful}$$

$$(524+0)/600 = 87.3\% \text{ Used and Useful}$$

ISSUE 4: What is the appropriate average test year rate base for the utility?

PRELIMINARY RECOMMENDATION: The appropriate average test year rate base for the utility is \$233,859 for water and \$253,437 for wastewater. The utility should be required to complete all pro forma additions, as discussed in the staff analysis within nine months of the effective date of the Commission Order. (FITCH)

STAFF ANALYSIS: The utility's rate base was last established at June 30, 1995, in Order No. PSC-96-0629-FOF-WS, issued May 10, 1996, in Docket No. 950515-WU.

Staff has selected a historical test year ended June 30, 2000 for this rate case. Rate base components, established in Order No. PSC-96-0629-FOF-WS, have been updated through June 30, 2000, using information obtained from staff's audit and engineering reports. A discussion of each rate base component follows:

Utility Plant in Service (UPIS): The utility recorded UPIS of \$436,406 for water and \$580,426 for wastewater for the test year ended June 30, 2000.

Currently, the utility allocates common plant used for both water and wastewater systems; 40% to water and 60% to wastewater. In Order No. 17043, issued December 31, 1986, in Docket No. 860325-WS, Southern States Utilities, Inc., the Commission ordered that the utility's allocation of administrative and general expenses should be based on the number of customers. Staff believes that allocations based on the number of customers served by the utility should also apply to plant items common to both systems. Laniger currently provides service to 283 (35%) water customers and 527 (65%) wastewater customers. Staff believes that the appropriate allocation of common plant should be 35% for water and 65% for wastewater.

The utility capitalized \$1,540 in water Account No. 307 for a water operating permit. A water operating permit is an operating and maintenance (O&M) expense and should be reclassified from Account No. 307 to Account No. 675 (miscellaneous expense) and amortized over five years, the life of the permit. Staff has reduced water Account No. 307 by \$1,540 to remove improper capitalization of the operating permit. Staff has decreased wastewater Account No. 354 by \$ 7,257. This amount includes \$1,688 and \$500 to remove improperly capitalized repair expense in 1996 and 1998 respectively and \$5,069 to remove painting expense. Staff

DOCKET NO. 000584-WS
DATE: March 16, 2001

has reallocated \$5,069 from wastewater Account No. 354 to operations & maintenance (O&M) Account No. 720.

Staff has reduced water Account No. 309 by \$978 to remove plant undocumented by the utility. Staff has decreased wastewater Account No. 354 by \$2,355 to remove plant items booked twice by the utility.

The utility records overhead based on 25% of total invoiced cost. It is Commission practice to calculate overhead based on labor cost. Staff engineers have determined that 15% of labor is a reasonable rate to charge for overhead. Staff has made the following total adjustments to plant to remove the excess overhead recorded by the utility.

<u>Description</u>	<u>Account #</u>	<u>Water Amount</u>	<u>Wastewater Amount</u>
Regal unit	320	\$504	
Storage Tank Probes	330	\$141	
Copy Machine	340/390	\$359	\$666
Palm Circle Connection	354		\$1,674
STP Components	380		\$527
Catwalk	380		\$200
<u>Blower</u>	<u>380</u>	<u> </u>	<u>\$655</u>
Total		<u>\$1,004</u>	<u>\$3,722</u>

The utility failed to record retirements since the last rate case. Staff has estimated retirements based on 75% of the replacement cost, where no original cost documentation was available. Staff has reduced UPIS by \$7,994 for water and \$3,900 for wastewater to record plant retirements.

The utility purchased a new 1997 GMC 1500 pickup truck for exclusive utility use in November 1997 for \$21,272. In January 1999, the utility traded in this truck for a 1998 GMC Sierra pickup truck with an after tax price of \$36,602. Although staff believes use of a vehicle is appropriate for this utility, staff does not believe that a \$36,602 truck is appropriate, especially considering that the utility bought a truck in 1997 for \$21,272 and traded it

in a little over a year later. Staff believes that the cost of the 1997 truck is appropriate and is the amount which should remain on the books. Staff has removed \$14,641 from water Account No. 341 and \$21,961 from wastewater Account No. 391 to remove the cost of the new truck (1999).

Staff has increased UPIS by \$2,280 for water and \$5,884 for wastewater to record plant additions and capitalization. The following is a description of staff adjustments for plant additions.

Staff has capitalized \$1,200 for a utility trailer from (O&M) Account No. 730 and allocated 35% to water and 65% to wastewater. This results in an increase to water Account No. 341 and wastewater Account No. 391 of \$420 and \$780 respectively. Staff has reclassified and capitalized \$282 from (O&M) Account No. 730 to Account No. 380. This amount consist of the balance of a regulator included in expense. The total cost of the regulator to be capitalized as determined by staff is \$500. Therefore staff has increased wastewater Account No. 380 by \$218 to reflect the appropriate capitalized cost. Staff has reclassified and capitalized \$695 for a check valve from (O&M) Account No. 630 to water Account No. 309. Staff has also reclassified and capitalized \$722 and \$325 for a check valve and a replacement master meter from (O&M) Account No. 730 to water Account No. 309 and 334 respectively. Staff has reclassified and capitalized \$4,385 from (O&M) Account No. 730 to wastewater Account No. 380. This amount reflects the repair of a blower.

The utility installed no trespassing signs and expensed the cost associated with the installation. Staff has capitalized \$137 and \$200 from (O&M) Account No. 630 and 730 to the Other Tangible Plant account. The total cost of the no trespassing signs is \$377. Staff has allocated this amount as follows, \$118 (35%) to water Account No. 348 and \$219 (65%) to wastewater Account No. 398. The capitalization threshold is not applied to water because the utility is capitalizing the total cost of the signs which is above the capitalization threshold, the \$118 is an allocation of a total cost \$337 which exceeds the capitalization threshold.

The NARUC uniform system of accounts sets a capitalization threshold for Class C utilities of \$150. This means that any invoiced amounts for less than \$150 should be expensed rather than capitalized in the period in which they were incurred. Staff has reclassified a total of \$361 for water and \$263 for wastewater. These amounts consist of the following: \$245 (\$144 and \$101 from water Account No. 343 and 304) to (O&M) Account No. 675; \$216 from

DOCKET NO. 000584-WS
DATE: March 16, 2001

wastewater Account No. 393 to (O&M) Account No. 775; \$116 and \$47 from Account No. 340 and wastewater Account No. 389. Because these last two amounts occurred outside of the test year, test year miscellaneous expense will not be increased.

UPIS has been decreased by \$1,603 for water and \$2,279 for wastewater to reflect an averaging adjustment.

Pro Forma Plant

The utility requested pro forma plant items to be included in rate base. Staff has allowed the following items in rate base and has found these items to be reasonable. Staff has increased UPIS by \$25,944 for water and \$31,376 for wastewater to record pro forma plant. The following is a description of staff adjustments for pro forma plant.

Staff has increased UPIS by \$5,000 to include the cost of a new driveway to the water and wastewater plants. Staff has allocated this amount based on the 35/65 customer ratio. Therefore, staff has increased water Account No. 304 by \$1,750 and wastewater Account No. 354 by \$3,250. Staff has also increased water Account No. 343 by \$403 and wastewater Account No. 393 by \$747 to reflect the cost of a new cut-off saw to be used by both water and wastewater plants. The utility also requested \$3,895 to rehabilitate an existing 30KW generator and \$1,295 to purchase a new 8KW generator which will be carried on the utility's truck. Staff has allocated these amounts based on the 35/65 customer ratio. Therefore, staff has increased water Account No. 310 by \$1,363 for the rehabilitated generator and \$453 for the new generator. Staff has also increased wastewater Account No. 360 by \$2,532 for the rehabilitated generator and \$842 for the new generator.

Martin County has requested that the utility perform regular interval hydrant testing as required by the County and the National Fire Protection Association Standards. Staff has capitalized the cost of the testing equipment by increasing water Account No. 334 by \$1,780. Staff has also increased wastewater Account No. 354 by \$3,480 for the cost of pouring a cement slab at the wastewater plant as required by DEP. DEP has also required the utility to install a fence around its wastewater plant and percolation pond. Staff has increased wastewater Account No. 354 by \$10,940 for the cost of installing a fence around the percolation pond.

Staff has increased water Account No. 311 by \$634 to reflect the cost of upgrading an existing pump. Staff has increased water

Account No. 320 by \$2,286 and \$6,250 for a new chlorinator and transfer switch respectively. The utility has also requested \$3,775 to dig up and place cement collars around all its meters. Staff has increased water Account No. 334 by \$3,775 to reflect the cost of installing cement collars around the meters.

According to the utility, the wastewater plant receives excessive infiltration from the Palm Circle Park connection. This infiltration occurs during heavy rains due to leaky lines at Palm Circle Park. Palm Circle Park owns the lines and at this time does not wish to replace or repair the lines. The utility has requested placing a 6" sewer meter at the Palm Circle connection so that in the future Palm Circle can be charged based on gallons actually received by the wastewater plant. Staff has increased wastewater Account No. 389 by \$4,850 to reflect the cost of the 6" sewer meter. Staff has designed rates so that the general body of rate payers do not pay for the 6" sewer meter as discussed in Issue No. 11.

Staff has increased wastewater Account No. 354 by \$2,065 for the cost of placing a protective screen in front of its wastewater pumps. This screen will prolong the life of the pumps and reduce future cost associated with repairing the pumps. The utility has also requested \$9,430 to clean and remove vegetation and debris from its percolation pond. Of this amount, \$2,670 consist of pumps and pipes that the utility would install to help maintain the percolation ponds. These pumps would be used to move effluent between the percolation ponds allowing the utility to better maintain the ponds on a regular basis. Staff has increased wastewater Account No. 398 by \$2,670 to include pumping equipment associated with the percolation ponds.

The utility also requested \$31,950 for a Backhoe/Loader. Staff believes that a utility of this size does not need its own backhoe/loader. Staff believes it would be more economically feasible for the utility to rent the use of a backhoe/loader when needed. Therefore, staff does not recommend the inclusion of the backhoe/loader in utility plant.

The utility has also requested \$7,250 for an ammonia feed system. This system has been requested so that the utility can meet upcoming THM limits set by DEP. However, at the time of the staff report, testing for THM limits had not been completed by the utility. If the utility is meeting the THM limits, the pro forma plant addition is unnecessary. For the purposes of this staff report, staff has included \$7,250 in plant for the ammonia feed system. However, this adjustment is subject to the THM testing

results. If the utility is meeting the THM limits or does not provide staff with the test results, staff will remove this adjustment from plant for the staff recommendation to the Commission.

UPIS has been decreased by \$12,972 for water and \$15,688 for wastewater to reflect an averaging adjustment on pro forma additions.

The following is a summary of UPIS adjustments made by staff:

<u>Adjustments</u>	<u>Water</u>	<u>Wastewater</u>
Reclassified Expenses	(\$1,540)	(\$7,257)
Undocumented/ Double Booked Plant	(\$978)	(\$2,355)
Overhead adjustments	(\$1,004)	(\$3,722)
Retirements	(\$7,994)	(\$3,900)
Removed New Truck	(\$14,641)	(\$21,961)
Additions	\$2,280	\$5,884
Items Below Capitalization Threshold	(\$361)	(\$263)
Pro Forma Additions	\$25,944	\$31,376
Averaging Adjustment Pro Forma	(\$12,972)	(\$15,688)
Averaging Adjustment	<u>(\$1,603)</u>	<u>(\$2,279)</u>
Total Net Adjustments	<u>(\$12,869)</u>	<u>(\$20,165)</u>

Staff has decreased UPIS by \$12,869 for water and \$20,165 for wastewater. Staff recommends UPIS of \$423,537 for water and \$560,261 for wastewater.

Land: Based on the utility's records, at June 30, 2000, Laniger recorded land of \$5,000 for water and \$94,580 for wastewater. The utility did not acquire any additional land or sell any land since the last rate case. Pursuant to Rule 25-30.433(10), Florida Administrative Code, the utility owns the land on which its treatment facility is located. Staff has determined average Land to be \$5,000 for water and \$94,580 for wastewater.

Non-used and Useful Plant: The staff engineer has determined the used and useful percentages for each plant account. Applying the non-used and useful percentages to average plant results in average non-used and useful plant of \$36,286 for water and \$11,922 for wastewater. The average non-used and useful accumulated depreciation is \$12,973 for water and \$6,379 for wastewater. This results in net non-used and useful plant of \$23,313 for water and \$5,543 for wastewater.

Contribution in Aid of Construction (CIAC):The utility recorded a balance for CIAC of \$2,482 for water and \$262,503 for wastewater for the test year ended June 30, 2000.

The utility included several amounts in plant-in-service from invoices initiated by Pipe Connection. Pipe Connection went out of business in 1998. At the time Pipe Connection went out of business the utility owed \$39,146 for water plant additions recorded in 1997. No portion of this debt has been collected by Pipe Connection. Staff has increased water CIAC for \$39,146 to offset the unpaid utility investment in plant.

Staff has increased wastewater CIAC by \$9,312 to reflect the DEP required removal of a package plant from the Palm Circle service area in 1998 to make room for a future percolation pond. The utility has billed Palm Circle for the removal and has recovered \$4,650 from the development. Staff has increased wastewater CIAC by \$16,200 to reflect a developer agreement with Palm Circle to interconnect with the utility. This agreement was entered into before the prior rate case. This amount was not included in the prior rate case, however staff believes that the \$16,200 should be included in CIAC to reflect the cost of the utility plant in service. No CIAC additions were recorded during the test year, therefore there is no averaging adjustment.

Staff has calculated average CIAC to be \$41,628 for water and \$288,015 for wastewater.

Acquisition Adjustment: In Order No. PSC-96-0629-FOF-WS, issued May 10, 1996, in Docket No. 950515-WU, the Commission approved a negative acquisition adjustment of \$28,574 for water and \$66,743 for wastewater. Staff has made no adjustments to this account.

Accumulated Depreciation: The utility's balance for accumulated depreciation was \$150,216 for water and \$290,070 for wastewater at June 30, 2000. Consistent with Commission practice, staff has calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. Staff's calculated

accumulated depreciation at June 30, 2000, is \$134,524 for water and \$281,851 for wastewater. Therefore, staff has decreased this account by \$15,692 for water and \$8,219 for wastewater. This account has been decreased by \$9,243 for water and \$12,353 for wastewater to reflect an averaging adjustment.

This account has also been increased by \$744 for water and \$1,569 for wastewater to reflect one half year of depreciation on pro forma additions. Accumulated depreciation has been decreased by \$372 for water and \$784 for wastewater to reflect an averaging adjustment on pro forma depreciation. Average accumulated depreciation is \$125,653 for water and \$270,283 for wastewater.

Amortization of CIAC: Based on the utility's records at June 30, 2000, the utility recorded amortization of CIAC of \$279 for water and \$186,396 for wastewater. Amortization of CIAC has been recalculated by staff using composite depreciation rates. The beginning balance of CIAC amortization for wastewater has been increased by \$1,829 to reflect CIAC amortization associated with the Palm Circle Park connection discussed above.

This account has been increased by \$4,847 for water and \$139 for wastewater to reflect the year end amortization of \$5,126 for water and \$188,364 for wastewater as calculated by staff. Amortization of CIAC has been decreased by \$946 for water and \$6,506 for wastewater to reflect an averaging adjustment. Average amortization of CIAC is \$4,180 for water and \$181,858 for wastewater.

Amortization of Acquisition Adjustment: Based on the utility's records at June 30, 2000, the utility's recorded amortization of acquisition adjustment was \$12,147 for water and \$33,310 for wastewater. Amortization of the acquisition adjustment has been recalculated by staff using composite depreciation rates. This account has been increased by \$63 for water and decreased by \$977 for wastewater to reflect the year end amortization of \$12,210 for water and \$32,333 for wastewater as calculated by staff. Amortization of acquisition adjustment has been decreased by \$649 for water and \$1,508 for wastewater to reflect an averaging adjustment. Average amortization of acquisition adjustment is \$11,561 for water and \$30,825 for wastewater.

Working Capital Allowance: Consistent with Rule 25-30.433(2), Florida Administrative Code, staff recommends that the one-eighth of operation and maintenance (O&M) expense formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of \$8,749 (based on

DOCKET NO. 000584-WS

DATE: March 16, 2001

O&M of \$69,995) for water and \$16,497 (based on O&M of \$131,974) for wastewater. The utility did not record a working capital allowance. Working capital has been increased by \$8,749 and \$16,497 for water and wastewater respectively to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base is \$233,859 for water and \$253,437 for wastewater.

Rate base is shown on Schedule No. 1-A and 1-B. Related adjustments are shown on Schedule No. 1-C.

COST OF CAPITAL

ISSUE 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

PRELIMINARY RECOMMENDATION: The appropriate return on equity is 9.94% with a range of 8.94% - 10.94%. The appropriate overall rate of return for the utility is 8.83% (FITCH)

STAFF ANALYSIS: According to staff's audit the utility recorded the following items in capital structure; common stock of \$3,000, paid-in-capital of \$302,012, treasury stock of \$281,537, long term debt of \$569,629, and a negative retained earnings of \$171,439. Treasury stock has a negative impact on total common equity. This results in a negative total common equity \$147,964. An adjustment of \$147,964 was made to retained earnings to increase the negative common equity balance to zero. This adjustment causes the utilities capital structure to be 100% debt.

The utility's \$569,629 of long term debt consists of two debt instruments. The first debt instrument is a note for \$549,212 (96.66% of total debt) with a stated interest rate is 8.875%. The second debt instrument is a truck loan in the amount of \$20,417 (3.34% of total debt) with a stated interest rate of 7.49%. Because this utility's capital structure is 100% debt the overall rate of return should be equal to the weighted average cost of debt of 8.83% ($8.875 \times 96.42\% + 7.49 \times 3.58\%$).

Using the current leverage formula approved by Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, the appropriate rate of return on equity for all capital structures with an equity ratio of less than 40% is 9.94%. Since the utility's capital structure is 100% debt, the rate of return on equity is 9.94% with a range of 8.94% - 10.94%.

The utility's capital structure has been reconciled with staff's recommended rate base. Staff's recommended return on equity is 9.94% with a range of 8.94% - 10.94% and an overall rate of return of 8.83%.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

ISSUE 6: What are the appropriate test year revenues?

PRELIMINARY RECOMMENDATION: The appropriate test year revenues for this utility are \$116,419 for water and \$114,516 for wastewater. (FITCH)

STAFF ANALYSIS: The utility booked revenues during the test year of \$115,277 for water and \$111,614 for wastewater. The utility's current water tariff authorizes a base facility charge of \$10.86 and a gallonage charge of \$3.58 per 1,000 gallons. The utility's current wastewater tariffs authorize a base facility charge of \$10.80 and a gallonage charge of \$2.70 per 1,000 gallons for all metered customers. For unmetered customers the wastewater tariff authorizes a flat rate of \$17.52 for residential customers and \$96.60 for general services customers.

The utility's existing rates became effective February 1, 2000. The utility's test year includes the period July 1, 1999 through June 30, 2000. Staff has calculated annualized revenue using existing rates times the number of bills and consumption provided in the billing analysis. Test year revenue has been increased by \$1,142 for water and \$2,902 for wastewater to reflect annualized revenue based on existing rates.

Test year revenue is shown on Schedule No. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

ISSUE 7: What is the appropriate amount of operating expense?

PRELIMINARY RECOMMENDATION: The appropriate amount for operating expense for this utility is \$95,732 for water and \$158,758 for wastewater. The utility should be required to provide the Commission with proof of the initiation of a pension plan, as discussed in the staff analysis, within 90 days of the effective date of the Commission Order. (FITCH)

STAFF ANALYSIS: The utility recorded operating expenses of \$83,520 for water and \$122,649 for wastewater during the 12-month test period ending June 30, 2000. The utility uses the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) accounts, however the utility uses the cash basis of accounting rather than the accrual basis of accounting as specified by NARUC. The utility also improperly classified a majority of its expenses in the Contracted Services-Billing account (630/730). Staff has reallocated these expenses to the appropriate accounts.

The utility provided the auditor with access to all books and records, invoices, canceled checks, and other utility records to verify its O&M and taxes other than income expense for the 12-month period ended June 30, 2000. Staff has determined the appropriate operating expenses for the test year and a breakdown of expenses by account class using the documents provided by the utility. Adjustments have been made to reflect the appropriate annual operating expenses that are required for utility operations on a going forward basis.

Operations and Maintenance Expenses (O&M)

Salaries and Wages-Employees -(601/701) The utility did not record salaries and wages during the test year. The utility has requested changing its contracted employees to salaried employees.

The utility contracted three related party employees during the test year, Reginald Burge, Keith Burge, and Kevin Burge. Reginald Burge is the utility's owner, president, general manager, and part time maintenance man. Keith Burge handles the utility's books and records, billing, accounting, part time maintenance, and manages the day-to-day operations of the utility. Kevin Burge handles the maintenance for the utility and was contracted on a job-by-job basis.

Reginald Burge received a contracted salary of \$36,000 a year. The utility has requested a \$6,000 annual increase for his

services. Keith Burge received a contracted salary of \$24,000 a year. The utility has requested a \$6,000 annual increase for his services. Kevin Burge received payment "as invoiced".

The utility has requested \$18,000 a year for a full time maintenance person. This position would replace the duties of Kevin Burge and reduce or remove the maintenance burden on Reginald and Keith Burge. Staff finds this amount to be reasonable and consistent with hourly rates previously approved by the Commission. Staff recommends allowing \$18,000 for a full time maintenance person to be split 35/65 between water and wastewater.

The utility has requested a \$30,000 annual salary for Keith Burge. As discussed above Keith Burge is responsible for the day-to-day operations of the utility. In Laniger's last rate case, the Commission allowed an amount for an office clerk of 20 hrs. per week at \$10.15 an hour. Staff has adjusted this rate for inflation to \$11.10 an hour. Staff has allocated \$11,544 (52 weeks x \$11.10 an hour x 20hrs) of the requested salary for office clerk duties (accounting/bookkeeping). The remaining \$18,456 is for managing the utility and providing part-time maintenance where necessary. In Order No. PSC-98-1579-FOF-WS, issued November 25, 1998, in Docket No. 980441-WS, for Orchid Springs, a similar sized utility, the Commission allowed \$15,000 for management services alone. Staff believes the remaining \$3,456 is a reasonable amount for Keith Burge's maintenance duties. Therefore, staff has allowed \$30,000 for Keith Burge's services.

The utility has requested a \$42,000 annual salary for Reginald Burge. Reginald Burge received \$36,000 for his services during the test year. Since Keith Burge handles the majority of the utility's day-to-day operations and the staff has allowed an allowance for a full time maintenance person, staff believes that \$36,000 is an appropriate amount for Reginald Burge's services. Staff has split this salary between an officers salary and a management salary. In Order No. PSC-98-1579-FOF-WS, issued November 25, 1998, in Docket No. 980441-WS, for Orchid Springs, the Commission allowed \$25,000 for officers salary. Staff will allocate \$25,000 of the \$36,000 staff believes is reasonable to the Salaries and Wages-Officer account. Staff believes that the remaining \$11,000 is a reasonable amount for a general manager's duties. Therefore, staff has allowed an allowance of \$11,000 for Reginald Burge's services.

The utility capitalized supervisory hours during the test year of \$240 for water and \$400 for wastewater. These amounts are consistent with the average amount of supervisory hours capitalized by the utility in the previous three years. Staff has also

identified \$1,750 of pro forma labor cost to be capitalized by the utility for water. This amount is consistent with past capitalized labor cost for this utility. The allowance for this account should be reduced by \$1,990 (\$240 + \$1,750) for water and \$400 for wastewater to reflect capitalized labor and supervisory hours.

Staff has recommended total salaries and wages expense for employees as follows:

	Total <u>(100%)</u>	Water <u>(35%)</u>	Wastewater <u>(65%)</u>
Reginald Burge	\$11,000	\$3,850	\$7,150
Keith Burge	\$30,000	\$10,500	\$19,500
Kevin Burge	\$18,000	\$6,300	\$11,700
<u>Capitalized Labor</u>	<u>(\$2,390)</u>	<u>(\$1,990)</u>	<u>(\$400)</u>
Total	\$56,610	\$18,660	\$37,950

Therefore, staff has increased this account by \$18,660 for water and \$37,950 for wastewater to reflect the recommended annual salary allowances listed above.

Salaries and Wages-Officers (603/703) - The utility did not record an amount in this account during the test year. As discussed above staff believes that an officers salary of \$25,000 annually is appropriate for Reginald Burge. Staff has increased this account by \$8,750 (\$25,000 x 35%) for water and \$16,250 (\$25,000 x 65%) for wastewater to reflect officers salary for Reginald Burge.

Employee Pensions and Benefits - (604/704) - The utility requested initiating a pension plan for its employees. Laniger provided staff with a defined contribution plan (401 K) from Morgan Stanley Dean Witter. The utility has elected to contribute the maximum allowable under the plan. According to the plan provided by the utility, the maximum contribution is 15% of earned income. For self employed persons, earned income is defined as net earnings from self employment less any contributions to a qualified retirement plan for the year involved.

Total annual salaries recommended by staff for Keith and Kevin Burge are \$48,000. Applying the 15% maximum contribution level to this annual salary results in an annual pension cost of \$7,200. Reginald Burge is the utility's owner and thus earned income for Reginald Burge is earned income as defined for self employed

persons. When applying the maximum rate for a self employed person, the algebraic effective rate is 13.043% ($[\text{net earnings} \times 15\%] / [1 + 15\%]$). The annual salary recommended by staff for Reginald Burge is \$36,000. Applying the 13.043% maximum contribution level for a self employed person results in an annual pension cost of \$4,695.

Staff has increased this account by \$11,895 (\$7,200 + \$4,695) and allocated 35% to water (\$4,163) and 65% to wastewater (\$7,732). The utility should provide staff with a signed contract with Morgan Stanley Dean Witter with proof of the 401 K plan and contributions allowed by staff within 90 days of the Commission Order.

Sludge Removal Expense-(711) The utility recorded \$0 in this account, however the utility incurred sludge removal expenses twice during the test year. Staff has increased this account by \$1,760 to include the cost of sludge removal incurred during the test period but not recorded. Staff has also reclassified \$1,760 from Account No. 730 to remove sludge hauling expense recorded in the Contractual Services Billing account.

Purchased Power-(615/715) - The utility recorded \$3,507 for water and \$8,491 for wastewater in this account during the test year. Staff has decreased this account by \$777 for water and increased this account by \$1,062 for wastewater to reflect expenses on an accrual basis. Staff has also increased this account by \$477 for water and decreased this account by \$477 for wastewater to reallocate purchased power for the utility's office based on the 35/65 customer ratio. A decrease of \$80 has been made to water in this account to reflect an 2.5% adjustment for excessive unaccounted for water as determined by the staff engineer.

Chemicals-(618/718) - The utility recorded \$0 for water and \$865 for wastewater in this account during the test year. Staff has reallocated \$1,665 for water and \$2,170 for wastewater to this account from Account No. 630 and 730 respectively. Staff has increased this account by \$339 for wastewater to include chemical expense incurred during the test year but not recorded. In addition the annual chemical expense for water has been decreased by \$42 to reflect an 2.5% adjustment for excessive unaccounted for water as determined by the staff engineer.

Materials and Supplies-(620/720) The utility recorded \$1,984 for water and \$4,215 for wastewater in this account during the test year. Staff has reallocated \$5,069 of painting expense from plant Account No. 354. This amount included \$4,840 of labor cost. Staff has reduced this amount by \$4,840 to remove labor cost accounted

for in the salaries and wages account. The remaining \$230 is for painting supplies. Because this is a nonrecurring expense staff has amortized the cost over five years in accordance with Rule 25-30.433(8), Florida Administrative Code. Therefore, staff has decreased this account by \$184 ($[\$230/5 \text{ years}] - \230) for wastewater to amortize test year painting supplies over five years.

The utility also requested pro forma painting expense of \$7,185 for painting its pipes, tanks, and water and wastewater plants. Staff has identified cost of \$3,440 for water and \$3,745 for wastewater from the utility's request. Again, these amounts include labor cost of \$2,500 for water and \$2,000 for wastewater. Because staff has made an allowance for a maintenance person in Account No. 601 and 701, staff has disallowed \$2,500 for water and \$2,000 for wastewater of the utility's requested amount for labor cost. The remaining \$940 for water and \$1,745 for wastewater is for painting supplies. Staff believes that these cost are not annual cost and should be amortized over five years. Staff has increased this account by \$188 ($\$940/5$) for water and \$349 ($\$1,745/5$) for wastewater for painting expense.

Staff has decreased this account by \$146 for water and increased this account by \$146 for wastewater to reallocate expense based on the customer ratio of 35/65 as discussed in Issue No. 4. Staff's net adjustment to this account is an increase of \$42 for water and \$541 for wastewater.

Contracted Services-Billing-(630/730) -The utility recorded \$42,511 for water and \$80,437 for wastewater in this account during the test year. The utility improperly recorded sludge removal, chemicals, contracted services (professional, testing, other), and miscellaneous expenses in this account. Billing services are performed by Keith Burge, a salaried employee. Because billing is performed by a salaried employee this account should be reduced to zero. Staff has removed and reallocated expenses to the appropriate accounts as discussed below.

Staff has identified \$937 for water as out of period expense. Staff has also identified the following amounts as capital items, \$695 for a check valve and \$137 for plant signs for water and \$1,200 for a utility trailer, \$722 for a check valve, \$325 for a meter, \$4,384 for a blower, \$282 for a regulator, and \$200 for a plant sign for wastewater in this account. Capitalized items are further discussed in Issue No. 4.

Staff has identified \$24,787 for water and \$45,466 for wastewater of contracted employee expense for Reginald, Keith, and

DOCKET NO. 000584-WS
 DATE: March 16, 2001

Kevin Burge. Because staff has allowed salaried wages for these employees, staff has removed \$24,787 for water and \$45,466 for wastewater from this account.

The following is a summary of amounts removed from or transferred out of this account. All amounts transferred to a different account, will be further discussed in those accounts.

<u>Accounts</u>	<u>Water (630)</u>	<u>Wastewater (730)</u>
Per Utility	\$42,511	\$80,437
<u>Transfers Reductions</u>		
Contracted Salaries (Reginald, Keith, and Kevin Burge)	(\$24,787)	(\$45,466)
Sludge Removal (711)	\$0	(\$1,760)
Chemicals (618/718)	(\$1,665)	(\$2,170)
Contacted Services Professional (631/731)	(\$9,635)	(\$14,538)
Contracted Services Testing (635/735)	(\$3,091)	(\$1,525)
Contracted Services Other (636/736)	(\$1,524)	(\$6,284)
Miscellaneous (675/775)	(\$40)	(\$1,581)
Capitalized Expense	(\$832)	(\$7,113)
Out of Period Expense	<u>(\$937)</u>	<u>\$0</u>
Contracted Services Billing (630/730)	<u>\$0</u>	<u>\$0</u>

Staff has decreased this account by \$42,511 for water and \$80,437 for wastewater.

Contracted Services-Professional-(631/731) -The utility recorded \$0 in this account for both water and wastewater during the test year. Staff has increased this account by \$9,635 for water to reclassify legal and consulting fees from Account No. 630. This amount includes \$8,135 for legal fees and \$1,500 for engineering fees. Staff has also increased this account by \$14,538 for wastewater to reclassify legal and consulting fees from Account No. 730. This amount includes \$12,203 for legal fees and \$2,335 for engineering

fees. Staff has further increased this account by \$375 for water to reflect unrecorded consulting fees.

During the test year the utility recorded higher than normal legal expenses due to a territory dispute with Martin County. Staff has determined that the average normal legal expense incurred over the last five years is \$5,015. This amount should be allocated based on the 35/65 customer ratio. The utility recorded \$8,135 of legal expenses for water. Staff has reduced this amount by \$6,380 to reflect normalized legal expense of \$1,755 ($\$5,015 \times 35\%$). Staff has also increased this account for water by \$1,276 ($\$6,380/5$) to amortize the extraordinary portion of the legal expense over five years. The utility recorded \$12,203 of legal expenses for wastewater. Staff has reduced this amount by \$8,943 to reflect normalized legal expense of 3,260 ($\$5,015 \times 65\%$). Staff has increased this account for wastewater by \$1,789 ($\$8,943/5$) to amortize the extraordinary portion of the legal expense over five years.

Staff's net adjustment to this account is an increase of \$4,906 for water and \$7,384 for wastewater.

Contractual Services-Testing-(635/735) - The utility recorded \$0 in this account for water and wastewater during the test year. Staff has increased this account by \$3,091 for water and \$1,525 for wastewater to reflect a reclassification from Account No. 630 and 730. Staff has also increased this account for wastewater by \$945 to reflect unrecorded DEP required testing incurred during the test year.

Each utility must adhere to specific testing conditions prescribed within its operating permit. These testing requirements are tailored to each utility as required by the Florida Administrative Code and enforced by the DEP. The tests and the frequency at which those tests must be repeated for this utility are:

<u>Test</u>	<u>Water</u>		<u>Groundwater</u>	
	<u>Frequency</u>	<u>Amount</u>	<u>Frequency</u>	<u>Amount</u>
Bacteriological	Monthly	\$240	2 Per month	\$480
Nitrates	Yearly	\$55		
Lead & Copper	Yearly	\$325		
VOC's	3 Years	\$65		
Gross Alpha	3 Years	\$28		
P&S Inorganic	3 Years	\$182		
Secondary Drinking Water	3 Years	\$83		
THM Limits	Yearly	\$250		
Unregulated Organic Compounds	3 Years	\$109		
<u>Pest \$ PCB's</u>	<u>3 Years</u>	<u>\$292</u>	_____	_____
Total		<u>\$1,629</u>		<u>\$480</u>

<u>Wastewater</u>				
<u>Test</u>	<u>Plant</u>		<u>Groundwater</u>	
	<u>Frequency</u>	<u>Amount</u>	<u>Frequency</u>	<u>Amount</u>
PH	1 Per Week	\$780	2 Years	\$30
CBOD	2 Weeks	\$585		
TSS	2 Weeks	\$585		
Nitrates	Monthly	\$360	2 Years	\$60
Fecal Coliform	2 Weeks	\$520	2 Years	\$40
Total Chlorine	1 Per Week	\$260		
Total Dissolved Solids			2 Years	\$60
Chloride			2 Years	\$60
Total Recoverable Cadmium			2 Years	\$100
Total Recoverable Chromium			2 Years	\$100
<u>Total Sulfate</u>	_____	_____	<u>2 Years</u>	<u>\$100</u>
Total		<u>\$3,090</u>		<u>\$550</u>

Staff has decreased contractual services testing by \$982 (\$2,109-\$3,091) for water and increased contractual services testing by \$1,170 (\$3,640-\$2,470) for wastewater to reflect annual DEP required testing.

Contractual Services Other-(636/736) - The utility recorded \$0 in this account for water and wastewater during the test year. Staff has reclassified \$1,524 for water and \$6,284 for wastewater from Account No. 630 and 730 to this account. The transferred amounts consist of a contracted operator (\$1,295 for water and \$6,284 for wastewater) and \$299 for grounds keeping at the water plant.

The utilities contracted operator service is provided by Accurate Utilities. Accurate Utilities performs operator services as well as testing and supplying the utility with chemicals. Accurate Utilities charges \$717 a month or \$8,604 annually for operator services, according to its contract and billing invoices. Staff has increased this account by \$1,716 for water and decreased

this account by \$691 for wastewater to annualize and reallocate annual operator expenses of \$3,011 for water ($\$8,604 \times 35\%$) and \$5,593 ($8,604 \times 65\%$).

The utility also submitted signed contracts for mowing/grounds keeping expense in the amounts of \$1,185 for water and \$9,000 for wastewater. The utility recorded \$299 for water grounds keeping expense during the test year. Therefore staff has increased this account by \$956 ($\$1,185 - \299) for water and \$9,000 for wastewater.

The utility requested pro forma expenses of \$6,760 to clear debris and vegetation in and around the percolation ponds. In issue No. 4 staff has allowed proforma plant items that in the future will reduce the frequency in which the ponds will have to be cleared of debris and vegetation. Therefore, staff has spread this cost over five years and increased this account by \$1,352 ($\$6,760 / 5\text{years}$) for wastewater.

The Utility requested pro forma labor cost associated with the Martin County required hydrant testing of \$3,019. Staff has made an allowance for a full-time maintenance person in the salaries and wages account. This labor cost should be included in the duties of the full-time maintenance person. Therefore, no adjustment has been made for this amount.

The utility has also requested pro forma expense to refurbish its 85,000 gallon storage tank, as required by DEP. The utility has submitted an estimate ranging from \$27,000 to \$30,000 to clean, sandblast corroded areas, repaint the inside of the tank, and bacteriologically clear it for use. Staff has taken the average of the estimated range, \$28,500, and has determined this amount to be reasonable. The utility also submitted an estimate ranging from \$10,000 to \$12,000 to paint the outside of the tank, and perform "substantial" metal work to the outside of the tank. Staff has taken the average of the estimate range, \$11,000, and has determined this amount to be reasonable. Staff has determined the total cost of refurbishing the tank to be \$39,500. Because this is a non-recurring expense, staff has amortized this expense over five years. Staff has increased this account by \$7,900 ($\$39,500 / 5\text{years}$) to reflect pro forma tank repair expense.

Staff has also increased this account by \$100 to amortize an improperly capitalized repair expense over five years for wastewater. Staff has increased this account by \$325 to reflect unrecorded consulting fees for wastewater.

Staff recommended net increase to this account is \$12,096 for water and \$16,370 for wastewater.

Rent Expense- (640/740) - The utility recorded \$1,929 for water and \$3,079 for wastewater in this account during the test year. During the test year the utility signed a new lease for office space with Holly Burge, a related party. The lease amount (\$600 a month) was less than the amount paid previously by the company (\$642 a month). Because the utility did not record rent expense on the accrual basis during the test year, the utility's test year rent expense was understated. Staff finds the monthly rent expense to be reasonable and has increased this account by \$591 for water and \$1,601 for wastewater to reflect rent per lease contract of \$2,520 (\$600 x 12 months x 35%) for water and \$4,680 (\$600 x 12 months x 65%) for wastewater.

Transportation Expense- (650/750) - The utility recorded \$1,039 for water and \$1,013 for wastewater in this account during the test year. Staff has increased this amount by \$118 for water and \$219 for wastewater to reflect unrecorded transportation expense.

Insurance Expense- (655/755) - The utility recorded \$4,796 for water and \$7,199 for wastewater in this account during the test year. These amounts include health insurance for Reginald and Keith Burge, auto insurance, and property insurance. Staff has annualized the insurance policies and determined annualized health insurance of \$11,487, property insurance of \$2,870, and auto insurance of \$1,579. These amounts have been allocated based on the customer ratio of 35/65. Staff has increased this account by \$782 for water and \$3,159 for wastewater to reflect annualized insurance expense.

Regulatory Commission Expense-(665/765) - The utility recorded \$5,295 for water and \$5,123 for wastewater in this account for the test year. These amounts are Regulatory Assessment Fees (RAFs) and have been removed from this account and reclassified as taxes other than income. The utility paid a \$1,000 rate case filing fee for water and wastewater each. This expense has been increased by \$250 (\$1,000/4 years) for water and wastewater each to amortize rate case expense over four years. The total annual expense is \$250 per system.

Miscellaneous Expense-(675/775) - The utility recorded \$2,447 for water and \$3,626 for wastewater in this account for the test year. Staff has increased this account by reclassifying \$40 for water and \$1,581 for wastewater from Account No. 630 and 730 respectively. Staff has decreased this account by \$10 for water and \$20 for

wastewater to remove a non utility club membership fee. Staff has increased this account by \$308 for water to amortize water permit expense over five years, the life of the permit. Staff has also increased this account by \$245 for water and \$216 for wastewater to included expenses improperly capitalized during the test year (\$144 from Acct. 343, \$101 from Acct. 304, and \$216 from Acct. 393). The total annual expense for this account is \$3,030 for water and \$5,403 for wastewater.

Operation and Maintenance Expense (O&M Summary) - The total O&M adjustment is an increase of \$6,487 for water and \$17,926 for wastewater. Staff's recommended O&M expenses are \$69,995 for water and \$131,974 for wastewater. O&M expenses are shown on schedule 3-D and 3-E.

Depreciation Expense - The utility recorded depreciation expense of \$17,073 for water and \$8,965 for wastewater and amortization of CIAC of \$1,106 for water and \$3,060 for wastewater during the test year. Depreciation expense has been calculated by staff using the prescribed rates in Rule 25-30.140, Florida Administrative Code. Staff has increased depreciation expense by \$3,255 for water and \$17,483 for wastewater to reflect staff's calculated depreciation of \$20,328 for water and \$26,448 for wastewater. Staff has reduced this account for non-used and useful depreciation by \$1,089 for water and \$298 for wastewater. Staff has further reduced depreciation expense by \$826 for water and \$10,391 for wastewater to reflect staff's calculated amortization of CIAC of \$1,932 for water and \$13,451 for wastewater. Staff has reduced this account for amortization of a negative acquisition adjustment by \$1,326 for water and \$3,117 for wastewater. Non-used and useful depreciation, amortization of CIAC, and amortization of a negative acquisition adjustment have a negative impact on depreciation expense. Net depreciation expense is \$15,981 for water and \$9,582 for wastewater. Staff's net adjustment to this account is an increased of \$14 for water and \$3,677 for wastewater to reflect staff's calculated annual net depreciation expense.

Taxes Other Than Income - The utility recorded taxes other than income of \$4,045 for water and \$2,696 for wastewater during the test year. Staff has reallocated \$5,295 for water and \$5,123 for wastewater from regulatory expenses to this account to reflect RAFs paid during the test year. This account has been decreased by \$56 for water and increased by \$30 for wastewater to reflect RAFs on annualized revenue. This account has been increased by \$2,130 for water and \$3,956 for wastewater to reflect payroll taxes associated with the recommended utility salaries expense.

DOCKET NO. 000584-WS
DATE: March 16, 2001

Staff has also increased this account by \$30 for water and \$713 for wastewater to include real estate taxes. Staff has reallocated \$1,686 from water to wastewater to reflect proper allocation of property taxes. The total adjustment for this expense is an increase of \$5,713 for water and \$11,508 for wastewater.

Income Tax - Laniger is a sub Chapter S corporation, therefore this utility pays no income taxes.

Operating Revenues - Revenues have been decreased by \$37 for water and increased by \$66,621 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended return on investment.

Taxes Other Than Income - This expense has been decreased by \$2 for water and increased by \$2,998 for wastewater to reflect regulatory assessment fees of 4.5% on the change in revenues.

Operating Expenses Summary - The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of \$95,732 for water and \$158,758 for wastewater.

Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

REVENUE REQUIREMENT

ISSUE 8: What is the appropriate revenue requirement?

PRELIMINARY RECOMMENDATION: The appropriate revenue requirement is \$116,382 for water and \$181,137 for wastewater. (FITCH)

STAFF ANALYSIS: The utility should be allowed an annual increase of \$66,621 (58.18%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 8.83% return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted rate base	\$233,859	\$253,437
Rate of Return	x .0883	x .0883
Return on investment	<u>\$20,650</u>	<u>\$22,378</u>
Adjusted O & M expense	\$69,995	\$131,974
Depreciation expense (Net)	\$15,981	\$9,582
Taxes Other Than Income	<u>\$9,756</u>	<u>\$17,202</u>
Revenue Requirement	<u><u>\$116,382</u></u>	<u><u>\$181,136</u></u>
Adjusted Test Year Revenues	<u>\$116,419</u>	<u>\$114,516</u>
Percent Increase/(Decrease)	<u><u>(0.03)%</u></u>	<u><u>58.18%</u></u>

The excess earnings on water of 0.03% or \$37 is immaterial, and therefore a decrease in rates is not appropriate.

Revenue requirements are shown on Schedule Nos. 3-A and 3-B.

ISSUE 9: Is a continuation of the utility's current water rate structure appropriate in this case, and, if not, what is the appropriate rate structure?

PRELIMINARY RECOMMENDATION: Staff's preliminary recommendation is that a continuation of the utility's current rate structure for those customers billed at the 5/8" x 3/4" base facility charge rate is appropriate. However, staff is analyzing whether a change to an inclining-block rate structure for irrigation, swimming pool and recreational area usage is appropriate. Staff's final recommendation on this issue will be contained in its June 12, 2001, Agenda Recommendation. (LINGO)

STAFF ANALYSIS: In 1991, the Commission entered into a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs), in which the agencies recognized that it is in the public interest to engage in a joint goal to ensure the efficient and conservative utilization of water resources in Florida, and that a joint, cooperative effort is necessary to implement an effective, state-wide water conservation policy. Since that time, staff has increased its efforts in assisting the WMDs in achieving conservation goals.

Laniger is located in Martin County within the South Florida Water Management District (SFWMD or District). The District has established specific water-use restrictions according to the severity of the water shortage: Phase I, **moderate**; Phase II, **severe**; Phase III, **extreme**; and Phase IV, **critical**. Each phase requires an increasingly larger reduction in water use. The District correlates each phase of the restrictions to the overall percentage of reductions needed. Phase II aims for a 30% reduction in water use. The entire District is now subject to Phase II water-use restrictions.

Staff's preliminary analysis indicates that the average consumption for the 278 customers billed at the 5/8" x 3/4" base facility charge (BFC) is 2,799 gallons per month. This relatively low average monthly consumption indicates a high proportion of nondiscretionary, essential usage, and the total gallons sold to these customers account for less than one-half (approximately 47%) of all water gallons sold. Staff's preliminary recommendation is that a continuation of the utility's current rate structure for these customers is appropriate.

However, the remaining 24 customers, representing irrigation, swimming pool and recreational area usage, accounts for approximately 53% of all water gallons sold. Due to the severe

water shortage, staff is analyzing whether a change to an inclining-block rate structure for this discretionary, non-essential consumption is appropriate.

Therefore, staff's preliminary recommendation is that a continuation of the utility's current rate structure for those customers billed at the 5/8" x 3/4" BFC is appropriate. However, staff is analyzing whether a change to an inclining-block rate structure for irrigation, swimming pool and recreational area usage is appropriate. Staff's final recommendation on this issue will be contained in its June 12, 2001, Agenda Recommendation.

DOCKET NO. 000584-WS
DATE: March 16, 2001

ISSUE 10: Is an adjustment to reflect repression of consumption appropriate in this case, and, if so, what is the appropriate repression adjustment?

PRELIMINARY RECOMMENDATION: Staff's preliminary recommendation is that a repression adjustment is not appropriate in this case. However, staff's final recommendation will be contained in its June 12, 2001, Agenda Recommendation. (LINGO)

STAFF ANALYSIS: As discussed in Issue No. 8, staff's preliminary recommendation is that no change be made to the water system revenue requirement. As discussed in Issue 12, staff's preliminary recommendation is that no change be made to the water system rate structure. Therefore, our preliminary recommendation is that no repression adjustment be made. However, our final recommendation on this issue is contingent upon the final recommendations in Issue Nos. 8 and 12, and will be presented in our June 12, 2001, Agenda Recommendation.

ISSUE 11: What are the appropriate rates for each system?

PRELIMINARY RECOMMENDATION: The recommended rates should be designed to produce revenue of \$116,382 for water and \$181,136 for wastewater, as shown in the staff analysis. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (FITCH)

STAFF ANALYSIS: During the test year the utility provided service to approximately 283 water customers and 527 wastewater customers. The service area includes condominium style developments known as Beacon 21 (277 water and wastewater customers), River Club (192 wastewater customers), and a mobile home park known as Palm Circle (56 wastewater customers). The utility also serves 6 general service water customers and 2 general service wastewater customers.

As discussed in Issue No. 8, the appropriate revenue requirement, excluding miscellaneous service charges, is \$116,382 for the water system and \$181,136 for the wastewater system. Staff has calculated rates using test year number of bills and consumption for water. Staff's calculated rates for wastewater have been calculated based on 80% of the water used by residential customers and actual usage for the multi-residential and general service customers. Flat rates have been calculated by staff for wastewater customers who do not receive water service from the utility. Staff has calculated flat rates for the River Club development based on staff's preliminary recommended base facility charge and gallonage charge times the average number of gallons used by Laniger's metered customers.

Because the utility's water revenue requirement, as calculated by staff, was virtually unchanged (a decrease of \$37 or 0.03%) from its test year revenues, staff has elected to leave water rates unchanged. Schedules of the utility's existing rates and rate structure and staff's recommended rates and rate structure are as follows:

Monthly Rates - Water
Residential and General Service

Base Facility Charge

<u>Meter Sizes</u>	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
5/8" x 3/4"	\$10.86	\$10.86
3/4"	\$16.28	\$16.28
1"	\$27.14	\$27.14
1 1/2"	\$54.27	\$54.27
2"	\$86.83	\$86.83
3"	\$173.66	\$173.66
4"	\$271.33	\$271.33
6"	\$542.67	\$542.67
<u>Gallonage Charge</u> per 1,000 gallons	\$3.58	\$3.58

Monthly Rates - Water
Multi-Residential Service

<u>Base Facility Charge</u>	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
Per Unit	\$10.86	\$10.86
<u>Gallonage Charge</u> per 1,000 gallons	\$3.58	\$3.58

Monthly Rates - Wastewater

Residential

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Flat Rates</u>		
River Club (Per Unit)	\$17.52	\$26.82
<u>Base Facility Charge</u>		
All Meter Sizes	N/A	\$15.18
<u>Gallonge Charge</u>		
per 1,000 gallons	N/A	\$4.20

Monthly Rates - Wastewater

Multi-Residential Service

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Base Facility Charge</u>		
Per Unit	\$10.80	\$15.18
<u>Gallonge Charge</u>		
per 1,000 gallons	\$2.70	\$5.04

Monthly Rates - WastewaterGeneral Service

	<u>Existing</u>	<u>Staff's Preliminary Rates</u>
Flat Rate (River Club Wash House)	\$96.60	\$152.80
<u>Base Facility Charge</u>		
<u>Meter Sizes</u>		
5/8" x 3/4"	\$10.80	\$15.18
3/4"	\$16.22	\$22.77
1"	\$27.02	\$37.95
1 1/2"	\$54.03	\$75.89
2"	\$86.44	\$121.43
3"	\$172.89	\$242.86
4"	\$270.14	\$379.47
6"	\$540.02	\$758.95
<u>Gallonage Charge</u>		
Per 1,000 Gallons	\$2.70	\$5.04

Staff has calculated different rates for Palm Circle Park, a flat rate (Phase I) and a base facility gallonage charge rate (Phase II). As discussed in Issue No. 4, the utility has received excessive infiltration from the Palm Circle Park connection due to the condition of the park's lines. Staff has calculated a \$.58 excessive infiltration charge that is included in the Palm Circle base facility charge. This charge is based on a revenue requirement of \$393 that is caused by the cost directly associated with the Palm Circle Park connection, specifically the sewage meter requested by the utility. The \$393 was removed from revenue requirement when calculating the rates of Laniger's other customers. Therefore, the cost of the excessive infiltration will be born by the cost causer. Staff has also calculated an influent gallonage charge for metered wastewater only customers based on actual wastewater gallons. The Commission approved an influent gallonage charge based on actual wastewater gallons in Order No. 21450, issued June 26, 1998, in Docket No. 890110-SU. Staff has calculated flat rates for the Palm Circle Park development based on staff's preliminary recommended base facility charge, excessive infiltration charge, and influent gallonage charge times the average number of gallons used by Laniger's metered customers (Phase I rates).

Staff has allowed for a six inch master meter to be placed at the Palm Circle Park connection, at which time the utility shall charge based on actual wastewater gallons rather than a flat rate (Phase II rates). Staff's calculated Influent gallonage charge applies to all future metered wastewater customers.

Monthly Rates - Wastewater
Palm Circle Park (Phase I)

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Flat Rates</u>		
Palm Circle Park (Per Unit)	\$17.52	\$29.74

Monthly Rates - Wastewater
Palm Circle Park (Phase II)

	<u>Existing Rates</u>	<u>Staff's Preliminary Rates</u>
<u>Base Facility Charge</u>		
Per Unit	N/A	\$15.76
<u>Influent Gallonage Charge</u>		
metered wastewater only customers (per 1,000 gal)	N/A	\$5.04

Approximately 54% (\$97,932) of the wastewater system revenue requirement is recovered through the recommended base facility charge. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 46% of the revenue requirement (\$83,204) represents revenues collected through the consumption charge based on the number of factored gallons.

Staff's recommended rates are preliminary and are subject to change. If the Commission approves staff's recommendation, these rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision and the customer notice is adequate.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new

DOCKET NO. 000584-WS
DATE: March 16, 2001

charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

ISSUE 12: What are the appropriate customer deposits for this utility?

PRELIMINARY RECOMMENDATION: The appropriate customer deposits should be the recommended charges as specified in the staff analysis. The utility should file revised tariff sheets, which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. (FITCH)

STAFF ANALYSIS: Rule 25-30.311, Florida Administrative Code, provides guidelines for collecting, administering and refunding customer deposits. It also authorizes customer deposits to be calculated using an average monthly bill for a 2-month period. The utility's existing tariff does not include a customer deposit for water and wastewater. Staff has calculated customer deposits using recommended rates and an average monthly bill for a 2-month period. A schedule of the utility's existing and staff's recommended deposits follows:

Water

Residential, Multi-Residential, and General Service

<u>Meter Size</u>	<u>Existing deposit</u>	<u>Staff's Preliminary deposit</u>
5/8" x 3/4"	N/A	\$55.00
All over 5/8" x 3/4"	N/A	2 x average bill

Wastewater

Residential, Multi-Residential, and General Service

<u>Meter Size</u>	<u>Existing deposit</u>	<u>Staff's Preliminary deposit</u>
5/8" x 3/4"	N/A	\$55.00
All over 5/8" x 3/4"	N/A	2 x average bill

DOCKET NO. 000584-WS
DATE: March 16, 2001

The utility should file revised tariff sheets, which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filled and approved, the customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

ISSUE 13: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

PRELIMINARY RECOMMENDATION: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility shall be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility should file reports with the Division of Economic Regulation no later than 20 days after each monthly billing. These reports should indicate the amount of revenue collected under the increased rates subject to refund. (FITCH, BRUBAKER)

STAFF ANALYSIS: This recommendation proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), Florida Statutes, in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility shall be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of an appropriate security for both the potential refund and a copy of the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of \$46,042. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

This account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase should be maintained by the utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility should file reports with the Division of Economic Regulation no later than 20 days after each monthly billing. These reports should indicate the amount of revenue collected under the increased rates subject to refund.

**LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00
 SCHEDULE OF WATER RATE BASE**

**SCHEDULE NO. 1-A
 DOCKET NO. 000584-WS**

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$436,406	(\$12,869)	\$423,537
2. LAND & LAND RIGHTS	5,000	0	5,000
3. NON-USED AND USEFUL COMPONENTS	0	(23,313)	(23,313)
4. CIAC	(2,482)	(39,146)	(41,628)
5. ACQUISITION ADJUSTMENT	(28,574)	0	(28,574)
6. ACCUMULATED DEPRECIATION	(150,216)	24,563	(125,653)
7. AMORTIZATION OF CIAC	279	3,901	4,180
8. AMORTIZATION OF ACQUISITION ADJ.	12,147	(586)	11,561
9. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,749</u>	<u>8,749</u>
10. WATER RATE BASE	\$272,560	(\$38,701)	\$233,859

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-B
 DOCKET NO. 000584-WS

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$580,426	(\$20,165)	\$560,261
2. LAND & LAND RIGHTS	94,580	0	94,580
3. NON-USED AND USEFUL COMPONENTS	0	(5,543)	(5,543)
4. CIAC	(262,503)	(25,512)	(288,015)
5. ACQUISITION ADJUSTMENT	(66,743)	0	(66,743)
6. ACCUMULATED DEPRECIATION	(290,070)	19,787	(270,283)
7. AMORTIZATION OF CIAC	186,396	(4,538)	181,858
8. AMORTIZATION OF ACQUISITION ADJ.	33,310	(2,485)	30,825
9. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>16,497</u>	<u>16,497</u>
10. WATER RATE BASE	\$275,396	(\$21,959)	\$253,437

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. Remove/ Reclassify expenses	(\$1,540)	(\$7,257)
2. Remove Undocumented/ double booked plant	(978)	(2,355)
3. Reduce Utility Upcharge (Overhead)	(1,004)	(3,722)
4. Retirements	(7,994)	(3,900)
5. Remove New Truck	(14,641)	(21,961)
6. Capitalized Plant	2,280	5,884
7. Remove Items Below Capitalization	(361)	(263)
8. Pro forma Plant	18,694	31,376
9. Pro forma Ammonia System	7,250	0
10. Avg. adjustment Pro forma	(12,972)	(15,688)
11. Avg. adjustment	<u>(1,603)</u>	<u>(2,279)</u>
Total	<u>(\$12,869)</u>	<u>(\$20,165)</u>
<u>NON-USED AND USEFUL PLANT</u>		
1. To reflect non-used and useful plant.	(\$36,286)	(\$11,922)
2. To reflect non-used and useful accumulated depreciation.	12,973	6,379
3. To reflect non-used and useful on pro forma additions.	0	0
Total	<u>(\$23,313)</u>	<u>(\$5,543)</u>
<u>CIAC</u>		
1. Reclassify from non-utility income (Palm Circle Park)	\$0	(\$9,312)
2. Unrecorded CIAC	<u>(39,146)</u>	<u>(16,200)</u>
Total	<u>(\$39,146)</u>	<u>(\$25,512)</u>
<u>ACCUMULATED DEPRECIATION</u>		
1. Depreciation Adjustment Per Rule 25-30.140 FAC	\$15,692	\$8,219
2. Pro forma Depreciation	(744)	(1,569)
3. Avg. adjustment Pro forma	372	784
4. Avg. adjustment	<u>9,243</u>	<u>12,353</u>
Total	<u>\$24,563</u>	<u>\$19,787</u>
<u>AMORTIZATION OF CIAC</u>		
1. To adjust Amortization of CIAC based on composite rates	\$4,847	\$139
2. Palm Circle Balance	0	1,829
3. Avg. adjustment	<u>(946)</u>	<u>(6,506)</u>
Total	<u>\$3,901</u>	<u>(\$4,538)</u>
<u>AMORTIZATION OF ACQUISITION ADJUSTMENT</u>		
1. To adjust Amort based on Composite rates before staff adj.	\$63	(\$977)
2. Avg. adjustment	<u>(649)</u>	<u>(1,508)</u>
Total	<u>(\$586)</u>	<u>(\$2,485)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O & M expenses.	<u>\$8,749</u>	<u>\$16,497</u>

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 8/30/00
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 000584-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS				
1. COMMON STOCK	\$3,000	\$0	\$3,000					
2. RETAINED EARNINGS	(171,439)	147,964	(23,475)					
3. PAID IN CAPITAL	302,012		302,012					
4. TREASURY STOCK	<u>(281,537)</u>	0	<u>(281,537)</u>					
5. TOTAL COMMON EQUITY	(\$147,964)	\$147,964	0	0	0	0.00%	9.94%	0.00%
6. LONG TERM DEBT	549,212		549,212	(79,382)	469,830	96.42%	8.88%	8.56%
7. LONG TERM DEBT Truck	20,417	0	20,417	(2,951)	17,466	3.58%	7.49%	0.27%
8. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
9. TOTAL	<u>\$421,665</u>	<u>\$147,964</u>	<u>\$569,629</u>	<u>(\$82,333)</u>	<u>\$487,296</u>	<u>100.00%</u>		<u>8.83%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>8.94%</u>	<u>10.94%</u>	
OVERALL RATE OF RETURN						<u>8.83%</u>	<u>8.83%</u>	

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
 DOCKET NO. 000584-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$115,277</u>	<u>\$1,142</u>	<u>\$116,419</u>	<u>(\$37)</u> -0.03%	<u>\$116,382</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	63,508	6,487	69,995	0	69,995
3. DEPRECIATION (NET)	15,967	14	15,981	0	15,981
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,045	5,713	9,758	(2)	9,756
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$83,520</u>	<u>\$12,214</u>	<u>\$95,734</u>	<u>(\$2)</u>	<u>\$95,732</u>
8. OPERATING INCOME/(LOSS)	<u>\$31,757</u>		<u>\$20,685</u>		<u>\$20,650</u>
9. WATER RATE BASE	<u>\$272,560</u>		<u>\$233,859</u>		<u>\$233,859</u>
10. RATE OF RETURN	<u>11.65%</u>		<u>8.85%</u>		<u>8.83%</u>

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/00
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 000584-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$111,614</u>	<u>\$2,902</u>	<u>\$114,516</u>	<u>\$66,621</u> 58.18%	<u>\$181,136</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	114,048	17,926	131,974	0	131,974
3. DEPRECIATION (NET)	5,905	3,677	9,582	0	9,582
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,696	11,508	14,204	2,998	17,202
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$122,649</u>	<u>\$33,111</u>	<u>\$155,760</u>	<u>\$2,998</u>	<u>\$158,758</u>
8. OPERATING INCOME/(LOSS)	<u>(\$11,035)</u>		<u>(\$41,244)</u>		<u>\$22,378</u>
9. WASTEWATER RATE BASE	<u>\$275,396</u>		<u>\$253,437</u>		<u>\$253,437</u>
10. RATE OF RETURN	<u>-4.01%</u>		<u>-16.27%</u>		<u>8.83%</u>

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/00
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 000584-WS
PAGE 1 OF 3

	<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES		
To adjust utility revenues to audited test year amount.	<u>\$1,142</u>	<u>\$2,902</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages Employees (601/ 701)		
a. To allow requested salaries expense	\$20,650	\$38,350
b. Capitalized Salaries Expense	(1,990)	(400)
Subtotal	<u>\$18,660</u>	<u>\$37,950</u>
2. Salaries and Wages Officers (603/ 703)		
a. To reclassify Salaries expense from Acct. No. 601/ 701	<u>\$8,750</u>	<u>\$16,250</u>
3. Employees Pension and Benefits (604/ 704)		
a. To reflect Annual Pension Cost	<u>\$4,163</u>	<u>\$7,732</u>
4. Sludge Removal Expense (711)		
a. To Include Sludge Hauling from Acct# 730	\$0	\$1,760
b. Unrecorded Expense (Accrual vs. Cash)	0	1,760
Subtotal	<u>\$0</u>	<u>\$3,520</u>
5. Purchased Power (615/ 715)		
a. To Reflect Timing Difference (Accrual vs. Cash)	(\$777)	\$1,062
b. Reallocate Expense from Acct# 715 to 615	477	(477)
c. Excessive Unaccounted for Water 2.5%	(80)	0
Subtotal	<u>(\$380)</u>	<u>\$585</u>
6. Chemicals (618/ 718)		
a. To reclassify chemical expense from Account No. 630/ 730	\$1,665	\$2,170
b. Unrecorded Expense (Accrual vs. Cash)	0	339
c. Excessive Unaccounted for Water 2.5%	(42)	0
Subtotal	<u>\$1,623</u>	<u>\$2,509</u>
7. Materials & Supplies (620/ 720)		
a. From UPIS Account	\$0	\$5,069
b. To remove labor cost on painting expense from UPIS	0	(4,840)
c. Painting Supplies (5 year amortization) from UPIS	0	(184)
d. Pro forma painting Supplies (5 year amortization)	188	349
e. Reallocation based on 35/65 split	(146)	146
Subtotal	<u>\$42</u>	<u>\$540</u>
8. Contractual Services - Billing (630/ 730)		
a. Remove Salaries and Wages-Employees Expense (Burge)	(\$24,787)	(\$45,466)
b. Reallocate to Sludge Removal Expense (711)	0	(1,760)
c. Reallocate to Chemicals Expense (618/ 718)	(1,665)	(2,170)
d. Reallocate to Contracted Services Professional (631/ 731)	(9,635)	(14,538)
e. Reallocate to Contracted Services Testing (635/ 735)	(3,091)	(1,525)
f. Reallocate to Contracted Services Other (636/ 736)	(1,524)	(6,284)
g. Reallocate to Misc. Expense (675/ 775)	(40)	(1,581)
h. Capitalize Expense to Acct# (309/ 347/ 397/ 380)	(832)	(7,113)
i. Remove Out of test year Expense (Accrual vs. Cash)	(937)	0
Subtotal	<u>(\$42,511)</u>	<u>(\$80,437)</u>
(O & M EXPENSES CONTINUED ON NEXT PAGE)		

LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/00
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 000584-WS
PAGE 2 OF 3

(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
9. Contractual Services - Professional (631/ 731)		
a. Reallocate From Contracted Services Billing (630/ 730)	\$9,635	\$14,538
b. Unrecorded Consulting Fees	375	0
c. Normalize Nonrecurring Legal Expense Over 5 years	(6,380)	(8,943)
d. 1/5 of nonrecurring Legal expense	<u>1,276</u>	<u>1,789</u>
Subtotal	<u>\$4,906</u>	<u>\$7,384</u>
10. Contractual Services - Testing (635/ 735)		
a. Reallocate From Contracted Services Billing (630/ 730)	\$3,091	\$1,525
b. Unrecorded Expense	0	945
c. To Include Annualized DEP Required Testing	<u>(982)</u>	<u>1,170</u>
Subtotal	<u>\$2,109</u>	<u>\$3,640</u>
11. Contractual Services - Other (636/ 736)		
a. Reallocate From Contracted Services Billing (630/ 730)	\$1,524	\$6,284
b. Normalize Operator/ Management Fees	1,716	(691)
c. Grounds Keeping	956	9,000
d. Tank Refurbishing (amort. 5 years)	7,900	0
e. Pond Cleaning Expense	0	1,352
f. Improperly Capitalized Repair Expense 5 years	0	100
g. Unrecorded Expense (Accrual vs. Cash)	<u>0</u>	<u>325</u>
Subtotal	<u>\$12,096</u>	<u>\$16,370</u>
12. Rents (640/ 740)		
a. To Annualize Rent Per Lease Contract	<u>\$591</u>	<u>\$1,601</u>
13. Transportation Expense (650/ 750)		
a. Unrecorded Transportation Expense	<u>\$118</u>	<u>\$219</u>
14. Insurance Expenses (655/ 755)		
a. To Reflect Auto, Health, and Plant Insurance per current Contracts	<u>\$782</u>	<u>\$3,159</u>
15. Regulatory Expense (665/ 765)		
a. Reclassify RAF's as Taxes Other Than Income	(\$5,295)	(\$5,123)
b. Amortize Rate Case Filing Fee over 4 years (\$1000/4)	<u>250</u>	<u>250</u>
Subtotal	<u>(\$5,045)</u>	<u>(\$4,873)</u>
16. Miscellaneous Expense (675/ 775)		
a. Reallocate From Contracted Services Billing (630/ 730)	\$40	\$1,581
b. Non Utility Expense	(10)	(20)
c. Amortize Water Permit Over 5 years	308	0
d. Below Cap. Threshold from #343/ 939	<u>245</u>	<u>216</u>
Subtotal	<u>\$583</u>	<u>\$1,777</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$6,487</u>	<u>\$17,926</u>

**LANIGER ENTERPRISES OF AMERICA
TEST YEAR ENDING 6/30/00
ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C
DOCKET NO. 000584-WS
PAGE 3 OF 3**

	<u>WATER</u>	<u>WASTEWATER</u>
DEPRECIATION EXPENSE		
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$3,255	\$17,483
2. Non-used and useful depreciation	(1,089)	(298)
3. To reflect test year CIAC amortization calculated by staff	(826)	(10,391)
4. Amortization of negative acquisition adjustment	<u>(1,326)</u>	<u>(3,117)</u>
Total	<u>\$14</u>	<u>\$3,677</u>
TAXES OTHER THAN INCOME		
1. Reallocate From Regulatory Expense (665/ 765)	\$5,295	\$5,123
2. Adjust RAF's to Annualized Revenue	(56)	30
3. Payroll Tax	2,130	3,956
4. Real Estate Taxes	30	713
5. Reallocation of Property Taxes	<u>(1,686)</u>	<u>1,686</u>
Total	<u>\$5,713</u>	<u>\$11,508</u>

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-D
 DOCKET NO. 000584-WS

	TOTAL PER PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$18,660 [1]	\$18,660
(603) SALARIES AND WAGES - OFFICERS	0	8,750 [2]	8,750
(604) EMPLOYEE PENSIONS AND BENEFITS	0	4,163 [3]	4,163
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,507	(380) [5]	3,127
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	1,623 [6]	1,623
(620) MATERIALS AND SUPPLIES	1,984	42 [7]	2,026
(630) CONTRACTUAL SERVICES - BILLING	42,511	(42,511) [8]	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	4,906 [9]	4,906
(635) CONTRACTUAL SERVICES - TESTING	0	2,109 [10]	2,109
(636) CONTRACTUAL SERVICES - OTHER	0	12,096 [11]	12,096
(640) RENTS	1,929	591 [12]	2,520
(650) TRANSPORTATION EXPENSE	1,039	118 [13]	1,157
(655) INSURANCE EXPENSE	4,796	782 [14]	5,578
(655) REGULATORY COMMISSION EXPENSE	5,295	(5,045) [15]	250
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>2,447</u>	<u>583</u> [16]	<u>3,030</u>
	63,508	6,487	69,995

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-E
 DOCKET NO. 000584-WS

	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$37,950 [1]	\$37,950
(703) SALARIES AND WAGES - OFFICERS	0	16,250 [2]	16,250
(704) EMPLOYEE PENSIONS AND BENEFITS	0	7,732 [3]	7,732
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	3,520 [4]	3,520
(715) PURCHASED POWER	8,491	585 [5]	9,076
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	865	2,509 [6]	3,374
(720) MATERIALS AND SUPPLIES	4,215	540 [7]	4,755
(730) CONTRACTUAL SERVICES - BILLING	80,437	(80,437) [8]	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	0	7,384 [9]	7,384
(735) CONTRACTUAL SERVICES - TESTING	0	3,640 [10]	3,640
(736) CONTRACTUAL SERVICES - OTHER	0	16,370 [11]	16,370
(740) RENTS	3,079	1,601 [12]	4,680
(750) TRANSPORTATION EXPENSE	1,013	219 [13]	1,232
(755) INSURANCE EXPENSE	7,199	3,159 [14]	10,358
(765) REGULATORY COMMISSION EXPENSES	5,123	(4,873) [15]	250
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>3,626</u>	<u>1,777</u> [16]	<u>5,403</u>
	<u>114,048</u>	<u>17,926</u>	<u>131,974</u>