

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of water
and wastewater rates of Lake
Haven Utility Association, Ltd.
d/b/a Lake Wales Utility Co.,
Ltd. in Polk County for possible
overearnings.

DOCKET NO. 981258-WS
ORDER NO. PSC-99-1742-PAA-WS
ISSUED: September 7, 1999

The following Commissioners participated in the disposition of
this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER ACCEPTING OFFER OF SETTLEMENT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service
Commission that the action discussed herein is 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

Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility
Co., Ltd. (Lake Wales or utility) is a Class B utility providing
water and wastewater service to approximately 84 residential and 15
general service water and wastewater customers in Polk County. For
the twelve months ended December 31, 1997, the utility reported
water operating revenues of \$140,740 and a net operating income of
\$33,120. Wastewater operating revenues were \$214,793, with a net
operating income of \$76,907.

Lake Wales became subject to our jurisdiction on May 14, 1996.
By Order No. PSC-97-0567-FOF-WS, the utility was granted
grandfather certificates to provide water and wastewater service.

DOCUMENT NUMBER-DATE

10675 SEP-7 99

FPSO-RECORDS/REPORTING

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Rate base was last set by Polk County in a 1991 Rate Increase Resolution dated February 2, 1992. We granted a pass-through for regulatory assessment fees on February 20, 1997.

Based on a desk audit of the 1997 annual report, Lake Wales appeared to be earning an overall rate of return of 81.56% for water and 28.30% for wastewater. Consequently, by Order No. PSC-98-1570-FOF-WS, issued on November 23, 1998, we initiated an investigation into Lake Wales' water and wastewater rates and held revenues subject to refund pending our final determination of the case. By Order No. PSC-98-1570-FOF-WS, we determined that the amount of potential overearnings was \$28,719 for water and \$49,867 for wastewater.

A staff audit, commenced on November 4, 1998, and received on December 15, 1998, verified the rate base, capital structure, and net operating income for the test year ending December 31, 1997. After examining the auditor's report, Lake Wales still appears to be overearning. On March 11, 1999, our staff met with the utility. During the meeting, our staff suggested that the utility submit its expected capital expenditures for 1999 and a list of expenses the utility expects to recur annually in addition to its 1998 level of operating expenses.

On May 20, 1999, Lake Wales submitted its expected 1999 capital expenditures and incremental expenses. Our staff reviewed the 1998 annual report and the utility's projected 1999 earnings were examined.

OFFER OF SETTLEMENT

Lake Wales has low service rates, good customer service, and minimal water and wastewater treatment plant requirements which result in a small rate base. Furthermore, the utility has been trying to keep expenses low for cost effectiveness. After including the utility's projected 1999 pro forma plant and expense items, it appears that the utility's 1999 earnings will be within or even below a fair rate of return. Accordingly, we find that a prospective rate reduction is not warranted, as a refund and/or possible rate reduction may not be beneficial to the customers or shareholders. Furthermore, applying the excess earnings in 1998 to offset any potential underearnings in 1999 may postpone or avoid the need for future rate increases. Based on our analysis and the information submitted by the utility, it does not appear that the overearnings will continue into 1999. Thus, we find that a more

reasonable alternative is to defer 1998 overearnings to offset potential future underearnings.

By letter dated June 24, 1999, our staff provided the utility with a list of proposed adjustments for a possible settlement of the 1998 overearnings. The utility responded with an offer of settlement, by letters dated July 7 and 21, 1999, in which the utility agreed with the adjustments and the deferral of excess earnings.

In the past, we have addressed revenue deferrals in the water and wastewater industries. By Order No. PSC-98-1384-FOF-SU, issued October 14, 1998, in Docket No. 970991-SU, we allowed Florida Cities Water Company, the South Ft. Myers wastewater system, to defer its 1996 and 1997 revenues until 2000. Furthermore, we have also addressed revenue deferral in the electric and gas industries. See Order No. PSC-95-0580-FOF-EI, issued May 10, 1995, in Docket No. 950379-EI; and Order No. PSC-95-0160-FOF-GU, issued February 6, 1995, in Docket No. 950016-GU.

Lake Wales' entire settlement offer contains twenty items which are depicted on the attachment to this Order. Those items of the settlement offer which are basically self-explanatory are reflected on the attachment without further discussion in the body of this Order. The following items are addressed for the sake of clarity.

Rate Base

For purposes of measuring excess earnings, we find that the appropriate test year rate base is \$68,638 for water and \$241,248 for wastewater for 1998. The rate base schedules are attached as Schedules Nos. 1-A and 1-B and the adjustments to rate base are attached as Schedule No. 1-C.

Cost of Capital

Based on the components of our staff's adjusted capital structure, as shown on Schedule No. 2, we find the appropriate rate of return on equity for prospective rate setting purposes to be 8.93%, with a range of 7.93% to 9.93%. This is calculated using the current leverage formula approved by Order No. PSC-99-1224-PAA-WS, issued June 21, 1999, in Docket No. 990006-WS. The appropriate range of the overall cost of capital for prospective rate setting purposes is 7.94% to 9.92%. For purposes of this settlement, we

find that the maximum of the range of 9.92% shall be used to determine any excess earnings.

Operating Income

The utility has indicated that Lake Wales does not expect any growth in revenues for water and wastewater in 1999. However, the utility expects to increase its operating and maintenance expenses for water and wastewater in 1999 due to recurring expenses as detailed in the attached offer of settlement. The schedules for operating income which present the calculation of excess earnings for 1998 are attached as Schedules Nos. 3-A and 3-B and the adjustments to operating income are attached as Schedule No. 3-C. The comparative schedule for rate base and operating income of 1998 adjusted and 1999 estimated is attached as Schedule No. 4.

Revenue Requirement

In calculating the amount of 1998 excess earnings, the appropriate revenue requirement for water and wastewater combined is \$316,659. This results in a decrease in revenue of \$10,202, or a 3.12% decrease.

Deferral of Excess Earnings

The total amount of excess earnings for the test year ended December 31, 1998, equals \$10,202 of operating income, excluding interest. This amount of deferred income shall be recorded on the utility's books as a deferred credit. According to Rule 25-30.360, Florida Administrative Code, interest shall be calculated on this amount based on the 30-day commercial paper rate. As of July 31, 1999, the amount of this liability is \$10,548.

Reporting Requirements

As agreed to in the offer of settlement, the utility shall submit semi-annual operation reports for its water and wastewater systems. These reports include the schedules of rate base, net operating income and the balance sheet. The first report for the year ending June 30, 1999 will be due on August 31, 1999. The second report will be the Public Service Commission annual report which will be due on March 31, 2000. The utility agreed that an automatic extension for filing its annual report will not be requested or granted as provided for by Rule 25.30.110(3)(c), Florida Administrative Code.

Upon our review of the semi-annual report for 1999, if it appears that the utility is not spending the amounts that it has informed us it will spend and as a result earned excess revenues, the utility agrees that the amounts deferred shall continue to be subject to refund until they are utilized or until December 31, 2000. Moreover, we find that the 1998 overearnings shall only offset any future underearnings to the extent the offset brings the earnings up to the minimum of the overall range of return. If a review of the 1999 semi-annual report reflects that the utility can offset the underearnings with all of the deferred excess earnings, then the utility shall be informed that the semi-annual reports shall no longer be required and the utility's corporate undertaking may be released. If overearnings continue into 1999, an investigation shall then be conducted to determine whether deferral of excess earnings is still appropriate.

For future rate setting purposes, any remaining balance of deferred income shall be included in the utility's capital structure, as a separate line item, with interest accrued at the thirty-day commercial paper rate.

If no timely protest is received upon expiration of the protest period, this Order shall become final and effective upon the issuance of a Consummating Order. This docket shall remain open after the issuance of the Consummating Order until all overearnings are addressed. We will address the 1999 earnings in 2000 after we have reviewed the utility's 1999 rate of return. Upon our staff's verification that the 1998 overearnings are absorbed into 1999 earnings, the docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility Co., Ltd.'s offer of settlement is hereby accepted. It is further

ORDERED that the maximum of the range of 9.92% shall be used to determine overearnings. It is further

ORDERED that Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility Co., Ltd., shall submit semi-annual reports, beginning on August 31, 1999. It is further

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ORDERED that upon the Commission's review of the semi-annual report for 1999, if it appears that Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility Co., Ltd., is not spending the amounts that it has informed the Commission it will spend and as a result earned excess revenues, the amounts deferred shall continue to be subject to refund until they are utilized or until December 31, 2000. It is further

ORDERED that the 1998 overearnings shall only offset any future underearnings to the extent the offset brings the earnings up to the minimum of the overall range of return. It is further

ORDERED that if a review of the 1999 semi-annual report reflects that Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility Co., Ltd., can offset the underearnings with all of the deferred excess earnings, the semi-annual reports shall no longer be required and the corporate undertaking may be released. It is further

ORDERED that if overearnings continue into 1999, an investigation shall then be conducted to determine whether deferral of excess earnings is still appropriate. It is further

ORDERED that for future rate setting purposes, any remaining balance of deferred income shall be included in Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility Co., Ltd.'s capital structure, as a separate line item, with interest accrued at the thirty-day commercial paper rate. 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 Records and Reporting, 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

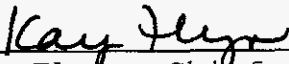
ORDERED that in the event this Order becomes final, this docket shall remain open after the issuance of the Consummating Order until all overearnings are addressed. It is further

ORDERED that upon Commission staff's verification that the 1998 overearnings are absorbed into 1999 earnings, the docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission this 7th
Day of September, 1999.

BLANCA S. BAYÓ, Director
Division of Records and Reporting



Kay Flynn, Chief
Bureau of Records

(S E A L)

SMC

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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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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.

The action proposed herein 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 Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 28, 1999.

In the absence of such a petition, this order shall become final and effective 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.

Wednesday, July 07, 1999 9:53 AM

Dave Pearce (941)696-3502

p.02

LAKE WALES UTILITY CO.

P.O. Box 9076 • Lakeshore, Florida 33854 • (941) 696-1128 • Fax (941) 696-3502 • e-mail: lwuco@gte.net

OFFER OF SETTLEMENT
DOCKET NO. 981258-WS

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July 7, 1999

Samantha M. Cibula
Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 981258-WS Investigation of Water and Wastewater
Rates for Lake Haven Utility Association, Ltd. d/b/a Lake Wales
Utility Co., Ltd. in Polk County for possible overearnings.

Dear Mrs./Ms. Cibula:

In accordance with our phone conversation of July 6, 1999 and pursuant
to your letter dated June 24, 1999, Lake Wales Utility Co., Ltd. submits the
Following:

1. Adoption and institution of Public Service Commission staff adjustments
For the year ending December 31, 1998.
2. Defer the excess earnings to offset any potential underearnings in 1999.

Should any question/comment arise please contact me at (941) 696-1128

Sincerely,
David K. Pearce
David K. Pearce
Manager

Cc:

Mr. Mark R. Rubin, Esq.
Elda M. Quijano (PSC Professional Accountant)

Wednesday, July 21, 1999 12:19 PM

Dave Pearce (941)696-3502

p.01

LAKE WALES UTILITY CO.

P.O. Box 9076 • Lakeshore, Florida 33854 • (941) 696-1128 • Fax (941) 696-3502 • e-mail: lwuco@gte.net

July 21, 1999

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DOCKET NO. 981258-WS

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Elda M. Quijano
Professional Accountant
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 981258-WS Investigation of Water and Wastewater
Rates for Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility
Co., Ltd. in Polk County for possible overearnings.

Dear Mrs. Quijano:

In response to your E-Mail of July 21, 1999 the following is submitted:

1. Lake Wales Utility Co., Ltd is in agreement with and is presently Making the proposed and pro forma adjustments to our books as Outlined in PSC Letter dated June 24, 1999.
2. Should any further question arise please contact me at (941) 696-1128.
Thanks for your patience and understanding.

Sincerely,

David K. Pearce
David K. Pearce
Manager

Cc: File

LAKE WALES UTILITY CO., LTD.
OFFER OF SETTLEMENT
DOCKET NO. 981258-WS

PROPOSED ADJUSTMENTS FOR THE YEAR ENDED DECEMBER 31. 1998

RATE BASE

1. Plant in Service - water should be increased by \$1,242 to capitalize the cost of meters purchased on March 20, 1997 that were expensed on the company's books in 1997 (Audit Control No. 98-286-2-1, Disclosure No. 5).
2. The utility's water depreciation rates should be adjusted as set forth in Rule 25-30.140, Florida Administrative Code. Water accumulated depreciation should be decreased by \$6,695 and depreciation expense should be increased by \$1,287 in order to calculate the refund amount. The utility made the necessary adjustment in 1998 but failed to adjust the prior year 1997.

	<u>UPIS</u>	<u>ACC DEP</u>
#304 Structures and Improvements	79	79
#307 Wells and Springs	-	(8,049)
#311 Pumping Equipment	77	795
#320 Water Equipment	(80)	70
#330 Distribution and Reservoirs	-	184
#331 Transmission and Distribution	-	(187)
#334 Meter and Meter Installation	* 1,242	1,109
#335 Hydrants	-	-
#340 Office Furniture and Equipment	-	(25)
#345 Power Operated Equipment	(77)	(671)

* See No. 1 above

3. The utility's wastewater depreciation should be adjusted as set forth in Rule 25-30.140, Florida Administrative Code. Wastewater accumulated depreciation should be increased by \$12,558 and depreciation expense should be increased by \$1,987 in order to calculate the refund amount. The utility made the necessary adjustment in 1998 but fail to adjust the prior year 1997.

	<u>ACC DEP</u>
#354 Structures - Improvements	268
#360 Collection Sewers - Force	524
#361 Collection Sewers - Gravity	(240)
\$363 Services to Customers	67
#371 Pumping Equipment	32

#380 Treat/Disposal Equipment	12,451
#390 Office Furniture and Equipment	(503)
#394 Laboratory Equipment	(20)
#395 Power Operated Equipment	-
#398 Other Tangible Plant	(22)

4. The utility's amortization rate for CIAC - water should be adjusted as set forth in Rule 25.30-140, Florida Administrative Code. In calculating the refund amount, an adjustment should be made to increase accumulated amortization of CIAC by \$1,190 and CIAC amortization expense by \$659.
5. The utility's amortization rate for CIAC - wastewater should be adjusted as set forth in Rule 25.30-140, Florida Administrative Code. In calculating the refund amount, an adjustment should be made to increase accumulated amortization of CIAC by \$2,905 and CIAC amortization expense by \$1,421.
6. The working capital allowance should be calculated using the formula method (one-eighth of operation and maintenance expenses), pursuant to Rule 25-30.433, Florida Administrative Code. The appropriate working capital allowance is \$28,699 ($\$231,902 \times 1/8$) which is a decrease of \$289 to the utility's calculated balance.
7. For purposes of calculating the refund amount, the appropriate test year rate base should be \$68,638 for water and \$241,248 for wastewater, or a total of \$309,886.

CAPITAL STRUCTURE

8. The appropriate rate of return on equity for prospective rate setting purposes should be 8.93%, with a range of 7.93% - 9.93% This is calculated using the current leverage formula approved in Docket No. 990006-WS, at the agenda dated June 1, 1999. For purposes of this settlement the maximum of the range of 9.93% should be used to determine any excess earnings.
9. The appropriate range for the overall cost of capital for prospective rate setting purposes should be 7.94% to 9.92%. For purposes of this settlement the maximum of the range of 9.92% should be used to determine any excess earnings.

NET OPERATING INCOME

10. Contractual Services - Other - This account should be increased to include the cost of the water tank renovation of

\$21,152 in 1997 which was amortized for 5 years. Therefore, the amount of \$4,230 ($\$21,152/5$ years) should be added to Operating and Maintenance Expense. However, the utility's annual report should be decreased by \$2,312 to correct entries made using the cash basis instead of the accrual accounting.

11. Taxes Other than Income - the utility's first revised annual report erroneously includes the 1997 regulatory assessment fees with the 1998 fees. This results in an overstatement of \$6,450 for water and \$8,494 for wastewater.
12. The utility does not use the accrual basis of accounting. As provided for by NARUC Uniform System of Accounts, Accounting Instruction No. 30, monthly accounting using the accrual method should be used.

REVENUE REQUIREMENT

13. In calculating the amount of excess earnings, the appropriate revenue requirement for combined water and wastewater is \$316,659, which results in a decrease in revenue of \$10,202, or a 3.12% decrease.

RATES

14. The total amount of excess earnings for the test year ended December 31, 1998, equals \$10,202 of operating income, excluding interest. This amount of deferred income should be recorded on the utility's books as a deferred credit. Interest should be calculated on this. As of May 31, 1999, the amount of this liability is \$10,454.
15. The utility should submit semi-annual operation reports for its water and wastewater systems. These include the schedules of rate base, net operating income and the balance sheet. The first report for the year ending June 30, 1999 will be due on August 31, 1999. The second report will be the PSC annual report which will be due on March 31, 2000, with a stipulation that an automatic extension will not be requested or granted as provided for by Rule 25.30.110(3)(c), Florida Administrative Code. If, upon staff's review of the semi-annual reports for 1999, it appears that the utility is not spending the amounts it informed the Commission that it would and as a result earned excess revenues, the utility agrees that the amounts deferred will continue to be subject to refund until they are utilized or until December 31, 2000. However, if upon staff's review of the semi-annual reports for 1999, it appears that the utility has enough underearnings to

cover the deferred excess earnings, then staff will inform the utility that the semi-annual reports will no longer be required. If overearnings continue into 1999, staff will then reconsider whether deferral of excess earning is appropriate.

16. For future rate setting purposes, any remaining balance of deferred income will be included in Lake Wales' capital structure, as a separate line item, with interest accrued at the thirty-day commercial paper rate.
17. The utility's corporate undertaking may be released upon staff's verification that the overearnings have been addressed.

PRO FORMA ADJUSTMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

RATE BASE

18. Plant in Service - The utility will have the following additional capital expenditures for 1999 (estimated cost):

Computer Systems Replacement and Upgrade	\$5,444
Transportation Equipment	\$6,455
Radio Communication Equipment	\$2,100
Collection Sewers - Gravity (storm water dishes)	\$2,400

OPERATING INCOME

19. The utility does not expect a growth in revenues for water and wastewater for 1999.
20. The utility expects to increase its operating and maintenance expenses for water and wastewater in 1999 due to the following recurring expenses.

Additional Employee (operation/maintenance)	\$11,200
Increased Insurance Costs	\$4,550
Additional Vehicle Lease	\$4,396
Present employee wage increase	\$3,920
Uniform maintenance/replacement	\$1,200
Labor costs (grounds maintenance, spray field maintenance, equipment operator, etc.)	\$10,560
Water Plant Ground Storage Tank	\$2,000
Liquid Sludge Disposal	\$4,200
Collection System Cleaning and Repair	<u>\$5,000</u>

Total Expected Additional Expenses **\$47,026**

LAKE WALES UTILITY CO., LTD. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 12/31/98			SCHEDULE NO. 1-A DOCKET 981258-WS		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION APPROVED ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$456,297	\$0	\$456,297	\$1,242	\$457,539
2 LAND & LAND RIGHTS	\$14,473	\$0	\$14,473	\$0	\$14,473
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 ACCUMULATED DEPRECIATION	(\$365,985)	\$0	(\$365,985)	\$6,695	(\$359,290)
5 CIAC	(\$218,832)	\$0	(\$218,832)	\$0	(\$218,832)
6 AMORTIZATION OF CIAC	\$162,149	\$0	\$162,149	\$1,190	\$163,339
7 CWIP	\$0	\$0	\$0	\$0	\$0
8 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
9 UNFUNDED POST-RETIRE. BENEFITS	\$0	\$0	\$0	\$0	\$0
10 DEFERRED INCOME TAXES	\$0	\$0	\$0	\$0	\$0
11 WORKING CAPITAL ALLOWANCE	\$11,698	\$0	\$11,698	(\$289)	\$11,409
12 OTHER	\$0	\$0	\$0	\$0	\$0
RATE BASE	\$59,800	\$0	\$59,800	\$8,838	\$68,638

LAKE WALES UTILITY CO., LTD. SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/98			SCHEDULE NO. 1-B DOCKET 981258-WS		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION APPROVED ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$654,840	\$0	\$654,840	\$0	\$654,840
2 LAND	\$34,247	\$0	\$34,247	\$0	\$34,247
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 ACCUMULATED DEPRECIATION	(\$442,046)	\$0	(\$442,046)	(\$12,558)	(\$454,604)
5 CIAC	(\$158,856)	\$0	(\$158,856)	\$0	(\$158,856)
6 AMORTIZATION OF CIAC	\$145,425	\$0	\$145,425	\$2,905	\$148,330
7 ACQUISITION ADJUSTMENTS - NET	\$0	\$0	\$0	\$0	\$0
8 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
9 UNFUNDED POST-RETIRE. BENEFITS	\$0	\$0	\$0	\$0	\$0
10 DEFERRED INCOME TAXES	\$0	\$0	\$0	\$0	\$0
11 WORKING CAPITAL ALLOWANCE	\$17,290	\$0	\$17,290	\$0	\$17,290
12 OTHER	\$0	\$0	\$0	\$0	\$0
RATE BASE	\$250,900	\$0	\$250,900	(\$9,653)	\$241,247

LAKE WALES UTILITY CO., LTD. ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 12/31/98		SCHED. NO. 1-C DOCKET 981258-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
PLANT IN SERVICE			
1 To capitalize meters purchased in 1997	<u>1,242</u>	0	
ACCUMULATED DEPRECIATION			
1 To adjust for the accumulated depreciation in 1997 using the Water and Wastewater System Guideline for Average Service Lives	<u>6,695</u>	<u>(12,558)</u>	
ACCUM. AMORT. OF CIAC			
1 To adjust the Amortization of CIAC in 1997	531	1,484	
2 To adjust the Amortization of CIAC in 1998	659	1,421	
Total	<u>1,190</u>	<u>2,905</u>	

LAKE WALES UTILITY CO., LTD. STATEMENT OF WATER OPERATIONS TEST YEAR ENDED 12/31/98				SCHEDULE NO. 3-A DOCKET 981258-WS			
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION APPROVED ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$127,512	\$0	\$127,512	\$0	\$127,512	(\$12,527) -9.82%	\$114,985
OPERATING EXPENSES:							
2 OPERATION AND MAINTENANCE	\$93,584	\$0	\$93,584	(\$2,312)	\$91,272	\$0	\$91,272
3 DEPRECIATION	\$7,093	\$0	\$7,093	\$628	\$7,721	\$0	\$7,721
4 AMORTIZATION	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5 TAXES OTHER THAN INCOME	\$16,193	\$0	\$16,193	(\$6,450)	\$9,743	(\$564)	\$9,179
6 INCOME TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7 TOTAL OPERATING EXPENSES	\$116,870	\$0	\$116,870	(\$8,134)	\$108,736	(\$564)	\$108,173
8 OPERATING INCOME	\$10,642	\$0	\$10,642	\$8,134	\$18,776	(\$11,964)	\$6,812
9 RATE BASE	\$59,800		\$59,800		\$68,638		\$68,638
10 RATE OF RETURN	17.80%		17.80%		27.35%		9.92%

LAKE WALES UTILITY CO., LTD. STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/98				SCHEDULE NO. 3-B DOCKET 981258-WS			
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION APPROVED ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$199,349	0	\$199,349	\$0	\$199,349	\$0 0.00%	\$199,349
OPERATING EXPENSES							
2 OPERATION AND MAINTENANCE	138,318	0	\$138,318	\$0	\$138,318	\$0	\$138,318
3 DEPRECIATION	22,952	0	\$22,952	\$566	\$23,518	\$0	\$23,518
4 AMORTIZATION	0	0	\$0	\$0	\$0	\$0	\$0
5 TAXES OTHER THAN INCOME	\$24,285	\$0	\$24,285	(\$8,494)	\$15,791	\$0	\$15,791
6 INCOME TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7 TOTAL OPERATING EXPENSES	\$185,555	\$0	\$185,555	(\$7,928)	\$177,627	\$0	\$177,627
8 OPERATING INCOME	\$13,794	\$0	\$13,794	\$7,928	\$21,722	\$0	\$21,722
9 RATE BASE	\$250,900		\$250,900		\$241,247		\$241,247
10 RATE OF RETURN	5.50%		5.50%		9.00%		9.00%

LAKE WALES UTILITY CO., LTD. ADJUSTMENTS TO OPERATING INCOME TEST YEAR ENDED 12/31/98		SCHED. NO. 3-C DOCKET 981258-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
OPERATING EXPENSE			
1 To adjust Account No. 636, Contractual Service - Others due to amortization of water tank repainting for 5 years	(2,312)	0	
DEPRECIATION EXPENSE			
1 To adjust for the depreciation expense net of amortization of CIAC for 1997 using the Water/Wastewater System Guideline	628	566	
TAXES OTHER THAN INCOME			
1 To correct overstated test RAFs.	(6,450)	(8,494)	
Total			

**LAKE WALES UTILITY CO., LTD.
 COMPARATIVE SCHEDULE OF WATER AND WASTEWATER SYSTEM
 FOR 1998 AND 1999**

**SCHEDULE NO. 4
 DOCKET NO. 981258-WS**

	COMMISSION ADJUSTED 1998	COMMISSION ESTIMATED 1999	% INCREASE OR DECREASE 1998-99
RATE BASE			
1 PLANT IN SERVICE	1,112,380	1,128,777	1.47%
2 LAND AND LAND RIGHTS	48,720	48,720	0.00%
3 ACCUM DEPRECIATION	(813,894)	(861,678)	5.87%
4 C I A C	(377,688)	(381,001)	0.88%
5 AMORT OF CIAC	311,669	327,000	4.92%
6 WORKING CAPITAL	28,699	34,524	20.30%
7 RATE BASE	309,886	296,342	-4.37%
NET OPERATING INCOME			
1 OPERATING REVENUES	316,659	326,861	3.22%
OPERATING EXPENSES			
2 OPERATING EXPENSE	229,590	276,191	20.30%
3 DEPRECIATION EXPENSE	31,239	32,454	3.89%
4 AMORTIZATION EXPENSE	0	0	0.00%
5 TAXES OTHER THAN INCOME	25,075	25,534	1.83%
6 OTHER	0	0	0.00%
7 INCOME TAXES	0	0	0.00%
8 TOTAL EXPENSES	285,904	334,179	16.89%
9 NET OPERATING INCOME (LOSS)	30,755	(7,318)	-123.79%
10 RATE OF RETURN	9.92%	-2.47%	-124.88%