BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc.	DOCKET NO. 950515-WS ORDER NO. PSC-97-1611-FOF-WS ISSUED: December 22, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

NOTICE OF PROPOSED AGENCY ACTION DISMISSING COMPLAINT, DENYING REQUEST FOR ATTORNEY'S FEES, CLOSING DOCKET AND FINDING METERS TO BE INSTALLED APPROPRIATELY, RATES TO BE AUTHORIZED, AND NO CURRENT OVEREARNINGS

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

Laniger Enterprises of America, Inc. (Laniger, utility, or Respondent) is a Class C water and wastewater utility serving approximately 276 water customers and 524 wastewater customers in Martin County. The service area includes condominium style developments known as Beacon 21 (276 water and wastewater customers), and River Club (192 wastewater customers). The utility also serves a mobile home park known as Palm Circle (56 wastewater customers).

By Order No. 11423, issued December 15, 1982, this Commission granted Certificates Nos. 362-W and 317-S to Environmental Concern, Ltd., the name under which the utility was first organized. With the business failure of Environmental Concern, Ltd., the First Wisconsin Mortgage Trust initially gained title to the utility assets, but, by Order No. 12187, issued July 1, 1983, the certificates were transferred to Beacon 21 Development Corporation (formerly named Oz Developments, Inc.). However, Beacon 21 Development Corporation also had financial problems, and Mr. William Oraz, on June 28, 1988, a bankruptcy trustee, issued a quit claim deed on the utility property in favor of Chicago Title. Chicago Title then sold the utility, along with over $1,000,000 in residential property to Reginald J. and Lois F. Burge. The Burge's then applied for the transfer of the utility to Laniger Enterprises of America, Inc., which was approved by Order No. 22203, issued on November 21, 1989.

The utility applied for this staff assisted rate case on May 4, 1995. During the processing of this case, the utility apprised our staff of problems it was experiencing with unauthorized irrigation connections. The unauthorized connections caused problems for the utility during the test year because of line breaks and damage to the lines. Our staff informed the utility of its rights to discontinue service to unauthorized users pursuant to Rule 25-30.320(2)(j), Florida Administrative Code. The utility did have some authorized irrigation connections; however, it did not charge these customers for service. The water used for irrigation and lost during line breaks, along with other extraordinary incidents the utility experienced during the test year, accounted for over 50 percent of test year consumption.

Included in the utility's original pro forma plans were irrigation meters; however, after the customer meeting, our staff and the utility were notified by the customers of their intent to install wells for irrigation. As a result of the customer's representations, we, by Proposed Agency Action (PAA) Orders Nos. PSC-96-0629-FOF-WS and PSC-96-0629A-FOF-WS, removed the irrigation customers from the utility's customer base and reduced the utility's consumption by the estimated amount of flows from irrigation. In order to be consistent, we reduced the used and useful percentage, calculated contributions in aid of construction (CIAC) on the margin reserve, and established service availability charges. These Orders also allowed for many pro forma adjustments, but required that the pro forma additions be completed by December of 1996.

After those Orders were issued, our staff learned that the customers were unable to obtain permits for wells and that the utility was unable to disconnect irrigation service without disconnecting residential service. The irrigation lines are service lines on the customer's side connected to main lines that service the buildings. Our staff also discovered that the utility was unable to determine which customers were authorized to use irrigation service. After the first PAA order became final, but before the amendatory order became final, the utility began billing the customers for approximately 36 irrigation service connections and plant capacity charges.

On June 26, 1996, the customers filed a petition disputing the utility's application of the general service rates granted in the amendatory order and requesting that the order be clarified. In filing the petition, the customers refused to pay the plant capacity charges as well as some of the irrigation charges.

Before the petition was filed, the utility had been working closely with a customer representative to restore a customer utility relationship. Both sides, at the time of the petition, thought it possible to negotiate and reach a settlement; however, because the two sides could not agree on the number of irrigation connections, our staff offered its assistance.

On September 18, 1996, and again on November 4, 1996, our staff traveled to the utility's service area and met with utility and customer representatives. The purpose of these informal meetings was to identify irrigation connections, establish a consensus on the actual number, location and billing for these connections and to discuss meter sizes and installations.

The meetings resulted with the parties agreeing to "sub-meter" all irrigation connections. It was estimated that there were approximately thirty of these connections. Six were directly attached to the utility's distribution main, and twenty-four were tied to the customers' residential service connections. The customers agreed to pay for all irrigation meters and costs related to installation. The utility agreed to be responsible for reading and maintaining those meters, but not for maintaining the customer's lines up to the meters. Although residential service connections were to be metered, sub-meters for irrigation usage were economically necessary so that customers would not incur wastewater charges for irrigation usage. The parties also agreed that final rates would be based on meter sizes for irrigation and other general service connections, such as the recreation areas.

At the November 4, 1996, meeting, negotiations began toward a settlement of the value of unmetered water use for irrigation for the six-month period ending December 31, 1996. The utility proposed that the customers should pay a lump sum of $3,036 per month. The customers countered with an offer of $1,074. To bring the parties closer together, our staff suggested that the utility's proposal be cut in half to monthly payments of $1,518, for a six month total of $9,108. Although that number was accepted by the utility, the customer representatives could not commit to it without conferring with other customer board members.

By letter dated November 22, 1996, the customers made a counter offer of $1,100 per month for a six-month total of $6,600. Rejecting that offer, the utility maintained in a November 26, 1996 letter that anything less than the amount the utility agreed to at the November 4, 1996 meeting, would only result in further loss of revenues to which it was entitled. Representing 260 of the 276 unit owners, the customers, by letter dated December 11, 1996, made a final offer in the amount of $7,200 for the six-month period in question. That amount was to be reduced by whatever dollar amount that had been paid by the customers for irrigation connections. The customers also requested that we evaluate the revenues that would be produced for irrigation water, to determine if the rate of return would be consistent with the rate approved in the most recent rate case. By letter dated December 13, 1996, the utility accepted the offer.

On December 12, 1996, Laniger filed a request for extension of time in which to complete its pro forma plant additions. By Order No. PSC-97-0105-FOF-WS, issued January 27, 1997, we granted the requested extension of time to complete pro forma improvements and also approved the settlement agreement.

On August 6, 1997, the Commission received a complaint filed by the Beacon 21 Condominium Owner's Association, Inc. (Beacon 21 or Complainant). After discussing the complaint with both the utility and Beacon 21, staff and both parties believed that a settlement could be negotiated. On October 9, 1997, our staff attended a meeting with both parties in Stuart, Florida, to attempt to resolve the complaint.

Subsequent to that meeting, counsel for the Complainant advised our staff, by letter dated October 29, 1997, that they would drop their complaint if the utility would reduce their irrigation water meter charge by 50 percent. The utility rejected this offer by letter dated October 31, 1997.

This Order addresses the Complaint of the customers filed on August 8, 1997.

METER INSTALLATION

In paragraphs 8 and 9 of the Complaint, the Complainant states the following:

> 8. The number of meters installed by the utility far exceed the number found in the Order of January 27, 1997.
>
> 9. Complainant has previously raised its objection with the Respondent by letter dated April 10, 1997. To date, no response to this correspondence has been received other than a notice from the utility that the service would be disconnected if payment was not received.

In Order No. PSC-96-0629-FOF-WS, issued on May 10, 1996, we allowed for a variety of water and wastewater pro forma plant improvements. With the service area previously unmetered, one of the improvement projects called for the installation of water meters. Originally, 75 meters were to be installed. However, the utility actually installed 109 meters for the residential and general service connections. The Complainant argues that fewer meters would have been required, and less money spent, had the utility engaged professionals to locate the water lines and not waited until the last second to commence with the installation.

The utility responds that it used qualified and reliable professionals. In addition, no line drawings existed and the utility found that line location was more difficult than originally anticipated. The line location problems, coupled with physical obstructions such as parking areas, sidewalks and vegetation, dictated the utility's decision to locate the meters at their present locations.

Because of the lack of funds, the uncertainty as to the effect of a formal protest of the customers over billing, and building code enforcement problems, there was a delay in completing the pro forma improvements. Therefore, the utility petitioned for an extension of time to complete the pro forma improvements. By Order No. PSC-97-0105-FOF-WS, issued on January 27, 1997, we gave the utility until February 28, 1997 to complete the pro forma improvements. The utility maintains that the location of the meters was not influenced by haste to meet this deadline.

Upon review, our staff advised us that the locations and the number of meters installed were appropriate. As originally planned, several multi-family living units in some buildings were to be served by a single meter. However, due to the difficulties experienced with line identification and physical obstructions, it was not possible to serve these multi-family units with single meters. The utility determined that in order to achieve the original plan, lines would have had to been relocated at a cost far exceeding that included in the rate case. As a result, it was more practical and less costly to connect meters to individual residential unit service lines located immediately outside the multi-family buildings.

Although more meters were installed, they were of smaller size than allowed in the rate case. The utility spent less than allowed in the rate case when the combined use of smaller meters, along with the installation of less costly backflow prevention devices, is considered. Backflow prevention devices were also allowed as pro forma improvements in Order No. PSC-96-0629-FOF-WS. They were installed at the same time as the meters, and are considered part of the same construction project.

When the customers discovered they could not have their own wells, they recognized that they would have to continue to receive irrigation water from Laniger. The utility completed the irrigation meter installation using less than the 30 meters in the original estimate. Although more meters were required to meter the buildings, less meters were required to meter the irrigation service. Our staff has verified that the work has been completed, and that the meters and backflow prevention devices were installed properly and reasonably. Therefore, we find that both the number of meters installed and their location is appropriate, and no adjustments are required.

DELINQUENCY NOTICE

In paragraphs 9 and 10 of the Complaint, the Complainant, in referring to the March 21, 1997 bill, states the following:

> 9. Complainant has previously raised its objection with the Respondent by letter dated April 10, 1997. To date, no response to this correspondence has been received other than a notice from the utility that the service would be disconnected if payment was not received
>
> 10. The Disconnect Notice from the utility does not comply with the requirements of the regulations promulgated by the Public Service Commission.

Our staff's review shows the March 21, 1997 billing did have a sentence at the bottom of each page which stated "Bill is payable upon receipt. The bill is delinquent if not paid by April 5, 1997." The utility admitted this was a mistake caused by the change in billing periods. The utility previously billed on the 14th of the month and used the 5th of the next month as a delinquency date. When the metered rates went into effect, the billing date switched to the 20th of the month, but the utility neglected to change the sentences at the bottom of each page. The utility caught the mistake and changed the delinquency date on all future bills to allow 20 days for payment as required by Rule 25-30.335(4), Florida Administrative Code.

The delinquency notice dated May 13, 1997, stated the utility rendered a bill to the management company on April 22, 1997 which was due May 12, 1997. Rule 25-30.335(4), Florida Administrative Code, states "a utility may not consider a customer delinquent in paying his or her bill until the 21st day after the utility has mailed or presented the bill for payment." The utility sent a delinquency notice on May 13, 1997, which is the 21st day after the bill was rendered. The shut-off date on the notice was May 21, 1997. Rule 25-30.320(2)(g), Florida Administrative Code, requires a utility to give five working days written notice separate and apart from any bill for service. Therefore, the utility now appears to comply with all requirements of the rules concerning disconnection. The utility did receive payment and water service was not disrupted.

We believe the error in the March 21, 1997 billing was because of the change in billing periods and was immediately corrected when brought to the attention of the utility. Therefore, we find no further actions are required on this portion of the complaint.

ALLEGATIONS OF OVEREARNINGS

In Paragraph 12 of the Complaint, the Complainant states the following:

> 12. If Respondent is permitted to collect meter charges as it has claimed, its rate of return will far exceed that allowed by the Public Service Commission.

Our staff completed an analysis of utility revenue and expenses for a projected test year ending March 31, 1998, to estimate if the utility would be overearning using the new metered rates which went in to effect March 20, 1997, and to determine if we should hold revenues subject to refund to protect utility customers. The utility has provided copies of monthly billings showing revenues and consumption since the staff assisted rate case to allow our staff to track usage and estimated return to the utility. Monthly operating reports for the seven months since metered rates have gone in to effect show the customer usage has dropped over 40 percent over the previous year since the water has been metered (21,939,300 gallons versus 12,958,000 gallons). Using the latest available numbers (October billing), it appears that the utility will earn an overall rate of return of 8.01 percent since the new metered rates have gone in to effect. However, since only eight months of metered rates have passed, a staff audit has not been completed.

We have used the staff assisted rate case test-year data (ended June 30, 1995), and updated it. The following changes were made to test year figures:

Rate Base

Our calculations of rate base for the purpose of this proceeding are depicted on Schedules Nos. 1 and 1A, and our adjustments are itemized on Schedule No. 1B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Utility Plant

We removed averaging adjustments to determine year-end balance, trued-up pro forma plant, and included plant added since pro forma completion.

Non-Used and Useful Plant

We calculated non-used and useful percentage on year-end plant versus average plant, updated water plant used and useful percentage to 100 percent, and corrected $19,708 averaging error in order.

Contributions In Aid of Construction (CIAC)

We removed CIAC for margin reserve to determine year-end balance.

Accumulated Depreciation

We removed averaging adjustments and one year of pro forma depreciation, then added 33 months of depreciation since the test year.

Amortization of Acquisition Adjustment

We removed averaging adjustments and added 33 months of amortization since the test year.

Amortization of CIAC

We removed averaging adjustments and amortization on CIAC for margin reserve, then added 33 months of CIAC amortization since the test year.

Working Capital Allowance

We calculated 1/8 of the new operation and maintenance (O&M) balance for working capital allowance.

Based on the above adjustments, rate base, for only the purposes of this analysis, is calculated to be $234,920 and $197,506 for water and wastewater, respectively.

Capital Structure

Our calculation of the appropriate capital structure, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on this schedule without further discussion in the body of this Order. The major adjustments are discussed below.

The pro forma loan included in the staff assisted rate case did not occur, and the utility subsequently negotiated a $400,000 loan at 12 percent interest which escalates to 14 percent effective January 1, 1998. Using a blended rate of 12.5 percent for the analysis (9 months at 12 percent and 3 months at 14 percent), and updating the return on equity to conform to the 1997 leverage graph pursuant to Order No. PSC-97-0660-FOF-WS, issued June 10, 1997, we calculated the cost of capital to be 11.99 percent with a range of reasonableness from 11.74 percent to 12.24 percent.

Net Operating Income

Our calculations of net operating income are attached as Schedules Nos. 3 and 3A, and our adjustments are itemized on Schedules Nos. 3B and 3C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Operating Revenues

To calculate projected operating revenues, we used actual consumption from March 1997 through October 1997. For the period November 1997 through February 1998, we projected consumption using March 1996 through February 1997 as a benchmark year for water used.

Operation and Maintenance (O & M) Expenses

Since O & M expenses from the staff assisted rate case had a test year over two years old, we used the O & M expenses recorded on the 1996 utility annual report and increased them by the 1997 price index of 2.13 percent to reflect a current level of expenses. We have also added annual backflow maintenance, irrigation meter reading, and legal fees (amortized over 5 years and allocated by number of customers per system).

Depreciation

We have used the depreciation amount of the trued-up plant. Also, with the new consumption levels, the water plant used and useful percentage was considered to be 100 percent.

Acquisition Adjustment Amortization

We used the acquisition adjustment amortization amount from the staff assisted rate case test year.

Taxes Other Than Income

We used taxes other than income recorded on the 1996 utility annual report.

Based on our adjustments, test year operating income was calculated to be $25,636 and $9,013 for water and wastewater, respectively. Therefore, at this time, the utility appears to be earning an 8.01 percent overall rate of return and does not appear to be overearning. However, our staff will continue to monitor utility revenues on a monthly basis through March 1998, and will review the utility's 1997 annual report. If our staff believes the utility is overearning at that time, it shall request an audit and recommend excess revenues be held subject to refund.

AUTHORIZED RATES

In paragraphs 7 and 11 of its Complaint, the Complainant states the following:

> 7. Complainant believes that the meter charges indicated on these statements exceed what is authorized by the Florida Public Service Commission Order PSC-97-0105-FOF-WS.
>
> 11. Complainant believes it is entitled to relief in that Respondent is violating the terms of the Commission's Order of January 27, 1997, and the Administrative Rules.

Pursuant to the settlement agreement outlined in Order No. PSC-97-0105-FOF-WS, Laniger was to begin billing based on usage once all irrigation and residential meters were installed. That Order estimated that there would be 30 irrigation meters, with 6 being directly attached to the utility's distribution main, and 24 tied to the customers' residential service connections.

The customers agreed to pay for all irrigation meters and costs related to installation. The utility agreed to be responsible for reading and maintaining those meters. The irrigation meters were necessary so that the customers would not incur wastewater charges for irrigation usage.

In Order No. PSC-96-0629-FOF-WS (as amended by Order No. PSC-96-0629A-FOF-WS), we recognized that the rates would be implemented in two phases. Phase I provided for a flat rate or charge until the utility could install meters. As of the end of February, 1997, all meters were installed and Laniger began charging the Phase II (metered) rates effective March 20, 1997. For the irrigation meters, Laniger used the base facility charge for that size meter listed under the General Service category. Other than the General Service category, the only other water category was for Multi-Residential which had a charge of $10.37 per unit. Notwithstanding the above, the Complainant states that it did not understand that there would be either a charge, or that the base facility charge for the irrigation meters would be the same as the base facility charge for the other residential meters.

Phase II water rates provided that multi-residential would pay $10.37 per unit (the same as a general service unit served by a 5/8" x 3/4" meter). For all other general service customers the rates were as follows:

Meter Size	Rates
5/8"	$10.37
3/4"	15.56
1"	25.93
1-1/2"	51.85
2"	82.96
3"	165.92
4"	259.25
6"	518.50

Gallonage Charge	
Per 1,000 gallons	$ 3.42

There were no rates set specifically for irrigation meters in either Orders Nos. PSC-96-0629-FOF-WS or PSC-97-0105-FOF-WS.

However, in the paragraph at the top of page 5 of Order No. PSC-97-0105-FOF-WS, the Order states:

> The parties also agreed that final rates will be based on meter sizes for irrigation and other general service connections, such as the recreation areas.

The customers state that this provision is unclear and did not put them on notice that they would be billed the full base-facility-charge rate for irrigation meters. The customers also argue that, in some instances, their payment of the base facility charge actually costs them more than the gallonage charge would have been if the full amount of the irrigation water would have been billed the wastewater gallonage rate.

We regret any confusion the customers may have had, but find that the utility's charging of the base facility charge based solely on the size of the meter is in compliance with the aforementioned orders. There are no other rates authorized, and the language, "final rates will be based on meter sizes for irrigation" (found in Order No. PSC-97-0105-FOF-WS), meant that the utility would charge the base facility charge based on the size of the meter for each irrigation meter as applicable to both irrigation and all other connections.

A similar situation arose in Rainbow Springs, Docket No. 950828-WS. In that case, we found that, while the utility could not backbill for its failure to charge the base facility charge for irrigation meters, it should have been charging the tariffed rates, and should, from that point forward, charge the base facility charge for each irrigation meter based on the size of the meter.

In this case, the utility has charged the rates approved by Order No. PSC-97-0105-FOF-WS. Therefore, we find that the base facility charges for the irrigation meters charged by Laniger do not exceed those authorized by Order No. PSC-97-0105-FOF-WS. Therefore, Laniger is charging its authorized rates and is in compliance with all statutes and administrative rules. Based on all the above, we find that the complaint shall be dismissed.

REQUEST FOR ATTORNEY'S FEES

In subparagraph 14 of its Complaint, Beacon 21 requests that the Commission award it its attorney fees and costs for pursuing this action. However, it makes no reference to any statutory provision which would entitle it to such relief. In its response to the complaint, Laniger merely denies that the "Complainant has any rights to attorney's fees."

We do not know on what basis the Complainant is requesting attorney's fees. However, Section 120.595(1)(b), Florida Statutes, provides as follows:

> (b) The final order in a proceeding pursuant to s. 120.57(1) shall award reasonable costs and a reasonable attorney's fee to the prevailing party only where the

nonprevailing adverse party has been determined by the administrative law judge to have participated in the proceeding for an improper purpose.

Based on these provisions, and our findings above, there has been no showing of any improper purpose, and the Complainant is not the prevailing party. Therefore, the request for attorney's fees shall be denied.

CLOSING OF DOCKET

Upon the expiration of the protest period, if a substantially affected person does not file a timely protest to this proposed action within the 21-day protest period, this docket shall be closed.

Based on the foregoing, it is,

ORDERED by the Florida Public Service Commission that Laniger Enterprises of America, Inc., has installed its meters in an appropriate manner. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the delinquency notice of Laniger Enterprises of America, Inc., now complies with all requirements of Rules 25-30.320 and 25-30.355, Florida Administrative Code. It is further

ORDERED that the implementation of metered rates does not appear at this time to cause Laniger Enterprises of America, Inc., to overearn. It is further

ORDERED that Laniger Enterprises of America, Inc., is charging its authorized rates and appears to be in compliance with all statutes and administrative rules. It is further

ORDERED that the Complaint of Beacon 21 Condominium Owner's Association, Inc., shall be dismissed. It is further

ORDERED that the request of Beacon 21 Condominium Owner's Association, Inc., for attorney's fees shall be denied. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 22nd day of December, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn, Chief
Bureau of Records

(S E A L)

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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 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.

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 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 12, 1998.

In the absence of such a petition, this order shall become effective on the day 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 this order becomes final and effective on the date described above, any party substantially 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 wastewater 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.

USING PROJECTED TEST YEAR

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 1
DOCKET NO. 950515-WS

SCHEDULE OF WATER RATE BASE

	COMPONENT		BALANCE PER ORDER		COMMISSION ADJUSTMENTS		PROJECTED BALANCE PER COMMISSION	
1.	UTILITY PLANT IN SERVICE	$	306,691	$	64,740	$	371,431	(1)
2.	LAND/NON-DEPRECIABLE ASSETS		5,000		0		5,000	
4.	NON-USED AND USEFUL PLANT		(49,724)		28,535		(21,189)	(2)
5.	ACQUISITION ADJUSTMENT		(28,574)		0		(28,574)	
6.	CONTRIBUTIONS IN AID OF CONSTRUCTION		(19,314)		18,605		(709)	(3)
7.	ACCUMULATED DEPRECIATION		(69,711)		(37,802)		(107,513)	(4)
8.	AMORTIZATION OF ACQUISITION ADJUSTMENT		6,217		3,207		9,424	(5)
9.	AMORTIZATION OF CIAC		774		(563)		211	(6)
10.	WORKING CAPITAL ALLOWANCE		5,975		864		6,839	(7)
	WATER RATE BASE	$	157,334	$	77,586	$	234,920	

Page Notes:

(1) Removed averaging adjustments to determine year end balance, trued-up pro forma plant, and included plant added since pro forma.

(2) Calculated non-used and useful on year end plant vs average plant. Commission updated water plant U & U to 100%. Corrected $19,708 averaging error in order.

(3) Removed CIAC for margin reserve to determine year end balance.

(4) Removed averaging adjustments and one year of pro forma depreciation, then added 33 months of depreciation since SARC test year.

(5) Removed averaging adjustments and added 33 months of amortization since SARC test year.

(6) Removed averaging adjustments and amortization on CIAC for margin reserve, then added 33 months of CIAC amortization since SARC test year.

(7) Calculated 1/8 of new O & M balance for working capital allowance.

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 1A
DOCKET NO. 950515-WS

SCHEDULE OF WASTEWATER RATE BASE

	COMPONENT	BALANCE PER ORDER	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION	
1.	UTILITY PLANT IN SERVICE	$ 458,996	$ 22,597	$ 481,593	(1)
2.	LAND/NON-DEPRECIABLE ASSETS	94,580	0	94,580	
4.	NON-USED AND USEFUL PLANT	(33,117)	(4,434)	(37,551)	(2)
5.	ACQUISITION ADJUSTMENT	(66,743)	0	(66,743)	
6.	CONTRIBUTIONS IN AID OF CONSTRUCTION	(279,740)	17,237	(262,503)	(3)
7.	ACCUMULATED DEPRECIATION	(179,066)	(25,963)	(205,029)	(4)
8.	AMORTIZATION OF ACQUISITION ADJUSTMENT	16,866	9,126	25,992	(5)
9	AMORTIZATION OF CIAC	122,186	35,174	157,360	(6)
10.	WORKING CAPITAL ALLOWANCE	10,620	(813)	9,807	(7)
	WASTEWATER RATE BASE	**$ 144,582**	**$ 52,924**	**$ 197,506**	

Page Notes:

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(7) Calculated 1/8 of new O & M balance for working capital allowance.

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 1B
DOCKET NO. 950515-WS

ADJUSTMENTS TO RATE BASE

EXPLANATION	WATER	WASTEWATER
A. UTILITY PLANT IN SERVICE		
1. To remove averaging adjustments.		
Pro forma	$ 71,775	$ 14,262
Plant	6,811	14,967
2. To true-up pro forma.	(16,131)	(7,447)
3. To reflect plant added since pro forma.	2,285	815
	$ 64,740	$ 22,597
B. NON-USED AND USEFUL PLANT		
1. To reflect non-used & useful year end plant.	$ 12,569	$ (5,363)
2. To reflect accumulated depreciation on non-used & useful year end plant and correct $19,708 error.	15,966	929
	$ 28,535	$ (4,434)
C. CIAC		
1. To remove CIAC for margin reserve.	$ 18,605	$ 17,237
D. ACCUMULATED DEPRECIATION		
1. To remove pro forma depreciation.	$ 6,614	$ 1,660
2. To add 33 months estimated depreciation.	(39,386)	(21,863)
3. To remove averaging adjustments.	(5,030)	(5,760)
	$ (37,802)	$ (25,963)
E. AMORTIZATION OF ACQUISITION ADJUSTMENT		
1. To add 33 months estimated amortization.	$ 2,714	$ 7,722
2. To remove averaging adjustments.	493	1,404
	$ 3,207	$ 9,126
F. AMORTIZATION OF CIAC		
1. To add 33 months estimated amortization.	$ 67	$ 30,377
2. To remove amortization on the margin reserve.	(642)	(726)
3. To remove averaging adjustment.	12	5,523
	$ (563)	$ 35,174
G. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses	$ 864	$ (813)

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 2
DOCKET NO. 950515-WS

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION	% OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	$ 400,000	$ (75,905)	$ 324,095	74.95%	12.50% (1)	9.37%
SHORT TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG TERM DEBT	0	0	0	0.00%	0.00%	0.00%
EQUITY	133,701	(25,370)	108,331	25.05%	10.46% (2)	2.62%
PREFERRED STOCK	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	6.00%	0.00%
TOTAL	$ 533,701	$ (101,275)	$ 432,426	100.00%		11.99%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.46%	11.46%
OVERALL RATE OF RETURN	11.74%	12.24%

Page Notes:
(1) Blended rate for test year (9 months @12% and 3 months @14% rate which is effective 1/1/98)
(2) Used 1997 leverage graph to determine ROE.

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 3
DOCKET NO. 950515-WS

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER ORDER	COMMISSION ADJUSTMENTS	COMMISSION PROJECTED TEST YEAR 03/31/98	PROJECTED REVENUE SHORTFALL	PROJECTED REVENUE REQUIREMENT FOR COMPENSATORY RATES
OPERATING REVENUES	$ 81,265	$ 19,408	$ 100,673 (1)	$ 2,650	$ 103,322
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 47,800	$ 6,912	$ 54,712 (2)	0	54,712
DEPRECIATION (NET)	12,762	1,560	14,322 (3)	0	14,322
AMORTIZATION	(987)	0	(987) (4)	0	(987)
TAXES OTHER THAN INCOME	6,272	717	6,989 (5)	$ 119	7,108
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 65,847	$ 9,189	$ 75,036	$ 119	$ 75,156
OPERATING INCOME/(LOSS)	$ 15,418		$ 25,636	$ 2,530	$ 28,167
WATER RATE BASE	$ 157,334		$ 234,920		$ 234,920
RATE OF RETURN	9.80%		10.91%		11.99%

Page Notes:

(1) Calculated using actual consumption from March 1997 through October 1997, and estimated consumption from November 1997 through February 1998.

(2) Used O & M expenses recorded on utility 1996 annual report. Made an adjustment to remove RAFs from O&M since they were also recorded in TOTI. Indexed up 1996 O&M using Commission approved 1997 price index of 2.13%. Added annual backflow maintenance, irrigation meter reading, and legal fees (amortized over 5 years and allocated by number of customers per system.)

(3) Used depreciation amount of trued-up plant. Water plant U & U updated to 100% by commission.

(4) Used same amortization amount as in SARC test year.

(5) Used TOTI recorded on 1996 utility annual report.

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 3A
DOCKET NO. 950515-WS

SCHEDULE OF WASTEWATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER ORDER	COMMISSION ADJUSTMENTS	COMMISSION PROJECTED TEST YEAR 03/31/98	PROJECTED REVENUE SHORTFALL	PROJECTED REVENUE REQUIREMENT FOR COMPENSATORY RATES
OPERATING REVENUES	$ 114,236	$ (11,838)	$ 102,398 (1)	$ 15,359	$ 117,758
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 84,957	$ (6,499)	$ 78,458 (2)	0	78,458
DEPRECIATION (NET)	8,228	(278)	7,950 (3)	0	7,950
AMORTIZATION	(2,808)	0	(2,808) (4)	0	(2,808)
TAXES OTHER THAN INCOME	9,690	95	9,785 (5)	691	10,476
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 100,067	$ (6,682)	$ 93,385	$ 691	$ 94,077
OPERATING INCOME/(LOSS)	$ 14,169		$ 9,013	$ 14,668	$ 23,681
WASTEWATER RATE BASE	$ 144,582		$ 197,506		$ 197,506
RATE OF RETURN	9.80%		4.56%		11.99%

Page Notes:

(1) Calculated using actual consumption from March 1997 through October 1997, and estimated consumption from November 1997 through February 1998.

(2) Used O & M expenses recorded on utility 1996 annual report. Made an adjustment to remove RAFs from O&M since they were also recorded in TOTI. Indexed up 1996 O&M using Commission approved 1997 price index of 2.13%. Added legal fees amortized over 5 years and allocated by number of customers per system.

(3) Used depreciation amount of trued-up plant.

(4) Used same amortization amount as in SARC test year.

(5) Used TOTI recorded on 1996 utility annual report.

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 3B
DOCKET NO. 950515-WS

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER ORDER	COMMISSION ADJUSTMENTS	TOTAL PER 1996 ANN/RPT	AFTER 1997 INDEX ADJUSTMENT
(601) SALARIES AND WAGES - EMPLOYEES	$ 4,222	$ (4,222)	$ 0	$ 0
(603) SALARIES AND WAGES - OFFICERS	2,080	(2,080)	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0	0
(610) PURCHASED WATER	0	0	0	0
(615) PURCHASED POWER	6,235	(1,386)	4,849	4,952
(616) FUEL FOR POWER PRODUCTION	0	0	0	0
(618) CHEMICALS	1,574	(1,574)	0	0
(620) MATERIALS AND SUPPLIES	491	1,474	1,965	2,007
(630) CONTRACTUAL SERVICES	21,716	(11,764)	15,621 (1)	16,412 (4)
DEP REQUIRED TESTING	2,519	(31)	2,488	2,541
(640) RENTS	1,734	(1,734)	0	0
(650) TRANSPORTATION EXPENSE	1,218	(1,218)	0	0
(655) INSURANCE EXPENSE	1,594	(60)	1,534	1,567
(655) REGULATORY COMMISSION EXPENSE	200	0	200 (2)	200 (3)
(670) BAD DEBT EXPENSE	0	0	0	0
(675) MISCELLANEOUS EXPENSES	4,217	22,253	26,470	27,034
UNCLASSIFIED DISBURSEMENTS	0			0
TOTAL O & M EXPENSES	$ 47,800	$ (342)	$ 53,127	$ 54,712

Page Notes:

(1) $5,575 added for annual backflow maintenance, along with $94 for additional meter reading on irrigation meters.
(2) Utility included Regulatory assessment fees under O & M and T.O.T.I. Commission removed RAFs from O & M.
(3) No index markup on Regulatory Commission Expense.
(4) $458 added for $6,637 in legal fees amortized over 5 years and split 34 1/2@ water and 65 1/2°. wastewater.

LANIGER ENTERPRISES OF AMERICA
PROJECTED TEST YEAR ENDING 3/31/98

SCHEDULE NO. - 3C
DOCKET NO. 950515-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER ORDER	COMMISSION ADJUST.	TOTAL PER 1996 ANN/RPT	AFTER 1997 INDEX ADJUSTMENT
(701) SALARIES AND WAGES - EMPLOYEES	$ 6,334	$ (6,334)	$ 0	$ 0
(703) SALARIES AND WAGES - OFFICERS	3,120	(3,120)	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,286	(2,286)	0	0
(715) PURCHASED POWER	16,658	2,938	19,596	20,013
(716) FUEL FOR POWER PRODUCTION	0	0	0	0
(718) CHEMICALS	2,321	(2,321)	0	0
(720) MATERIALS AND SUPPLIES	1,796	2,308	4,104	4,191
(730) CONTRACTUAL SERVICES	41,194	(24,736)	16,458	17,678 (3)
(740) RENTS	2,600	(2,600)	0	0
(750) TRANSPORTATION EXPENSE	1,733	(1,733)	0	0
(755) INSURANCE EXPENSE	2,390	(856)	1,534	1,567
(765) REGULATORY COMMISSION EXPENSES	300	120	420 (1)	420 (2)
(770) BAD DEBT EXPENSE	0	0	0	0
(775) MISCELLANEOUS EXPENSES	4,225	29,643	33,868	34,589
UNCLASSIFIED DISBURSEMENTS	0	0	0	0
	$ 84,957	$ (8,977)	$ $\boxed{75,980}$	$ $\boxed{78,458}$

(1) Utility included Regulatory assessment fees under O & M and T.O.T.I. Commission removed RAFs from O & M.
(2) No index markup on Regulatory Commission Expense.
(3) $869 added for $6,637 in legal fees amortized over 5 years and split 34 1/2% water and 65 1/2% wastewater.