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TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

# Public Service Commission

April 10, 2002

Mr. Ken Kusen  
1600 N.E. Dixie Highway  
Jensen Beach, Florida 34957

000584-WS

**Re: Laniger Enterprises of America, Inc. Price Index**

Dear Mr. Kusen:

This letter is in response to your April 10, 2002, telephone conversation with Mrs. Cibula. In that conversation you discussed receiving a customer notice for a price index by Laniger Enterprises of America, Inc., and why you were not able to protest the increase. As was indicated in the utility's notice to its customers, this rate increase was the result of the filing of a 2001 Price Index. While we understand your frustration with rate increases, we must point out that a price index rate increase is allowed as a matter of right by law and cannot be denied by the Commission. The Florida Statutes, which govern the regulation of privately-owned water and wastewater utilities, contains a provision that permits utilities to recognize inflationary increases in major categories of operating expenses, such as chemicals, fuel, materials and supplies, rent and insurance without the necessity of a public hearing. However, not all costs are allowed to be indexed. For instance, the index does not allow for an increase in the utility's return on investment, taxes or depreciation. A utility must file for a full rate proceeding in order to increase those costs.

Since indexing allows the utility to keep up with inflation with regard to major categories of operating costs, the need for frequent, costly rate cases is normally reduced. Further, because reasonably incurred rate case expense (a major cost associated with rate cases) is included in the utility's rates, indexing lessens the impact of the rate increase because the expense associated with a rate case is avoided. The amount of the percentage by which utilities are allowed to index expenses is set by the Commission each year by reviewing comparisons of price indices for the most recent twelve month period. The current index applied to the utility's operating costs is 2.5%. Over the past five years, the annual index has averaged 1.86%.

Since the index increase takes place by operation of law, the increase requires no action by the Commission. However, the utility is required to file a notice of intention with the Commission along with an application at least 60 days prior to the effective date of the increase. Please be assured that staff conducted a thorough review of the application. The Statute provides that if within 15 months after filing of a utility's annual report, the Commission finds that the utility exceeded the

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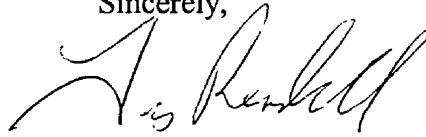
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range of its last authorized rate of return after implementing a price index rate increase, the Commission may order the utility to refund the difference to the ratepayers and adjust rates accordingly.

Hopefully this letter has addressed your concerns. If you have any other questions please contact Mr. Ryan Fitch at (850)-413-6928.

Sincerely,

A handwritten signature in black ink, appearing to read "Troy Rendell". The signature is fluid and cursive, with a large initial "T" and "R".

Troy Rendell  
Public Utilities Supervisor

TR:rf

cc: Office of General Counsel (Cibula)  
Division of Economic Regulation (Fitch)  
Division of Commission Clerk and Administrative Services (000584-WS)