

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-)	DOCKET NO. 900945-WS
assisted rate case in Martin County by)	ORDER NO. 24817
LANIGER ENTERPRISES OF AMERICA, INC.)	ISSUED: 7/15/91
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL McK. WILSON

FINAL ORDER GRANTING TEMPORARY
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER APPROVING INCREASED RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, except for the setting of temporary rates in the event of protest, 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. (utility) is a Class "C" water and wastewater utility located in Martin County. The utility operates under Certificates Nos. 362-W and 317-S which were granted by Order No. 11423, issued December 15, 1983. The utility serves a composite development of townhouse and condominium units. One complex, the River Club, receives wastewater service only. The service area is located within Jensen Beach.

On November 28, 1990, the utility applied for this staff-assisted rate case and paid the appropriate filing fee. For purposes of this case, we selected the historical test year ended

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December 31, 1990, during which the utility provided service to 260 water and 452 wastewater residential customers.

QUALITY OF SERVICE

On the evening of May 8, 1991, our staff conducted a customer meeting in the utility's service area to allow the customers the opportunity to express their opinions on the quality of the utility's service and to ask questions. Approximately 70 of the utility's 260 water and 452 wastewater customers attended the meeting. Nine customers had comments and questions. Three of the nine commented about the quality of service provided by the utility.

One customer said the water quality is poor and contains sediment, and chlorine levels are sometimes high. He also spoke of a September 1990 Florida Department of Environmental Regulation (DER) memorandum that reduced operator on-site time to one-half hour per week. Another customer wanted to know why the utility has been so slow to make necessary changes even though it has been in violation of DER standards since at least as far back as August 1990. A third customer complained about occasional odors, especially on hot, still days. Two customers stated that they were told they could not make copies of the Commission staff report, which was available for review in the utility office prior to the customer meeting and was discussed at that meeting. We believe the utility should allow customers to make copies of Commission reports associated with future rate cases.

During the field investigation of the service area, none of the problems mentioned above were apparent. However, there likely has been some sediment, at least in the near past, due to the condition of the hydropneumatic tank, which was badly rusted to the point of constant leakage and potential structural failure. The recent replacement of this tank may also have given rise to the chlorination complaint. Regulatory guidelines dictate that any time potable water flow is interrupted, the utility must purge the lines with disinfectant; this standard applies to the replacement of the hydropneumatic tank. On a day-to-day basis, consistent chlorination is not an easy task in any plant; the interaction of the chlorine with hydrogen sulfide present in the ground water makes that task more difficult. This utility uses gas chlorine, which is the most consistent method of disinfection, and then stores the disinfected water in a ground storage tank. Chlorine

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levels may be inconsistent due to peak periods of daily use, the network configuration of secondary mains, and the variation in mineral levels. The utility must maintain a minimum free chlorine residual of 0.2 parts per million throughout the distribution system at all times pursuant to DER Rule 17-550.510, Florida Administrative Code. DER does not currently have any citations or deficiencies listed against this utility for insufficient disinfection.

According to DER, the September 1990 memo acknowledged the reduction of the wastewater plant's capacity and, accordingly, reduced the required operator on-site time to one-half hour per day, five days per week plus one weekend visit. This minimum time only allows the operator to take necessary samples and chemical tests. The utility indicated that costs have actually gone up due to separate charges for time requirements beyond the one-half hour minimum. DER directed the utility to correct wastewater plant deficiencies in order to obtain its operator's permit, and additional operator time resulted from this requirement. DER issued the permit to the utility pending the upgrade of the master lift station. While DER has no record of obnoxious odor complaints, the customer's comment concerning occasional smells may be related to the deteriorated condition of the master lift station.

While major upgrades and repair work can take anywhere from six months to one and one-half years to complete, the utility owners appear to have moved methodically through this process since obtaining the utility in 1989. While the utility has not moved as fast as some with its upgrade program, we find that the utility has progressed with sufficient speed to show a good faith effort.

Our review indicates that all required drinking water tests are up-to-date with satisfactory results. The utility has been making the necessary upgrades to meet federal, state, and local standards. The utility successfully obtained its five year permit for the wastewater plant. Finally, the utility appears to be working with DER toward resolution of outstanding deficiencies. Therefore, we find that while the utility continues to have outstanding plant-in-service deficiencies, the quality of service is satisfactory.

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RATE BASE

Our calculations of the utility's rate base are attached to this Order as Schedules Nos. 1 and 1-A with adjustments to the rate base shown on Schedule No. 1-B. Those adjustments which are self-explanatory or essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

To determine the used and useful portion of each component of plant-in-service, we compared actual flow data to the rated capacity of each system. The results are as follows.

Water Treatment System: The two wells supply a total of 300 gallons per minute (gpm) to the water treatment plant. The water treatment plant is served by two high service pumps, indicating a plant capacity of 500 gpm from the ground reservoir. This meets the minimum flow for fire protection, and there is at least one fire hydrant in the service area, therefore the plant capacity is adequate for fire flow. After considering American Waterworks Association Guideline M5, however, the rated capacity of the plant should be 250 gpm. According to the General Waterworks Design Criteria, a minimum of 1.1 gpm should be available to each of the 260 customers or a minimum of 286 gpm. As long as both high service pumps are operating, the plant can meet customer demands; however, this would not be true should one of the pumps break down. Since the real estate division of Laniger Enterprises continues development, the utility should seriously consider installing a third pump. In consideration of the foregoing, however, we find the water treatment plant is 100 percent used and useful.

Water Distribution System: The water distribution system has the capacity to serve 260 equivalent residential connections (ERCs). The average number of connections to the system for the test year is 254 ERCs. Taking into consideration the margin reserve of 18 ERCs, we find the water distribution system is 100 percent used and useful.

Wastewater Treatment Plant: The wastewater treatment plant has a capacity of 142,000 gallons per day (gpd). After recalibrating the plant flow meter because of discrepancies in readings, average

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flows were 80,000 gpd. Therefore, we find the wastewater treatment plant is 84.1 percent used and useful.

Wastewater Collection System: Based on previous annual reports, it appears an adequate network of gravity mains, lift stations, and force mains are available for the development. Comparing the present plant capacity of 448 ERCs with the average number of connections to the system for the year (442 ERCs) and considering the margin reserve of 18 ERCs, we find the wastewater collection system is 100 percent used and useful.

Plant-in-service

In Order No. 22203, issued November 21, 1989, we established year-end rate base components as of August 15, 1988. We have traced all plant additions since August 1988 to invoices and reconciled the utility's general ledger. The utility is currently upgrading its water and wastewater plants to meet DER and Florida Department of Transportation (DOT) requirements. We have reviewed the plant costs provided by the utility and find them to be reasonable.

In addition to plant upgrades required by DER and DOT, we believe the utility should install blower motors at the wastewater plant. The utility submitted signed contracts for the plant improvements, and these costs, which we believe are reasonable, have been added to water and wastewater plant totals. The additions are scheduled to be completed by December 31, 1991, and this docket will remain open so that we may verify timely completion of the additions. Based on the foregoing, we find the appropriate balances of depreciable plant-in-service are \$182,056 for water and \$434,180 for wastewater.

Accumulated depreciation of Plant-in-service

Using the guidelines of Rule 25-30.140, Florida Administrative Code, we have updated the accumulated depreciation totals established by Order No. 22203 through December 31, 1990. On that basis, we find the appropriate average amounts of accumulated depreciation to include in rate base are \$41,181 for water and \$106,471 for wastewater.

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Plant held for future use

We calculated plant held for future use based on the non-used and useful percentages of plant and plant net of accumulated depreciation. We find that the appropriate amounts of plant held for future use to include in rate base are \$2,182 for water and \$27,181 for wastewater.

Acquisition adjustment

By Order No. 22962, issued May 21, 1990, we accepted a stipulation between the utility and the Office of Public Counsel to a negative acquisition adjustment of \$95,317. The utility recorded a negative acquisition adjustment of \$110,856 for water and zero for wastewater. We adjusted the utility's recorded acquisition adjustment by \$82,282 for water and (\$66,743) for wastewater to reflect the appropriate ratio of adjustments to water and wastewater rate base as established in Order No. 22203.

Contributions-in-aid-of-construction (CIAC)

The utility recorded no CIAC for the water system. It recorded (\$260,757) in CIAC for wastewater, which is the amount established in Order No. 22203. Our audit showed the utility purchased a copier for \$2,910, recorded \$455 of that in water plant and expensed the remaining \$2,455. We have adjusted water plant by \$709 and wastewater plant by \$1,746 and recognized these as CIAC. At the customer meeting, as discussed above, one customer expressed concern about the utility earning a return on the entire value of the copier, which serves the developer as well as the utility. Due to CIAC offset, however, the utility only earns a return on 16 percent of the copier's original cost. Based on the foregoing, we find the appropriate balances of CIAC are (\$709) for the water system and (\$262,503) for the wastewater system.

Amortization of CIAC

We calculated amortization of CIAC using the guidelines of Rule 25-30.140, Florida Administrative Code. We find the appropriate amounts to include in rate base for amortization of CIAC are \$16 for water and \$70,113 for wastewater.

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Land

The utility purchased the land and utility assets from Chicago Title Insurance Company on August 15, 1988. By Order No. 11423, issued December 15, 1982, land values for the utility were established at \$5,000 for the water system and \$94,580 for the wastewater system. There have been no additions to land since that date. Therefore, we find the appropriate amounts to include in rate base for land are \$5,000 for water and \$94,580 for wastewater.

Working Capital

We find it appropriate to use the formula method (one-eighth of operation and maintenance expenses) to calculate the working capital requirement of this utility. In a later section of this Order, we find that the proper amount of test year operation and maintenance expense is \$28,082 for water and \$54,791 for wastewater. Therefore, we have included one-eighth of those amounts, \$3,510 for water and \$6,849 for wastewater, in the respective rate bases as the utility's working capital allowances.

Test Year Rate Base

The appropriate components to include in the utility's test year rate base are depreciable plant-in-service, land and non-depreciable assets, plant held for future use, the acquisition adjustment, CIAC, accumulated depreciation, amortization of the acquisition adjustment, amortization of CIAC, and the working capital allowance. In consideration of the foregoing, we find the appropriate test year rate base to be \$119,493 for water and \$146,634 for wastewater.

CAPITAL STRUCTURE

Return on Equity - Our audit showed that the utility's test year capital structure includes a negative common equity balance. As is our practice, we have adjusted the negative balance to zero. Therefore, the appropriate rate of return on equity is zero.

Cost of debt and overall rate of return - The utility's capital structure also includes a note payable and a loan from shareholders. We were unable to determine a specific cost of debt in our audit. This utility's capital structure is 100% debt.

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Applying the leverage formula approved in Order No. 24246, issued March 18, 1991, we find the appropriate overall rate of return is 11.22 percent.

The capital structure is shown on Schedule No. 2.

NET OPERATING INCOME

Attached as Schedules Nos. 3 and 3-A are our schedules of water and wastewater operating income. Our adjustments thereto are shown on Schedule No. 3-B. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on those schedules without further explanation in the text of this Order.

Operating Revenues

The utility recorded test year revenues of \$38,158 for the water system and \$61,834 for the wastewater system. Our audit showed that the utility charged its approved rates, therefore no adjustments are necessary.

Operation and Maintenance Expenses

The utility charged \$35,480 to the water system and \$53,070 to the wastewater system during the test year. Details of the calculations and adjustments made to each expense account follow and are also shown on the above referenced schedules.

Purchased Power - The utility recorded purchased power expense of \$8,335 for water and \$12,502 for wastewater. We adjusted this account by (\$3,805) for water and \$5,288 for wastewater to reflect the accrued total.

Materials and Supplies - We adjusted this expense by \$50 for water and \$225 for wastewater to reflect unrecorded test year expense.

Contractual Services - We adjusted this expense by \$358 for water and (\$358) for wastewater to reflect reallocation of contractual services. We also adjusted this account by \$120 for water and \$450 for wastewater to reflect unrecorded test year expenses, and by (\$3,861) for water and (\$2,756) for wastewater to

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remove prior and post test year expenses. In addition, we adjusted DER required water test expenses by (\$787) to reflect amortization of an expense over three years and \$600 to reflect amortization over three years of an additional test expense.

We further adjusted this account by \$580 for water and \$870 for wastewater to reflect reclassification of contractual accounting expenses which were incorrectly classified as miscellaneous expenses. In addition, we adjusted the accounting portion of this expense by \$300 for water and \$450 for wastewater to reflect unrecorded test year expense.

Transportation Expense - We adjusted this expense by \$75 for water and \$112 for wastewater to reflect unrecorded test year mileage expense for utility use.

Regulatory Commission Expense - We adjusted this expense by (\$497) for water and (\$746) for wastewater to reflect reclassification to taxes other than income; and by \$38 each for water and wastewater to reflect the rate case filing fee amortized over four years.

Miscellaneous Expense - We adjusted this expense by (\$580) for water and (\$870) for wastewater to reflect reclassification to the contractual services account. In addition, the utility recorded payment of a capital investment in this account; we adjusted this expense by (\$400) for water and (\$600) for wastewater because the capital investment is already included in plant. We further adjusted this expense by (\$255) for water and (\$382) for wastewater to allow the recovery of a legal expense over four years.

The utility requested a proforma painting expense of \$5,325 for the water plant. We have determined that this expense should be amortized over eight years. Therefore, we have adjusted this account by \$666 for water.

Operation and Maintenance Expenses Summary: Based on the foregoing adjustments, we find the appropriate operation and maintenance expense levels to be \$28,082 for the water system and \$54,791 for the wastewater system.

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Depreciation Expense (Net of Amortization of CIAC)

We calculated test year depreciation expense using the Water System Guideline Average Service Lives contained in Rule 25-30.140(2)(a), Florida Administrative Code, and the Sewer System Guideline Average Service Lives contained in Rule 25-30.140(2)(b), Florida Administrative Code. In doing so, we adjusted the depreciation expenses recorded by the utility by \$3,058 for water and \$5,398 for wastewater to determine depreciation expense net of amortization of CIAC, non-used and useful depreciation, and amortization of the acquisition adjustment. Based on the foregoing, we find the appropriate annual net depreciation expense is \$6,027 for water and \$2,447 for wastewater.

Taxes Other Than Income Taxes

Taxes other than income taxes include property taxes, payroll taxes, and regulatory assessment fees. The utility recorded taxes other than income taxes of \$70 for water and \$106 for wastewater. We adjusted these amounts by \$497 for water and \$74 for wastewater when we reclassified them from the miscellaneous expense account. We also made adjustments of \$1,220 for water and \$2,037 for wastewater to account for the 4.5 percent regulatory assessment fee on test year revenues. The utility will pay an additional \$527 in regulatory assessment fees for water and additional \$867 in regulatory assessment fees for wastewater due to the revenue increases resulting from the new rates approved in this Order.

The utility paid but did not record property taxes of \$28 for water and \$3,816 for wastewater. We adjusted the wastewater property tax amount by \$153 to reflect a discount the utility received.

Based on the foregoing, we find the appropriate amount of taxes other than income taxes is \$2,342 for water and \$7,419 for wastewater.

Income Tax Expense

The utility did not record and we have not allowed any income tax expense because the utility's capital structure is 100 percent debt.

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Operating Income

The test year operating revenues for the water system are \$38,158 with corresponding operating expenses of \$35,924. This results in a test year operating income of \$2,234 for the water system.

The test year operating revenues for the wastewater system are \$61,834 with corresponding expenses of \$63,790. This results in a test year operating loss of \$1,956.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$49,858 for the water system and \$81,109 for the wastewater system. This represents an annual increase in water revenue of \$11,700 or 30.66 percent and an annual increase in wastewater revenue of \$19,275 or 31.17 percent. These revenue requirements will allow the utility to recover its expenses and allow it an opportunity to earn an 11.22 percent return on its investment.

RATES AND CHARGES AND RATE STRUCTURE

Monthly Service Rates

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn an 11.22 percent return on its investment.

Currently, the utility uses a flat rate structure. The Commission's preferred rate structure is the base facility/gallage charge rate structure because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service, however, Laniger Enterprises provides water and wastewater service to a composite development of townhouses and condominium units. Some of these units can be individually metered, but some cannot. Therefore, we find the utility should retain its flat rate structure.

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The utility's existing rates and those approved herein are set forth below for comparison.

MONTHLY RATES

MULTI-RESIDENTIAL

WATER

	<u>Existing</u>	<u>Approved</u>
Flat rate (per unit)	\$ 12.23	\$ 15.98

WASTEWATER

Flat rate (per unit)	\$ 11.40	\$ 14.95
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These rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission decision and that the proposed customer notice is adequate.

Reduction in Rates

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over four years. The statute further requires that after four years the rates be reduced immediately by the amount of rate case expense previously included in its rates. This statute applies to all rate cases filed on or after October 1, 1989.

The only rate case expense the utility incurred was the \$300 filing fee. Therefore, pursuant to Section 367.0816, Florida Statutes, the utility may recover approximately \$38 per system per year. After this figure is grossed up to include resulting regulatory assessment fees, annual recovery is \$40 per system per year. At the end of four years, the utility's rates per system should be reduced by \$40. Assuming no change in the utility's current revenues, expenses, capital structure, and customer base, the effect of this rate reduction is an approximate \$0.01 reduction in monthly water rates and no reduction in monthly wastewater rates.

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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 letter 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 must be filed for the price index or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Service Availability Charges

The utility's tariff contains no provision for service availability charges. In Order No. 11423, issued December 15, 1982, we approved the utility's service availability policy which allows the utility to require contributions from the developer for future expansions of the system. We will not establish service availability charges at this time.

Miscellaneous Service Charges

The utility's tariff does not provide for miscellaneous service charges. Based on our analysis of the labor and materials required for these services, we find that the following miscellaneous service charges are reasonable and consistent with Rule 25-30.345, Florida Administrative Code.

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$ 15.00	\$ 15.00
Normal Reconnection	15.00	15.00
Violation Reconnection	15.00	actual cost
Premises Visit (in lieu of disconnection)	10.00	10.00

These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred rather than on the entire ratepaying body. The tariff charge of actual cost for a wastewater only violation reconnection is approved contingent upon the utility filing with the Commission for prior approval a breakdown of the actual components, corresponding unit costs, and typical man hours required for the discontinuance and subsequent reinstatement of service.

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When both water and wastewater service are provided, we believe only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. Following is a description of each service:

- 1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.
- 3) Violation Reconnection: This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.
- 4) Premises Visit (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that the tariffs are consistent with our decision, the proposed customer notice is adequate, proper security for refund has been provided, and upon expiration of the protest period.

TEMPORARY RATES IN EVENT OF PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest could delay what may be a justified rate increase pending a formal hearing and final order in this case, resulting in an unrecoverable loss of revenue to the utility. In the event of a protest filed by a party other than the utility, we hereby

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authorize the utility to collect the monthly service rates approved herein on an interim basis and subject to refund, provided the utility furnishes adequate security for any possible refund. The security shall be in the form of a bond or letter of credit in the amount of \$21,542. Alternatively, the utility may 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) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

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, the utility shall file reports with the Division of Water and Sewer no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

If the utility chooses a letter of credit as 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 funds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.

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- 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, all 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 within seven days of receipt.
- 7) This escrow account is established at the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishment.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs 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 a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. The utility may implement these rates only after providing security and after it has filed and our Staff has approved revised tariff pages and a proposed customer notice. Should a refund ultimately be required, the refund shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Laniger Enterprises of America for an increase in its water and wastewater rates in Martin County is approved as set forth in the body of this Order. It is further

ORDERED that all matters contained herein or attached hereto, whether in the form of discourse or schedules, are by this

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reference specifically made integral parts of this Order. It is further

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that the utility is authorized to charge the new flat rates, as set forth in the body of this Order, effective for service rendered on or after thirty days after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is authorized to charge the miscellaneous service charges set forth in the body of this Order for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each customer of the increased rates and charges. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that the revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; and that the time for protesting this Order has expired and no such protests were filed. It is further

ORDERED that in the event a substantially affected person, other than the utility, protests this proposed agency action, the utility may implement the monthly service rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rate portion of this Order is not issued as proposed agency action. It is further

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ORDERED that this docket shall remain open so that we may verify completion of plant improvements described in the body of this Order.

By ORDER of the Florida Public Service Commission, this 15th
day of JULY, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MJL

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 actions taken herein, except for the granting of temporary rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his

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office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 8/5/91. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting 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 of the effective date 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.

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 Records and Reporting 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 sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting 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.

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LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1
DOCKET NO. 900945-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 148,482 A	\$ 33,574	\$ 182,056
LAND/NON-DEPRECIABLE ASSETS	5,000 B	0	5,000
PLANT HELD FOR FUTURE USE	0 C	(2,182)	(2,182)
ACQUISITION ADJUSTMENT	(110,856)D	82,282	(28,574)
C.W.I.P.	0 E	0	0
C.I.A.C.	0 F	(709)	(709)
ACCUMULATED DEPRECIATION	(52,020)G	10,839	(41,181)
AMORTIZATION OF ACQUISITION ADJUSTMENT	62,466 H	(60,909)	1,557
AMORTIZATION OF C.I.A.C.	0 I	16	16
WORKING CAPITAL ALLOWANCE	4,435 J	(925)	3,510
	-----	-----	-----
WATER RATE BASE	\$ 57,507	\$ 61,986	\$ 119,493
	-----	-----	-----

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LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF WASTEWATER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-A
DOCKET NO. 900945-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 341,061 A	\$ 93,119	\$ 434,180
LAND/NON-DEPRECIABLE ASSETS	94,580 B	0	94,580
PLANT HELD FOR FUTURE USE	0 C	(27,181)	(27,181)
ACQUISITION ADJUSTMENT	0 D	(66,743)	(66,743)
C.W.I.P.	0 E	0	0
C.I.A.C.	(260,757)F	(1,746)	(262,503)
ACCUMULATED DEPRECIATION	(113,297)G	6,826	(106,471)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	3,810	3,810
AMORTIZATION OF C.I.A.C.	20,281 I	49,832	70,113
WORKING CAPITAL ALLOWANCE	6,634 J	215	6,849
WASTEWATER RATE BASE	\$ 88,502	\$ 58,132	\$ 146,634

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LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE
SCHEDULE NO. 1-B

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To adjust utility balance at 8/15/88 to totals established by Order No. 22203	\$ 1,704	\$ 4,726
2. To adjust truck addition to actual amount.	(131)	
3. To reflect unrecorded plant.	709	1,746
4. To reflect proforma plant.	39,892	89,517
5. To reflect retirement of the water tank blower units.	(8,600)	(2,870)
	<u>\$ 33,574</u>	<u>\$ 93,119</u>
C. <u>PLANT HELD FOR FUTURE USE</u>		
To reflect non-used and useful plant net of depreciation.	<u>(\$ 2,182)</u>	<u>(\$ 27,181)</u>
D. <u>ACQUISITION ADJUSTMENT</u>		
To reflect acquisition adjustment established by Order No. 22962.	<u>\$ 82,282</u>	<u>(\$ 66,743)</u>
F. <u>CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION (CIAC)</u>		
To reflect plant investment that was originally expensed.	<u>\$ (709)</u>	<u>\$(1,746)</u>
G. <u>ACCUMULATED DEPRECIATION</u>		
To reflect Commission calculated average total at 12/31/90.	<u>\$ 10,839</u>	<u>\$ 6,826</u>

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LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE
SCHEDULE NO. 1-B

	<u>WATER</u>	<u>WASTEWATER</u>
H. <u>AMORTIZATION OF ACQUISITION ADJUSTMENT</u>		
To reflect Commission calculated average total at 12/31/90.	<u>(\$60,909)</u>	<u>\$ 3,810</u>
I. <u>AMORTIZATION OF CIAC</u>		
To reflect Commission calculated average total at 12/31/90.	<u>\$ 16</u>	<u>\$ 49,832</u>
J. <u>WORKING CAPITAL ALLOWANCE</u>		
To reflect one-eighth of operation and maintenance expense.	<u>\$ (925)</u>	<u>\$ 215</u>

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LANIGER ENTERPRISES OF AMERICA, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2
 DOCKET NO. 900945-WS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
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LONG-TERM DEBT	\$ 223,097	\$ 43,030	\$ 266,127	100.00%	11.22%	11.22%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	8.00%	0.00%
COMMON EQUITY	(104,475)	104,475	0	0.00%	0.00%	0.00%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 118,622	\$ 147,505	\$ 266,127	100.00%		11.22%
	-----	-----	-----	-----	-----	-----

RANGE OF REASONABLENESS	LOW	HIGH
-----	-----	-----
RETURN ON EQUITY	0.00%	0.00%
OVERALL RATE OF RETURN	11.22%	11.22%

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LANIGER ENTERPRISES OF AMERICA, INC
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3
DOCKET NO. 900945-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 38,158 A	\$ 0	\$ 38,158 G	\$ 11,700	49,858
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	35,480 B	(7,398)	28,082	0	28,082
DEPRECIATION(NET)	2,969 C	3,058	6,027	0	6,027
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME TAXES	70 E	1,745	1,815 H	527	2,342
INCOME TAXES	0 F	0	0	0	0
TOTAL OPERATING EXPENSES	38,519 \$	(2,595) \$	35,924 \$	527 \$	36,451
OPERATING INCOME/(LOSS)	(361) \$	2,595 \$	2,234 \$	11,173 \$	13,407
WATER RATE BASE	57,507	\$	119,493	\$	119,493
RATE OF RETURN	-0.63%		1.87%		11.22%

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LANIGER ENTERPRISES OF AMERICA, INC
SCHEDULE OF WASTEWATER OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-A
DOCKET NO. 900945-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 61,834 A \$	0 \$	61,834 G \$	19,275 \$	81,109
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	53,070 B	1,721	54,791	0	54,791
DEPRECIATION(NET)	(2,951)C	5,398	2,447	0	2,447
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME	106 E	6,446	6,552 H	867	7,419
INCOME TAXES	0 F	0	0	0	0
TOTAL OPERATING EXPENSES	50,225 \$	13,565 \$	63,790 \$	867 \$	64,657
OPERATING INCOME/(LOSS)	11,609 \$	(13,565) \$	(1,956) \$	18,408 \$	16,452
WASTEWATER RATE BASE	88,502	\$	146,634	\$	146,634
RATE OF RETURN	13.12%		-1.33%		11.22%

LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING EXPENSES
SCHEDULE NO. 3-B

	<u>WATER</u>	<u>WASTEWATER</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>		
1. To adjust test year purchased power expense to accrued total.	\$(3,805)	\$ 5,288
2. To reflect unrecorded materials and supplies expense.	50	225
3. To reflect reallocation for contractual services provided by Hutchinson.	358	(358)
4. To reflect unrecorded test year expense.	120	450
5. To remove prior and post test year contractual services expense.	(3,861)	(2,756)
6. To adjust DER required water test to reflect three year amortization.	(787)	
7. To reflect quarterly testing amortized over three years.	600	
8. To reflect reclassification of contractual accounting expense from Account Nos. 675 and 775.	580	870
9. To adjust contractual accounting expense to annual contractual amount.	300	450
10. To reflect unrecorded transportation expense.	75	112
11. To reflect reclassification to taxes other than income.	\$ (497)	\$ (746)

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LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING EXPENSES
SCHEDULE NO. 3-B

	<u>WATER</u>	<u>WASTEWATER</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>		
12. To reflect rate case filing fee amortized over four years.	38	38
13. To reflect reclassification of contractual accounting expense to Account Nos. 630 and 730.	(580)	(870)
14. To remove expensed capital investment.	(400)	(600)
15. To reflect legal expense amortized over four years.	(255)	(382)
16. To reflect proforma painting expense amortized over eight years.	666	
	<u>\$(7,398)</u>	<u>\$(1,721)</u>
C. <u>DEPRECIATION EXPENSE</u>		
To reflect the Commission's calculated test year depreciation expense net of non-used and useful depreciation and amortization of CIAC and acquisition adjustment.	<u>\$ 3,058</u>	<u>\$ 5,398</u>
E. <u>TAXES OTHER THAN INCOME</u>		
1. To reflect reclassification from Account Nos. 665 and 765.	\$ 497	\$ 746
2. To adjust regulatory assessment fee to 4.5% on test year revenue.	1,220	2,037

LANIGER ENTERPRISES OF AMERICA, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING EXPENSES
SCHEDULE NO. 3-B

	<u>WATER</u>	<u>WASTEWATER</u>
E. <u>TAXES OTHER THAN INCOME</u>		
3. To reflect unrecorded property tax.	\$ 28	\$ 3,816
4. To adjust property tax to discounted amount.		(153)
	<u>\$ 1,745</u>	<u>\$ 6,446</u>
G. <u>OPERATING REVENUE</u>		
To reflect increase in revenue required to cover expenses and allow approved rate of return on investment.	<u>\$11,700</u>	<u>\$ 19,275</u>
H. <u>TAXES OTHER THAN INCOME</u>		
To reflect regulatory assessment fee at 4.5% on increase in revenue.	<u>\$ 527</u>	<u>\$ 867</u>