

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval
of staff-assisted rate case in
Martin County by Laniger
Enterprises of America, Inc.

DOCKET NO. 000584-WS
ORDER NO. PSC-01-1574-PAA-WS
ISSUED: July 30, 2001

The following Commissioners participated in the disposition of
this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST,
REQUIRING CONFORMANCE WITH NARUC UNIFORM SYSTEM OF ACCOUNTS,
DECLINING TO INITIATE A SHOW CAUSE PROCEEDING,
AND
NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING INCREASE
IN RATES AND CHARGES, REQUIRING CUSTOMER DEPOSITS,
IMPLEMENTATION OF A WATER CONSERVATION PROGRAM
AND REQUIRING REPORTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest, our decision not to initiate a show cause proceeding and requiring conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Laniger Enterprises of America, Inc. (Laniger or utility) is a water and wastewater utility, first organized in 1972. By Order No. 11423, issued December 15, 1982, in Docket No. 810008-WS, we issued Certificates Nos. 362-W and 317-S to Environmental Concern,

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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., which we approved by Order No. 22203, issued November 21, 1989, in Docket No. 881500-WS.

The utility's service area is located in Jensen Beach, Martin County (County) Florida. Laniger provides service to 277 residential water customers and 524 residential 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 six general service water customers and two general service wastewater customers.

We have a memorandum of understanding (MOU) with the Florida Water Management Districts. This MOU recognizes that a joint cooperative effort is necessary to implement an effective, statewide 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.

On May 15, 2000, the utility filed an application for a staff assisted rate case and paid the appropriate filing fee on July 7, 2000. We have 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. Our staff has audited the utility's records for compliance with our rules and Orders and determined the components necessary for rate setting. Our 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. We selected a historical test year ended June 30, 2000 for this rate case.

QUALITY OF SERVICE

A customer meeting was conducted on April 23, 2001, at the Martin County Commission Meeting Room in Stuart, Florida. Approximately 16 customers, an attorney representing Beacon 21, and a representative from the Office of Public Counsel (OPC) attended the meeting. Three customers chose to give comments regarding the utility's quality of service and the proposed rate increase. The attorney representing Beacon 21 and the representative from OPC also gave comments.

Customers' complaints included low water pressure, strong chlorine odor, unattractive residue in the water, and slow response times to water leaks and lift station alarms. Customers commented on excessive infiltration and its impact on non-used and useful adjustments. Customers also had concerns about fire hazards, specifically non-testing of fire hydrants and lack of grounds-keeping that could lead to a brush fire. Customers also raised questions about the utility's requested wage increase and the change from contracted services to salaried employees.

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.

Our analysis below addresses each of these three components.

The utility's raw water is obtained from two wells in the area surrounding the water plant. The water treatment includes a 10,000

gallon hydropneumatic storage tank and an 82,000 gallon ground storage tank. The wastewater plant is permitted by DEP at 99,000 million 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 neither the water or wastewater system is under any enforcement action. Because the utility's treated water meets or exceeds all standards for safe drinking water, and because the wastewater treatment meets required standards, both the water quality and wastewater treatment are considered 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 gpd (82,000 gallon ground storage tank - 8,200 gallons dead storage + 10,000 gallon hydro pneumatic tank plus the smallest well of 108,000 gpd).

The wastewater treatment plant is rated by DEP at 99,000 gpd three month average daily flow and is currently meeting regulatory requirements. DEP reports no significant violations. Therefore, the quality of the utility's plant is satisfactory.

Customer Satisfaction

As discussed above, complaints presented at the April 23, 2001 customer meeting centered around pressure problems, a desire to have the fire hydrants tested, lack of timely response by the utility to lift station alarms and water main breaks, and a water sample was brought in which showed a precipitate in the water.

With regard to the low pressure complaints, the utility has all the physical facilities necessary to ensure the required minimum pressure required by DEP and at the time of the inspection the pressure appeared to be more than adequate. With regard to the water sample with the precipitate, we believe it is likely to be calcium carbonate (limestone) which sometimes precipitates out in ice cube trays. This substance is harmless and is not a violation of any drinking water standard.

By this Order, we shall grant the utility pro forma funds for testing of the fire hydrants. Our staff will follow up to ensure that this is accomplished.

In regard to the complaints about untimely response to lift station alarms and water main breaks, the utility shall draft a written plan detailing the actions they will take to ensure timely response to these situations. This plan shall include at a minimum notifying every customer of a telephone number to call at the time of an alarm or main break, and the assurance that the number will be answered 24 hours per day by a utility staff member (not an answering machine) who is knowledgeable in dealing with these situations.

A complaint was made concerning a specific incident of inexplicable water loss or questionable meter accuracy. Due to the fact that this incident happened some months ago and the meter was apparently functioning correctly before and subsequent to the incident, it is impossible to specifically identify the cause of the problem. If this situation occurs again, the meter shall be tested.

In conclusion, based on the quality of product and plant being satisfactory, as well as the utility's attempt to address customer satisfaction, we find that the quality of service is satisfactory. However, the utility shall provide a written plan detailing its methods of responding to lift station alarms and main breaks, within 90 days of the effective date of this Order.

RATE BASE

Excessive Unaccounted for Water

It is our practice to allow 10% of the total water treated as an acceptable amount of 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, and PSC-00-2005-PAA-WU, issued June 7, 2000, in Docket No. 000331-WU).

The utility reported that 22,124,360 gallons of water were treated during the test year and 19,369,710 gallons were sold or otherwise accounted for, leaving 2,754,650 gallons as unaccounted

for. This results in 12.5% unaccounted for water. In accordance with our practice, 2.5% is considered excessive and allowable expenses for purchased electricity and chemicals shall be reduced by 2.5%.

Used and Useful

Water Treatment Plant - The water treatment plant draws raw water from two wells at 150 gpm each. The well pumps deliver the water to an 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 hydropneumatic 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 gpd (150 gp 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, the water treatment plant is 64.1% used and useful with the exception of the following accounts, which are 100% used and useful:

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

The used and useful percentage is calculated by adding the growth allowance to the average daily flow of the five peak days and subtracting the excessive unaccounted for water which produces the flows that are then divided by the plant capacity. The calculation is summarized in page 1 of Attachment A, attached hereto and incorporated herein by reference.

The 64.1% used and useful shall 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 two-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. The water distribution system is 78.8% used and useful. The calculation is summarized in Attachment A, page 2.

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

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

Wastewater Treatment Plant - The wastewater treatment system is permitted by DEP at 99,000 gpd based on a three month average daily flow. This permitted flow figure is limited by the effluent disposal system. The treatment plant has an actual capacity of 142,000 gpd, while the effluent disposal system is rated at 99,000 gpd. The wastewater treatment system currently is not under any enforcement action by DEP. DEP has indicated that the capacity of the effluent disposal system will be reexamined during the next permitting cycle.

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. In spite of there being no growth in customers since the last rate case, there has been a large increase in flow to the plant. In the 1995 engineering report, the flow to the plant was reported to be 68,000 gpd. In this current test year the annual average flow was 103,570 gpd. The cause of this increase is unknown and may be due to increased customer usage, increased infiltration and inflow (I&I) or a combination of the two. The utility shall be required to test its collection to determine the level of I&I. One part of the collection system, Palm Circle Park, is not owned by the utility and the utility has been given pro forma funds to install a wastewater meter as a means of determining

wastewater flow from Palm Circle Park. After sufficient flow records are received the situation can be revisited and a reasonable estimation of I&I can be made.

Due to the increase in flow, which exceeds the current rated capacity of the effluent disposal system, used and useful percentages shall be calculated for the treatment plant and effluent disposal system separately. We find that the wastewater treatment plant is 83.8% used and useful and the effluent disposal system is 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 or actual capacity. These calculations are summarized in Attachment A, pages 3 and 4.

The 83.3% used and useful for the plant shall be applied to the following accounts:

353	Land and Land Rights
354	Structures and Improvements
355	Power Generation Equipment
364	Flow Measuring Devices
380	Treatment and Disposal Equipment

The 100% used and useful for the effluent disposal shall be applied to the following accounts:

353.4	Land and Land Rights
380.4	Treatment and Disposal Equipment

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. We find that the wastewater collection is 87.3% used and useful with the exception of account number 360 Collecting Sewers - Force, which is 100% used and useful. The calculation is summarized in Attachment A, page 5.

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

361 Collecting Sewers - Gravity
363 Services to Customers

Average Test Year Rate Base

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-WS.

We 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 our 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., we ordered that the utility's allocation of administrative and general expenses shall be based on the number of customers. We find that allocations based on the number of customers served by Laniger shall also apply to plant items common to both systems. Laniger currently provides service to 283 (35%) water customers and 527 (65%) wastewater customers. We therefore find that the appropriate allocation of common plant shall 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 shall be reclassified from Account No. 307 to Account No. 675 (miscellaneous expense) and amortized over five years, the life of the permit. We reduced water Account No. 307 by \$1,540 to remove improper capitalization of the operating permit. We 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. We reallocated \$5,069 from wastewater Account No. 354 to O&M Account No. 720.

We reduced water Account No. 309 by \$978 to remove plant undocumented by the utility. We 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 our practice to calculate overhead based on labor cost. We have determined that 15% of labor is a reasonable rate to charge for overhead, and make 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. We estimated retirements based on 75% of the replacement cost, where no original cost documentation was available. We 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 use of a vehicle is appropriate for this utility, we do not find 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. The cost of the 1997 truck is

appropriate and is the amount which shall remain on the books. We 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).

We increased UPIS by \$2,280 for water and \$5,884 for wastewater to record plant additions and capitalization. We 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. We reclassified and capitalized \$282 from O&M Account No. 730 to Account No. 380. This amount consists of the balance of a regulator included in expense. We have determined that the total cost of the regulator to be capitalized is \$500. We have therefore increased wastewater Account No. 380 by \$218 to reflect the appropriate capitalized cost. We reclassified and capitalized \$695 for a check valve from O&M Account No. 630 to water Account No. 309. We 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. We 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. We 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. We allocated this amount by \$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 of \$337, which exceeds the capitalization threshold.

The NARUC USOA sets a capitalization threshold for Class C utilities of \$150. This means that any invoiced amounts for less than \$150 shall be expensed rather than capitalized in the period in which they were incurred. We 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 wastewater Account No. 393 to O&M Account No. 775; \$116 and \$47 from water 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. We allowed the following items in rate base and find these items to be reasonable. We increased UPIS by \$18,694 for water and \$31,376 for wastewater to record pro forma plant. The following is a description of approved adjustments for pro forma plant.

We increased UPIS by \$5,000 to include the cost of a new driveway to the water and wastewater plants. We allocated this amount based on the 35/65 customer ratio. Therefore, we increased water Account No. 304 by \$1,750 and wastewater Account No. 354 by \$3,250. We 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 30 kilowatt (KW) generator and \$1,295 to purchase a new 8KW generator which will be carried on the utility's truck. We allocated these amounts based on the 35/65 customer ratio. Therefore, we increased water Account No. 310 by \$1,363 for the rehabilitated generator and \$453 for the new generator. We 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. At the customer meeting, Laniger's customers also expressed a desire for the utility to begin regular hydrant testing. We capitalized the cost of the hydrant testing equipment by increasing water Account No. 334 by \$1,780 so that the utility can perform regular interval hydrant testing. We 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. We increased wastewater Account No. 354 by \$10,940 for the cost of clearing debris and installing a fence around the percolation pond.

We increased water Account No. 311 by \$634 to reflect the cost of upgrading an existing pump. We 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. We 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 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. Wastewater Account No. 389 shall be increased by \$4,850 to reflect the cost of the 6" sewer meter. We have designed rates so that the general body of rate payers do not pay for the 6" sewer meter as discussed subsequently in this Order.

We increased wastewater Account No. 354 by \$2,065 for the cost of placing a protective screen in front of the utility's 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. We therefore increase wastewater Account No. 398 by \$2,670 to include pumping equipment associated with the percolation ponds.

The utility requested \$31,950 for a backhoe/loader. We find that a utility of this size does not need its own backhoe/loader. It would be more economically feasible for the utility to rent the use of a backhoe/loader when needed. We therefore do not approve 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 trihalomethanes (THM) limits set by DEP. We discovered that the new THM limits do not become effective until

2004. Therefore, we do not find that it is prudent to install the ammonia feed system at this time. If the utility is not meeting the new THM limits in 2004, it shall install the ammonia feed system at that time and seek recovery through another rate case or a limited proceeding.

UPIS has been decreased by \$9,347 for water and \$15,688 for wastewater to reflect an averaging adjustment on pro forma additions.

The following is a summary of approved UPIS adjustments:

<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	\$18,694	\$31,376
Averaging Adjustment Pro Forma	(\$9,347)	(\$15,688)
Averaging Adjustment	<u>(\$1,603)</u>	<u>(\$2,279)</u>
Total Net Adjustments	<u>(\$16,494)</u>	<u>(\$20,165)</u>

We decreased UPIS by \$16,494 for water and \$20,165 for wastewater. Therefore, UPIS is \$419,912 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. We have determined average Land to be \$5,000 for water and \$94,580 for wastewater.

Non-used and Useful Plant: Our staff engineer 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 \$60,520 for wastewater. The average non-used and useful accumulated depreciation is \$12,973 for water and \$28,282 for wastewater. This results in net non-used and useful plant of \$23,313 for water and \$32,238 for wastewater.

Contributions 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. We therefore increased water CIAC for \$39,146 to offset the unpaid utility investment in plant.

We increased wastewater CIAC by \$9,312 to reflect that 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. We 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 in Docket No. 950515-WS. This amount was not included in the prior rate case, however we find that the \$16,200 shall be included in CIAC to reflect the cost of the UPIS. No CIAC additions were recorded during the test year, therefore there is no averaging adjustment.

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

Acquisition Adjustment: In Order No. 24817, issued July 15, 1991, in Docket No. 900945-WS, we approved a negative acquisition

adjustment of \$28,574 for water and \$66,743 for wastewater. We 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 our practice, we calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. Accumulated depreciation at June 30, 2000, is \$134,524 for water and \$281,851 for wastewater. Therefore, we 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 \$531 for water and \$1,569 for wastewater to reflect one half year of depreciation on pro forma additions. Accumulated depreciation has been decreased by \$265 for water and \$784 for wastewater to reflect an averaging adjustment on pro forma depreciation. Average accumulated depreciation is \$125,547 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 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. 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 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. Amortization of the 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: Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), Florida Administrative Code, the one-eighth of the O&M expense formula approach shall be used for calculating working capital allowance. Applying that formula, we approve a working capital allowance of \$8,208 (based on O&M of \$65,662) for water and \$15,438 (based on O&M of \$123,501) for wastewater. The utility did not record a working capital allowance. Working capital has been increased by \$8,208 and \$15,438 for water and wastewater respectively to reflect one-eighth of the approved O&M expenses.

Rate Base Summary: Based on the foregoing, we find that the appropriate average test year rate base is \$229,799 for water and \$225,683 for wastewater.

Rate base is shown on Schedule No. 1-A and 1-B, and related adjustments are shown on Schedule No. 1-C. The schedules are attached hereto and incorporated herein by reference.

COST OF CAPITAL

According to our 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 of \$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 utility's 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 with a stated interest rate of 8.875%. The second debt instrument is a truck loan in the amount of \$20,417 with a stated interest rate of 7.49%.

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As discussed previously, we disallowed the 1998 truck (new truck) from rate base, and required the utility to leave the 1997 truck (old truck) on the books. Therefore, we made an adjustment to the new truck loan to reflect the cost of capital associated with the old truck. We decreased the long term debt by \$10,755 to reflect the loan value associated with the old truck.

Because this utility's capital structure is 100% debt, the overall rate of return shall be equal to the weighted average cost of debt of 8.85% ($8.875 \times 98.27\% + 7.49 \times 1.73\%$).

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%. Because 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 the rate base approved herein. The return on equity is 9.94% with a range of 8.94% - 10.94% and an overall rate of return of 8.85%.

The return on equity and overall rate of return are shown on Schedule No. 2, attached hereto and incorporated herein by reference.

NET OPERATING INCOME

Test Year Revenues

The utility booked revenues during the test year of \$115,277 for water and \$111,614 for wastewater. The utility's water tariff, at test year end, authorized a base facility charge (BFC) of \$10.86 and a gallonage charge of \$3.58 per 1,000 gallons. The utility's wastewater tariff, at test year end, authorized a BFC of \$10.80 and a gallonage charge of \$2.70 per 1,000 gallons for all metered customers. For unmetered customers the wastewater tariff, at test year end, authorized a flat rate of \$17.52 for residential customers and \$96.60 for general service customers.

The utility's existing rates at test year end became effective February 1, 2000. The utility's test year includes the period July 1, 1999 through June 30, 2000. The utility received a four year

rate reduction effective July 2000. We calculated annualized revenue using rates at test year end 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 test year end rates.

Test year revenue is shown on Schedule No. 3-A and 3-B, with related adjustments shown on Schedule No. 3-C. The schedules are attached hereto and incorporated herein by reference.

Operating Expenses

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 NARUC USOA, 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). We have 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. We 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".

At the customer meeting held on April 23, 2001, customers and the OPC expressed concern about the rate impact of switching from contractual services to salaried employees. The main concern was that the payroll taxes associated with the salaried employees would be an additional expense to the customers, whereas contracted employees and payroll taxes were included in the contracted amounts. The net effect of switching to salaried employees is a rate increase equal to the amount of employment taxes. We agree that a change in utility policy over the status of related party employees shall not adversely effect the rate payers. We made adjustments to Reginald and Keith Burge's salaries to reflect salaries net of payroll taxes as discussed below.

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. In Order No. PSC-96-1466-FOF-WU, issued December 3, 1996, in Docket No. 960133-WU, we allowed \$15,232 for a maintenance person. We find the requested amount to be reasonable and consistent with our previous allowances. We therefore approve \$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. We have reduced this amount by \$2,307 to remove payroll tax that would have been included in the contracted salary. This reduces the requested salary to \$27,693. Payroll taxes on this salary are equal to the \$2,307 removed above. As discussed above, Keith Burge is responsible for the day-to-day operations of the utility. In Laniger's last rate case, we allowed an amount for an office clerk of 20 hours per week at \$10.15 an hour. We have adjusted this rate for inflation to \$11.10 an hour. We allocated \$11,544 (52 weeks x \$11.10 an hour x 20hrs) of the requested salary for office clerk duties (accounting/bookkeeping). The remaining

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\$16,149 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, we allowed \$15,000 for management services alone. We find the requested amount to be reasonable and consistent with our previous allowances. Therefore, \$27,693 shall be allowed 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 we have allowed for a full time maintenance person, we find that \$36,000 is an appropriate amount for Reginald Burge's services.

We have reduced this amount by \$2,734 to remove payroll taxes that would have been included in the contracted salary. This reduces the requested salary to \$33,266. We split this salary between an officer's salary and a management/maintenance salary. In Order No. PSC-98-1579-FOF-WS, for Orchid Springs, we allowed \$25,000 for officer's salary. We will allocate \$25,000 of the \$33,266 we find is reasonable to the Salaries and Wages-Officer account. The remaining \$8,266 is a reasonable amount for a general manager/maintenance persons duties. The total management salary for Reginald and Keith Burge is consistent with our past allowances for similarly-sized utilities. In Order No. PSC-98-0130-FOF-WS, issued January 26, 1998, in Docket No. 970633-WS, we allowed \$17,517 for management duties for a similar sized utility. We therefore approve an allowance of \$8,266 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. We 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 shall be reduced by \$1,990 (\$240 + \$1,750) for water and \$400 for wastewater to reflect capitalized labor and supervisory hours.

Total salaries and wages expense for employees are as follows:

	Total <u>(100%)</u>	Water <u>(35%)</u>	Wastewater <u>(65%)</u>
Reginald Burge	\$8,266	\$2,893	\$5,373
Keith Burge	\$27,693	\$9,693	\$18,000
Kevin Burge	\$18,000	\$6,300	\$11,700
<u>Capitalized Labor</u>	<u>(\$2,390)</u>	<u>(\$1,990)</u>	<u>(\$400)</u>
Total	<u>\$51,569</u>	<u>\$16,896</u>	<u>\$34,673</u>

Therefore, we increased this account by \$16,896 for water and \$34,673 for wastewater to reflect the 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, we find that an officer's salary of \$25,000 annually is appropriate for Reginald Burge. We increased this account by \$8,750 ($\$25,000 \times 35\%$) for water and \$16,250 ($\$25,000 \times 65\%$) for wastewater to reflect officer's salary for Reginald Burge.

Employee Pensions and Benefits (604/704) - The utility requested initiating a pension plan for its employees. Laniger provided a defined contribution plan (401-K) from Morgan Stanley Dean Witter. The utility has requested contributing the maximum allowable under the plan. The plan provided by the utility provides that 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. Although employee pensions and benefits are a legitimate business expense, we do not believe that the 15% maximum contribution is appropriate for a utility of this size. We find that one half of the maximum contribution level allowed is reasonable for this utility. Therefore, the pension cost shall be calculated based on a rate of 7.5% of earned income.

Total approved annual salaries for Keith and Kevin Burge are \$45,693. Applying the 7.5% contribution level to this annual salary results in an annual pension cost of \$3,427. 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 rate for a self-employed person, the algebraic effective rate is 6.98% ($[\text{net earnings} \times 7.5\%] / [1 + 7.5\%]$). The annual salary approved for Reginald Burge is \$33,266. Applying the 6.98% maximum contribution level for a self employed person results in an annual pension cost of \$2,321.

We increased this account by \$5,748 (\$3,427 + \$2,321) and allocated 35% to water (\$2,012) and 65% to wastewater (\$3,736). The utility shall provide our staff with a signed contract with Morgan Stanley Dean Witter with proof of the 401-K plan and contributions allowed as provided herein within 90 days of the effective date of this Order.

Sludge Removal Expense (711) - The utility recorded \$0 in this account, however the utility incurred sludge removal expenses twice during the test year. We increased this account by \$1,760 to include the cost of sludge removal incurred during the test period but not recorded. We 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. We decreased this account by \$777 for water and increased this account by \$1,062 for wastewater to reflect expenses on an accrual basis. We 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 \$68 has been made to water in this account to reflect a 2.5% adjustment for excessive unaccounted for water as determined by our staff engineer.

Chemicals (618/718) - The utility recorded \$0 for water and \$865 for wastewater in this account during the test year. We reallocated \$1,665 for water and \$2,170 for wastewater to this account from Account No. 630 and 730, respectively. We increased this account by \$339 for wastewater to include chemical expense incurred but not recorded during the test year. In addition the annual chemical expense for water has been decreased by \$42 to reflect a 2.5% adjustment for excessive unaccounted for water as determined by our 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. We reallocated \$5,069 of painting expense from plant Account No. 354. This amount included \$4,840 of labor cost. We 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, we amortized the cost over five years in accordance with Rule 25-30.433(8), Florida Administrative Code. Therefore, this account was decreased 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. We identified painting 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 we made an allowance for a maintenance person in Account No. 601 and 701, we 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. We find that these costs are not annual costs and shall be amortized over five years, pursuant to Rule 25-30.433(8), Florida Administrative Code. We increased this account by \$188 ($\$940/5 \text{ years}$) for water and \$349 ($\$1,745/5 \text{ years}$) for wastewater for painting expense.

We 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 previously. Our 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 shall be reduced to zero. During the customer meeting, customers raised concerns about not receiving bills timely. The utility shall be reminded to send bills pursuant to Rule 25-30.335, Florida Administrative Code, at

regular intervals. We removed and reallocated expenses to the appropriate accounts as discussed below.

We identified \$937 for water as out of period expense. We 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.

We identified \$24,787 for water and \$45,466 for wastewater of contracted employee expense for Reginald, Keith, and Kevin Burge. Because we allowed salaried wages for these employees, we 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	<u>\$0</u>	<u>\$0</u>

We 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. We 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. We 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. We 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. We determined that the average normal legal expense incurred over the last five years is \$5,015. This amount shall be allocated based on the 35/65 customer ratio. The utility recorded \$8,135 of legal expenses for water. We reduced this amount by \$6,380 to reflect normalized legal expense of \$1,755 ($\$5,015 \times 35\%$). We also increased this account for water by \$1,276 ($\$6,380/5$ years) to amortize the extraordinary portion of the legal expense. The utility recorded \$12,203 of legal expenses for wastewater. We reduced this amount by \$8,943 to reflect normalized legal expense of 3,260 ($\$5,015 \times 65\%$). We increased this account for wastewater by \$1,789 ($\$8,943/5$ years) to amortize the extraordinary portion of the legal expense.

Our 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. We increased this account by \$3,091 for water and \$1,525 for wastewater to reflect a reclassification from Account No. 630 and 730. We 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

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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		
Unregulated Organic Compounds	3 Years	\$109		
<u>Pest \$ PCB's</u>	<u>3 Years</u>	<u>\$292</u>	_____	_____
Total		<u>\$1,379</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>

We decreased contractual services testing by \$1,232 (\$1,859-\$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. We 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 \$229 for groundskeeping at the water plant.

The utility's 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. We 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 estimates for mowing/groundskeeping expense in the amounts of \$1,185 for water and \$9,000 for wastewater. These estimates include the cost per mowing and the number of times a year mowing would be performed. The estimates included mowing of twice a month. At the customer meeting, customers stated that the utility did not maintain groundskeeping at the plant on a regular basis and that the amount requested was too high for services that were not being performed. Customers also commented on fire hazards caused by the utility not removing overgrown brush. The utility's estimate includes money for brush removal three times a year. While the utility shall be allowed an allowance for groundskeeping, we find that 24 mowings a year is too high. Instead, 18 mowings a year is appropriate and will allow the utility to mow once a month during the dry and winter months and twice a month during the rainy and summer months. Accordingly, we reduced the utility's estimate by \$180 for water and \$900 for wastewater to reflect 18 mowings a year.

We further reduced this estimate by \$300 for wastewater to remove the labor cost associated with spraying herbicide around the wastewater plant. This is a cost that shall be covered by the utility's maintenance man. The utility recorded \$229 for water groundskeeping expense during the test year. Therefore, we increased this account by \$776 ($\$1,005 - \229) for water and \$7,800 for wastewater.

The utility requested pro forma expenses of \$6,760 to clear debris and vegetation in and around the percolation ponds. Previously in this Order, we allowed pro forma plant items that in the future will reduce the frequency in which the ponds will have to be cleared of debris and vegetation. It is therefore appropriate to spread this cost over five years and increase this account by \$1,352 ($\$6,760/5$ years) for wastewater.

The utility requested pro forma labor cost associated with the Martin County required hydrant testing of \$3,019. We made an allowance for a full-time maintenance person in the salaries and wages account. This labor cost shall 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 82,000 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. We find that the average of the estimated range, \$28,500, is 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. We find that the average of the estimate range, \$11,000, is reasonable. We have determined the total cost of refurbishing the tank to be \$39,500. Because this is a non-recurring expense, we amortized this expense over five years. We increased this account by \$7,900 ($\$39,500/5$ years) to reflect pro forma tank repair expense.

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

We therefore approve a net increase to this account of \$11,916 for water and \$15,170 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. We find the monthly rent expense to be reasonable and have increased this account by \$591 for water and \$1,601 for wastewater to reflect rent per lease contract of \$2,520 ($\600×12 months $\times 35\%$) for water and \$4,680 ($\600×12 months $\times 65\%$) 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. We 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. We 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. We 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/four 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. We increased this account by reclassifying \$40 for water and \$1,581 for wastewater from Account No. 630 and 730, respectively. We decreased this account by \$10 for water and \$20 for wastewater to remove a non-utility club membership fee. We increased this account by \$308 for water to amortize water permit expense over five years, the life of the permit. We also increased this account by \$245 for water and \$216 for wastewater to included expenses improperly capitalized during the test year (\$144 from Account 343, \$101 from Account 304, and \$216 from Account 393). The total annual expense for this account is \$3,030 for water and \$5,403 for wastewater.

Operations and Maintenance Expense (O&M Summary) - The total O&M adjustment is an increase of \$2,154 for water \$9,453 for wastewater. Approved O&M expenses are \$65,662 for water and

\$123,501 for wastewater. O&M expenses are shown on Schedules 3-D and 3-E, attached hereto and incorporated herein by reference.

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. We calculated depreciation expense using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We increased depreciation expense by \$2,829 for water and \$17,483 for wastewater to reflect our calculated depreciation of \$19,902 for water and \$26,448 for wastewater. We reduced this account for non-used and useful depreciation by \$1,089 for water and \$2,133 for wastewater. We further reduced depreciation expense by \$817 for water and \$10,391 for wastewater to reflect our calculated amortization of CIAC of \$1,923 for water and \$13,451 for wastewater. We reduced this account for amortization of a negative acquisition adjustment by \$1,320 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 \$15,570 for water and \$7,747 for wastewater. The net adjustment to this account is a decrease of \$397 for water and an increased of \$1,842 for wastewater to reflect the 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. We 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 \$2,313 for water and \$4,295 for wastewater to reflect payroll taxes associated with the approved utility salaries expense.

We also increased this account by \$30 for water and \$713 for wastewater to include real estate taxes. We reallocated \$1,686 from water to wastewater to reflect proper allocation of property taxes. The total adjustment for this expense is an increase of \$5,896 for water and \$11,847 for wastewater.

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

Operating Revenues - Revenues have been decreased by \$5,141 for water and increased by \$53,663 for wastewater to reflect the change in revenue required to cover expenses and allow the approved return on investment.

Taxes Other Than Income - This expense has been decreased by \$231 for water and increased by \$2,415 for wastewater to reflect RAFs of 4.5% on the change in revenues.

Operating Expenses Summary - The application of our adjustments to the audited test year operating expenses results in operating expenses of \$90,942 for water and \$148,206 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

The utility's revenue requirement shall be reduced by \$5,141 (-4.42%) for water and the utility shall be allowed an annual increase of \$53,663 (46.86%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 8.85% return on its investment. Disposition of overearnings will be discussed subsequently in this Order. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted rate base	\$229,799	\$225,683
Rate of Return	x .0885	x .0885
Return on investment	\$20,337	\$19,973
Adjusted O & M expense	\$65,662	\$123,501
Depreciation expense (Net)	\$15,570	\$7,747
Taxes Other Than Income	\$9,710	\$16,958

Revenue Requirement	<u>\$111,279</u>	<u>\$168,179</u>
Adjusted Test Year Revenues	<u>\$116,419</u>	<u>\$114,516</u>
Percent Increase/(Decrease)	<u>(4.42)%</u>	<u>46.86%</u>

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

RATES AND CHARGES

Disposition of Overearnings

In 1991, we entered into a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs), in which we 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, we have increased our efforts in assisting the WMDs in achieving conservation goals. More recently, we have worked with the St. Johns River Water Management District (SJRWMD) and the Southwest Florida Water Management District in tailoring conservation programs for jurisdictional utilities that are designed to achieve significant and lasting water use reductions. We find that reasonable expenses for such programs shall be included in utility rates, because the WMDs hold the utilities, rather than utilities' customers, responsible for reductions in water use.

Laniger is located in Martin County within the SFWMD. The District has requested that we consider implementing both water conservation programs and inclining-block rate structures applicable to all customer classes in this proceeding. Irrigation usage represents 53% of all gallons sold during the test year. As a means of addressing irrigation usage, and absent an increase in water system revenue requirement, we find that implementing a conservation program is appropriate. In the first year of the conservation program, the utility shall implement a proactive program geared to achieve lasting reductions in irrigation consumption.

We called upon the technical expertise of the SFWMD to design a conservation program that utilizes the total level of

overearnings and is applicable to Laniger's specific circumstances. The conservation measures and associated estimated costs listed below, developed in conjunction with the SFWMD, represents a program specifically designed to target in year one of the program the District's major area of concern regarding Laniger's usage, which is irrigation. The focus of the conservation measures in year two is on the reduction of any unaccounted-for water.

Approved Conservation Programs

Year One:

1. Purchase and install rain switches on all irrigation meters. The cost will be approximately \$100 per sensor. These sensors will be donated to the various Homeowners' Associations. \$ 2,000
 2. Due to the age of the residential subdivisions, any remaining funds shall be used to purchase low-flow showerheads. The cost will be approximately \$10 per showerhead, and will be available on a first-come, first-served basis. \$ 3,100
- Total \$ 5,100

Year Two:

1. Water audit of the utility's transmission and distribution system. The cost will depend on the condition of the system.
2. Any remaining funds shall be used to repair leaks in the utility's transmission and distribution system. Total \$ 5,100

We have taken a similar approach in prior cases involving excess earnings, low rates and high consumption. On June 25, 2001, in Docket No. 981147-WS, we approved a pilot water conservation program for Highlands Ridge Associates, Inc., in Highlands County. Specifically, we approved a pilot program for no-maintenance soil sensors, and also approved funds to begin irrigation audits. This decision is proposed agency action and will not become final until the expiration of the protest period and issuance of a Consummating Order.

In related decisions, in Order No. 23809, issued November 27, 1990, in Docket No. 900338, we required Sanlando Utilities Corporation (Sanlando) to set aside \$25,008 in annual revenues for future expenses specifically related to water conservation. Additionally, by Order No. PSC-93-1771-FOF-WS, issued on December 10, 1993, in Docket No. 930256-WS, we approved an inclining block rate structure for Sanlando for the purpose of funding future capital investment related solely to conservation.

Moreover, we recently made a similar finding in a case involving excess earnings, low rates and high consumption, involving a utility in Lake County. In Order No. PSC-00-1165-PAA-WS, issued June 27, 2000, we required Sun Communities Finance Limited Partnership (Sun Communities) to implement a conservation program developed in conjunction with the utility, our staff and the SJRWMD. Specifically, we approved an aggressive conservation program which included such items as xeriscape consulting and rebates, installation of moisture sensors, meter replacements and irrigation audits.

We find that there are similar circumstances regarding the need for conservation in the instant proceeding. Although the conservation program ultimately approved will come at some cost, both this Commission and the SFWMD believe the circumstances in this case warrant such measures.

Laniger is an established utility. Furthermore, we believe the utility is able to comply with District and our requirements and implement conservation measures. Additionally, as discussed below, our staff shall monitor the utility's progress on a quarterly basis in order to ensure compliance with this Order. We believe these factors provide sufficient assurance that the conservation programs will, in fact, be implemented.

Therefore, we find that the utility shall spend the total level of the water system's overearnings to implement the water conservation programs discussed above. The utility shall, at a minimum, spend the required amount for each of the first two years of its conservation programs, and be required to file quarterly reports with the Commission on its program covering the same two year period. These reports shall list the conservation measures that were implemented during the period and the amounts expended. Our staff shall confer with the SFWMD in reviewing the reports in

order to evaluate the effectiveness of the program and ensure that the program and amounts spent are consistent with the Commission order.

Furthermore, at the conclusion of the two-year period for the conservation programs set forth in this Order, the utility shall file an affidavit with this Commission certifying that there are no further overearnings. If the utility is unable to file such an affidavit and is still overearning at the conclusion of the two-year period, any further overearnings shall be accounted for and set aside for use in future conservation efforts.

Rate Structure

As previously mentioned, Laniger is located in Martin County within the SFWMD. 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 majority of the District is now subject to Phase II water-use restrictions.

Our analysis indicates that the average consumption for the 277 customers billed at the 5/8" x 3/4" BFC is approximately 2,800 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.

The remaining 12 customers, representing irrigation, swimming pool and recreational area usage, accounts for approximately 53% of all water gallons sold. We contemplated whether a change to an inclining-block rate structure for this discretionary, non-essential consumption is appropriate. Moreover, as discussed previously, we have found that the utility's overearnings shall be applied toward a program that first requires the utility to install rain switches on all irrigation meters. This Commission and the SFWMD believe that the conservation programs approved herein will have a significant effect on consumption. Moreover, we do not believe it is possible to appropriately quantify the magnitude of the conservation programs' effects on consumption at this time.

There are ranges of consumption reductions that might reasonably be expected to occur, and we believe this information is critical in order to appropriately design rates.

Therefore, because we lack any historical information in this regard, we find that a continuation of the utility's current rate structure is appropriate.

Rates

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 six general service water customers and two general service wastewater customers.

As discussed previously, the appropriate revenue requirement, excluding miscellaneous service charges, is \$111,279 for the water system and \$168,179 for the wastewater system. However, for rate setting purposes, the revenue requirement for water is \$116,379, which amount includes the conservation expenses discussed previously. We calculated rates using test year number of bills and consumption for water. 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 for wastewater customers who do not receive water service from the utility. We calculated flat rates for the River Club development based on our approved BFC and gallonage charge multiplied by the average number of water gallons used by River Club. We were able to determine wastewater usage for River Club based on water consumption provided to River Club by the local municipality.

Because the utility's water revenue requirement for rate setting purposes is virtually unchanged (a decrease of \$40 or 0.03%) from its test year revenues, we have elected to leave water rates unchanged. Schedules of the rates and rate structure in effect at the end of the test year, the utility's current rates and rate structure, and the rates and rate structure approved herein are as follows:

Monthly Rates - Water
Residential and General Service

Base Facility Charge

<u>Meter Sizes</u>	<u>Test Year Rates</u>	<u>Current Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$10.86	\$10.83	\$10.83
3/4"	\$16.28	\$16.24	\$16.24
1"	\$27.14	\$27.07	\$27.07
1 1/2"	\$54.27	\$54.14	\$54.14
2"	\$86.83	\$86.62	\$86.62
3"	\$173.66	\$173.23	\$173.23
4"	\$271.33	\$270.66	\$270.66
6"	\$542.67	\$541.33	\$542.67
<u>Gallonge Charge</u> per 1,000 gallons	\$3.58	\$3.57	\$3.57

Monthly Rates - Water
Multi-Residential Service

<u>Base Facility Charge</u>	<u>Test Year Rates</u>	<u>Current Rates</u>	<u>Commission Approved Rates</u>
Per Unit	\$10.86	\$10.83	\$10.83
<u>Gallonge Charge</u> per 1,000 gallons	\$3.58	\$3.57	\$3.57

Monthly Rates - Wastewater

Residential

	<u>Test Year</u> <u>Rates</u>	<u>Current</u> <u>Rates</u>	<u>Commission</u> <u>Approved Rates</u>
<u>Flat Rates</u>			
River Club (Per Unit)	\$17.52	\$17.47	\$24.96
<u>Base Facility Charge</u>			
All Meter Sizes	N/A	N/A	\$14.14
<u>Gallonge Charge</u>			
per 1,000 gallons	N/A	N/A	\$3.92

Monthly Rates - Wastewater

Multi-Residential Service

	<u>Test Year</u> <u>Rates</u>	<u>Current</u> <u>Rates</u>	<u>Commission</u> <u>Approved Rates</u>
<u>Base Facility Charge</u>			
Per Unit	\$10.80	\$10.77	\$14.14
<u>Gallonge Charge</u>			
per 1,000 gallons	\$2.70	\$2.69	\$4.70

Monthly Rates - Wastewater

General Service

	<u>Test Year</u> <u>Rates</u>	<u>Current</u> <u>Rates</u>	<u>Commission</u> <u>Approved Rates</u>
Flat Rate (River Club Wash House)	\$96.60	\$96.60	\$139.72

Base Facility Charge

Meter Sizes

5/8" x 3/4"	\$10.80	\$10.77	\$14.14
3/4"	\$16.22	\$16.18	\$21.21
1"	\$27.02	\$26.95	\$35.35
1 1/2"	\$54.03	\$53.89	\$70.69
2"	\$86.44	\$86.22	\$113.11
3"	\$172.89	\$172.45	\$226.21
4"	\$270.14	\$269.46	\$353.45
6"	\$540.02	\$538.65	\$706.91

Gallongage Charge

Per 1,000 Gallons	\$2.70	\$2.69	\$4.70
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We calculated different rates for Palm Circle Park, a flat rate (Phase I) and a base facility gallongage charge rate (Phase II). As discussed previously, the utility believes that excessive infiltration is entering the plant from the Palm Circle Park connection due to the condition of the park's lines. We calculated a \$.58 excessive infiltration charge that is included in the Palm Circle BFC. 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. We also calculated an influent gallongage charge for metered wastewater only customers based on actual wastewater gallons. We approved an influent gallongage charge based on actual wastewater gallons in Order No. 21450, issued June 26, 1998, in Docket No. 890110-SU. We calculated flat rates for the Palm Circle Park development based on the BFC approved herein, excessive infiltration charge, and influent gallongage charge multiplied by

the average number of gallons used by Beacon 21 and River Club customers (Phase I rates).

We have 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). The approved influent gallonage charge applies to all future metered wastewater customers.

<u>Monthly Rates - Wastewater</u>			
<u>Palm Circle Park (Phase I)</u>			
	<u>Test Year</u>	<u>Current</u>	<u>Commission</u>
	<u>Rates</u>	<u>Rates</u>	<u>Approved Rates</u>
<u>Flat Rates</u>			
Palm Circle Park (Per Unit)	\$17.52	\$17.47	\$26.86

<u>Monthly Rates - Wastewater</u>			
<u>Palm Circle Park (Phase II)</u>			
	<u>Test Year</u>	<u>Current</u>	<u>Commission</u>
	<u>Rates</u>	<u>Rates</u>	<u>Approved Rates</u>
<u>Base Facility Charge</u>			
Per Unit	N/A	N/A	\$14.72
<u>Influent Gallonage Charge</u>			
metered wastewater only customers (per 1,000 gal)	N/A	N/A	\$4.70

Approximately 54% (\$91,245) of the wastewater system revenue requirement is recovered through the approved BFC. The fixed costs are recovered through the BFC based on the number of factored equivalent residential connections (ERCs). The remaining 46% of the revenue requirement (\$76,934) represents revenues collected through the consumption charge based on the number of factored gallons.

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 our 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 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.

Repression Adjustment

As discussed previously, we are not approving an increase to the water system revenue requirement. Further, no change is being made to the water system rate structure. Therefore, we find that a repression adjustment is not appropriate.

Four-Year Rate Reduction

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs, which is \$262 annually for water and \$262 annually for wastewater. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedules Nos. 4 and 4A, attached hereto and incorporated herein by reference.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease

and the reduction in the rates due to the amortized rate case expense.

Customer Deposits

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. We have calculated customer deposits using the rates approved herein and an average monthly bill for a 2-month period. A schedule of the utility's existing and our approved deposits follows:

Water

Residential, Multi-Residential, and General Service

<u>Meter Size</u>	<u>Existing Deposit</u>	<u>Commission Approved 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>Commission Approved Deposit</u>
5/8" x 3/4"	N/A	\$50.00
All over 5/8" x 3/4"	N/A	2 x average bill

The utility shall file revised tariff sheets, which are consistent with our decision herein. Our staff shall have administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with our decision herein. If revised tariff sheets are filled and approved, the customer deposits shall become effective for connections made

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on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

DECLINING TO INITIATE A SHOW CAUSE PROCEEDING FOR APPARENT VIOLATION OF Rule 25-30.115, FLORIDA ADMINISTRATIVE CODE

During our staff's audit, the auditors discovered that the utility did not maintain its accounts and records in conformance with the NARUC USOA. The utility used the NARUC USOA accounts, however, the utility used the cash basis of accounting for expenses rather than the accrual basis of accounting as specified by NARUC. This is an apparent violation of Rule 25-30.115, Florida Administrative Code, which provides that water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC USOA. We note that this is not the first time the utility has been in apparent violation of Rule 25-30.115, Florida Administrative Code. See Order No. PSC-96-0629-FOF-WS, issued May 10, 1996, in Docket No. 950515-WS.

Section 367.161, Florida Statutes, authorizes us to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. In failing to maintain its books and records in conformance with the USOA, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., having found that the company had not intended to violate the rule, nevertheless we found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833).

Although the utility's failure to keep its books and records in conformance with the NARUC USOA is an apparent violation of Rule 25-30.115, Florida Administrative Code, we find that a show cause

proceeding is not warranted and shall not be initiated at this time. In this case, the utility mistakenly used the cash basis for some of its expense accounts. However, once notified, the utility immediately corrected the oversight on its books and records.

Based on the foregoing, we find that the apparent violation of Rule 25-30.115, Florida Administrative Code, under these circumstances, does not rise to the level that warrants the initiation of a show cause proceeding. Therefore, Laniger shall not be ordered to show cause for failing to keep its books and records in conformance with the NARUC USOA.

TEMPORARY RATES IN THE EVENT OF A PROTEST

This Order approves 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, we find that the rates approved herein be implemented as temporary rates. The approved rates collected by the utility shall be subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for both the potential refund and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$37,087. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

1. We approve the rate increase; or
2. If we deny 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 shall 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 shall 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 the Division of the Commission Clerk and Administrative Services 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs

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are the responsibility of, and shall 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 shall be maintained by the utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. The utility shall 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 shall file reports with the Division of Economic Regulation no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates subject to refund.

If no timely protest is received upon expiration of the protest period, this Order will become final upon the issuance of a Consummating Order. However, this docket shall remain open for an additional nine months from the effective date of the Order to allow our staff to verify completion of pro forma plant items as described herein. Once our staff has verified that this work has been completed, the docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Laniger Enterprises of America, Inc.'s application for increased rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules attached hereto are incorporated herein by reference. It is further

ORDERED that Laniger Enterprises of America, Inc., is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the approved rates shall 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

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tariff sheets will be approved upon our staff's verification that the tariffs are consistent with this Order and the customer notice is adequate. It is further

ORDERED that the rates shall not be implemented until notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the utility shall charge the appropriate customer deposits as set forth in the body of this Order. The utility shall file revised tariff sheets which are consistent with this Order, and our staff shall have administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with this Order. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

ORDERED that pursuant to Section 367.0814(7), Florida Statutes, the rates approved herein shall 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. It is further

ORDERED that prior to implementation of any temporary rates, the utility shall provide appropriate security. If the rates are implemented on a temporary basis, the rates collected by the utility shall be subject to the refund provisions as set forth in the body of this Order. It is further

ORDERED that after any temporary rates are in effect, pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility shall file reports with the Division of Economic Regulation no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates subject to refund. It is further

ORDERED that the utility shall provide a written plan detailing its methods of responding to lift station alarms and main breaks, within 90 days of the effective date of this Order. The plan shall include at a minimum the notifying of every customer of a telephone number to call at the time of an alarm or main break, and the assurance that a number will be answered 24 hours per day

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by a utility staff member who is knowledgeable in addressing these situations. It is further

ORDERED that the utility shall test its collection system to determine the level of infiltration and inflow as set forth in the body of this Order. It is further

ORDERED that the utility shall complete all pro forma additions, as set forth in the body of this Order, within nine months of the effective date of this Order. It is further

ORDERED that the utility shall provide the Commission with proof of the initiation of a pension plan, as set forth in the body of this Order, within 90 days of the effective date of this Order. It is further

ORDERED that the utility shall send bills pursuant to Rule 25-30.335, Florida Administrative Code, at regular intervals. It is further

ORDERED that the utility shall spend the total amount of the water system's overearnings to implement the water conservation programs as set forth in the body of this Order. The utility shall, at a minimum, spend the approved amount for each of the first two years of its conservation programs. It is further

ORDERED that the utility shall file quarterly reports with the Commission on its conservation program for the first two years of its conservation programs. These reports shall list the conservation measures that were implemented during the period and the amounts expended. Our staff shall confer with the SFWMD in reviewing the reports in order to evaluate the effectiveness of the program and ensure that the program and amounts spent are consistent with this Order. It is further

ORDERED that at the conclusion of the two-year period for the conservation programs set forth in the body of this Order, the utility shall file an affidavit with this Commission certifying that there are no further overearnings. If the utility is unable to file such an affidavit and is still overearning at the conclusion of the two-year period, any further overearnings shall be accounted for and set aside for use in future conservation efforts. It is further

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ORDERED that the utility shall maintain its books and records in accordance with the NARUC USOA. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed administratively once our staff has verified that the matters specified herein have been completed.

By ORDER of the Florida Public Service Commission this 30th day of July, 2001.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)

JSB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action herein, except for the granting of temporary rates, subject to refund, in the event of a protest, our decision not to initiate a show cause proceeding and requiring conformance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 20, 2001. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with

the Director, Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Attachment A page 1 of 5

WATER TREATMENT PLANT - USED AND USEFUL DATA

- | | | |
|---|----------|-----------------|
| 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 connections: | | |
| | Begin | 277 |
| | End | 277 |
| | Average | 277 |
| (Use average number of customers) | | |
| b) Customer Growth in connections 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 | | |
| | 7,548 | gallons per day |
| Percent of Average Daily Flow | 12.5% | |
| b) Reasonable Amount | 6,061 | gallons per day |
| (10% of average Daily Flow) | | |

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6) Excessive Unaccounted for Water	1,487 gallons per day
c) Excessive Amount	1,487 gallons per day

USED AND USEFUL FORMULA

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

$$[124,200+0+219-1,487]/191,800 = 64.1\% \text{ Used and Useful}$$

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

- | | |
|--|----------------------|
| 1) Capacity of System (Number of Potential Customers, ERCs or Lots Without Expansion) | 353 connections |
| 2) Test year connections | |
| a) Beginning of Test Year | 277 connections |
| b) End of Test Year | 277 connections |
| c) Average Test Year | 277 connections |
| 3) Growth | 1 connection |
| (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 connections |
| 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

- | | | | |
|---|---------|-----------------|-------|
| 1) Permitted Capacity of Plant (3 month average) | 142,000 | 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 connections: | | | |
| Beginning | | | 524 |
| Ending | | | 524 |
| Average | | | 524 |
| (Use average number of customers) | | | |
| b) Customer Growth in connections 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) | Unknown | 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

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

$$(118,960+0-0)/142,000 = 83.8\% \text{ Used and Useful}$$

WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA

- | | | |
|---|---------|-----------------|
| 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 connections: | | |
| Beginning | | 524 |
| Ending | | 524 |
| Average | | 524 |
| (Use average number of customers) | | |
| b) Customer Growth in connections 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

- | | |
|--|-----------------|
| 1) Capacity of System (Number of potential customers, ERCs or Lots without expansion) | 600 connections |
| 2) Test year connections | |
| a) Beginning of Test Year | 524 connections |
| b) End of Test Year | 524 connections |
| c) Average Test Year | 524 connections |
| 3) Growth | 0 connections |
| (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 connections |
| b) Statutory Growth Period | 5 Years |
| (a)x(b) = 0 connections allowed for growth | |

USED AND USEFUL FORMULA

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

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

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LANIGER ENTERPRISES OF AMERICA		SCHEDULE NO. 1-A	
TEST YEAR ENDING 6/30/00		DOCKET NO. 000584-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
1. UTILITY PLANT IN SERVICE	\$436,406	(\$16,494)	\$419,912
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)	24,669	(125,547)
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>8,208</u>	<u>8,208</u>
10. WATER RATE BASE	\$272,560	(\$42,761)	\$229,799

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LANIGER ENTERPRISES OF AMERICA		SCHEDULE NO. 1-B	
TEST YEAR ENDING 6/30/00		DOCKET NO. 000584-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
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	(32,238)	(32,238)
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>15,438</u>	<u>15,438</u>
10. WATER RATE BASE	\$275,396	(\$49,713)	\$225,683

LANIGER ENTERPRISES OF AMERICA		SCHEDULE NO. 1-C	
TEST YEAR ENDING 6/30/00		DOCKET NO. 000584-WS	
ADJUSTMENTS TO RATE BASE			
	WATER	WASTEWATER	
<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. Avg. adjustment Pro forma	(9,347)	(15,688)	
10. Avg. adjustment	(1,603)	(2,279)	
Total	<u>(\$16,494)</u>	<u>(\$20,165)</u>	
<u>NON-USED AND USEFUL PLANT</u>			
1. To reflect non-used and useful plant.	(\$36,286)	(\$60,520)	
2. To reflect non-used and useful accumulated depreciation.	12,973	28,282	
Total	<u>(\$23,313)</u>	<u>(\$32,238)</u>	
<u>CIAC</u>			
1. Reclassify from non-utility income (Palm Circle Park)	\$0	(\$9,312)	
2. Unrecorded CIAC	(39,146)	(16,200)	
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	(531)	(1,569)	
3. Avg. adjustment Pro forma	265	784	
4. Avg. adjustment	9,243	12,353	
Total	<u>\$24,669</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	(946)	(6,506)	
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	(649)	(1,508)	
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>\$8,208</u>	<u>\$15,438</u>	

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LANIGER ENTERPRISES OF AMERICA						SCHEDULE NO. 2		
TEST YEAR ENDING 6/30/00						DOCKET NO. 000584-WS		
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$3,000	\$0	\$3,000					
2. RETAINED EARNINGS	(171,439)	147,964	(23,475)					
3. PAID IN CAPITAL	302,012	0	302,012					
4. TREASURY STOCK	(281,537)	0	(281,537)					
5. TOTAL COMMON EQUITY	(\$147,964)	\$147,964	0	0	0	0.00%	9.94%	0.00%
6. LONG TERM DEBT	549,212	0	549,212	(101,605)	447,607	98.27%	8.88%	8.72%
7. LONG TERM DEBT Truck	20,417	(10,755)	9,662	(1,787)	7,875	1.73%	7.49%	0.13%
8. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
9. TOTAL	<u>\$421,665</u>	<u>\$137,209</u>	<u>\$558,874</u>	<u>(\$103,393)</u>	<u>\$455,481</u>	<u>100.00%</u>		<u>8.85%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.94%</u>	<u>10.94%</u>	
OVERALL RATE OF RETURN						<u>8.85%</u>	<u>8.85%</u>	

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LANIGER ENTERPRISES OF AMERICA			SCHEDULE NO. 3-A		
TEST YEAR ENDING 6/30/00			DOCKET NO. 000584-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	COMM. ADJUSTMENTS	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$115,277</u>	<u>\$1,142</u>	<u>\$116,419</u>	<u>(\$5,141)</u> -4.42%	<u>\$111,279</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	63,508	2,154	65,662	0	65,662
3. DEPRECIATION (NET)	15,967	(397)	15,570	0	15,570
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,045	5,896	9,941	(231)	9,710
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>\$7,653</u>	<u>\$91,173</u>	<u>(\$231)</u>	<u>\$90,942</u>
8. OPERATING INCOME/(LOSS)	<u>\$31,757</u>		<u>\$25,246</u>		<u>\$20,337</u>
9. WATER RATE BASE	<u>\$272,560</u>		<u>\$229,799</u>		<u>\$229,799</u>
10. RATE OF RETURN	<u>11.65%</u>		<u>10.99%</u>		<u>8.85%</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	COMM. ADJUSTMENTS	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$111,614</u>	<u>\$2,902</u>	<u>\$114,516</u>	<u>\$53,663</u> 46.86%	<u>\$168,179</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	114,048	9,453	123,501	0	123,501
3. DEPRECIATION (NET)	5,905	1,842	7,747	0	7,747
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,696	11,847	14,543	2,415	16,958
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>\$23,142</u>	<u>\$145,791</u>	<u>\$2,415</u>	<u>\$148,206</u>
8. OPERATING INCOME/(LOSS)	<u>(\$11,035)</u>		<u>(\$31,275)</u>		<u>\$19,973</u>
9. WASTEWATER RATE BASE	<u>\$275,396</u>		<u>\$225,683</u>		<u>\$225,683</u>
10. RATE OF RETURN	<u>-4.01%</u>		<u>-13.86%</u>		<u>8.85%</u>

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

**SCHEDULE NO. 3-C
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	<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	\$18,886	\$35,073
b. Capitalized Salaries Expense	(1,990)	(400)
Subtotal	<u>\$16,896</u>	<u>\$34,673</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>\$2,012</u>	<u>\$3,736</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%	(68)	0
Subtotal	<u>(\$368)</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>

(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
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(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</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)	<u>(937)</u>	<u>0</u>
Subtotal	<u>(\$42,511)</u>	<u>(\$80,437)</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>(1,232)</u>	<u>1,170</u>
Subtotal	<u>\$1,859</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	776	7,800
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>\$11,916</u>	<u>\$15,170</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	<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>
(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
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(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</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>\$2,154</u>	<u>\$9,453</u>
DEPRECIATION EXPENSE		
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$2,829	\$17,483
2. Non-used and useful depreciation	(1,089)	(2,133)
3. To reflect test year CIAC amortization calculated by staff	(817)	(10,391)
4. Amortization of negative acquisition adjustment	<u>(1,320)</u>	<u>(3,117)</u>
Total	<u>(\$397)</u>	<u>\$1,842</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	2,313	4,295
4. Real Estate Taxes	30	713
5. Reallocation of Property Taxes	<u>(1,686)</u>	<u>1,686</u>
Total	<u>\$5,896</u>	<u>\$11,847</u>

LANIGER ENTERPRISES OF AMERICA		SCHEDULE NO. 3-D		
TEST YEAR ENDING 6/30/00		DOCKET NO. 000584-WS		
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	COMM. PER ADJUST.		TOTAL PER COMM
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$16,896	[1]	\$16,896
(603) SALARIES AND WAGES - OFFICERS	0	8,750	[2]	8,750
(604) EMPLOYEE PENSIONS AND BENEFITS	0	2,012	[3]	2,012
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	3,507	(368)	[5]	3,139
(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	1,859	[10]	1,859
(636) CONTRACTUAL SERVICES - OTHER	0	11,916	[11]	11,916
(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>	<u>[16]</u>	<u>3,030</u>
	63,508	2,154		65,662

LANIGER ENTERPRISES OF AMERICA		SCHEDULE NO. 3-E		
TEST YEAR ENDING 6/30/00		DOCKET NO. 000584-WS		
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	COMM. ADJUST- MENT		TOTAL PER COMM.
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$34,673	[1]	\$34,673
(703) SALARIES AND WAGES - OFFICERS	0	16,250	[2]	16,250
(704) EMPLOYEE PENSIONS AND BENEFITS	0	3,736	[3]	3,736
(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	15,170	[11]	15,170
(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>9,453</u>		<u>123,501</u>

APPROVED RATE REDUCTION SCHEDULE

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00

SCHEDULE NO. 4
 DOCKET NO. 000584-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

RESIDENTIAL, MULTI-RESIDENTIAL, AND GENERAL SERVICE BASE FACILITY CHARGE:		MONTHLY APPROVED RATES	MONTHLY RATE REDUCTION
Meter Size:			
5/8"X3/4" (Multi-Residential per unit)	\$	10.83	0.03
3/4"		16.24	0.04
1"		27.07	0.06
1-1/2"		54.14	0.13
2"		86.62	0.20
3"		173.23	0.41
4"		270.66	0.64
6"		541.33	1.27
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$	3.57	0.01

APPROVED RATE REDUCTION SCHEDULE

LANIGER ENTERPRISES OF AMERICA
 TEST YEAR ENDING 6/30/00

SCHEDULE NO. 4A
 DOCKET NO. 000584-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

<u>RESIDENTIAL, MULTI-RESIDENTIAL, AND GENERAL SERVICE</u>		<u>MONTHLY APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:			
Meter Size:			
5/8"X3/4" (multi residential per unit)	\$	14.14	0.02
3/4"		21.21	0.03
1"		35.35	0.06
1-1/2"		70.69	0.11
2"		113.11	0.18
3"		226.21	0.35
4"		353.45	0.55
6"		706.91	1.10
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$	3.92	0.01
MULTI RESIDENTIAL & GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	\$	4.70	0.01
FLAT RATE RIVER CLUB	\$	24.96	0.04
FLAT RATE RIVER CLUB WASH HOUSE	\$	139.72	0.22
FLAT RATE PALM CIRCLE (PHASE I)	\$	26.86	0.04
Palm Circle Park BFC (Phase II)		14.72	0.02
EFFLUENT CHARGE (PALM CIRCLE PHASE II)			
GALLONAGE CHARGE PER 1,000 GALLONS	\$	4.70	0.01