

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Southlake	)	DOCKET NO. 900738-WS
Utilities, Inc. for water and	)	ORDER NO. 24564
wastewater certificates in Lake	)	ISSUED: 5/21/91
County.	)	
<hr/>		
	)	

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON  
 BETTY EASLEY  
 GERALD L. GUNTER  
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING RATES AND CHARGES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action proposed herein is preliminary in nature but will become final unless a person whose interests are substantially affected files a petition for a formal proceeding in accordance with Rule 25-22.029, Florida Administrative Code.

Background

On January 2, 1991, this Commission issued Order No. 23947, granting Southlake Utilities, Inc. (Southlake Utilities or Utility) Certificates Nos. 533-W and 464-S. The certificate process was bifurcated so that the certificates could be issued within 90 days of the date the application was filed, as required by Section 367.031, Florida Statutes. The Docket remained open pending determination of appropriate rates and charges.

Rates and Charges

Normally, we determine rates which will allow a utility to earn a fair rate of return on investment when the treatment plant

DOCUMENT NUMBER-DATE

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FSC-RECORDS/REPORTING

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 2

reaches 80 percent of capacity. In this case, rates have been calculated based on 100 percent of Phase I plant and expenses, which is expected to occur in 1992. This methodology was used because 80 percent and 100 percent of capacity is expected to occur within the same year. From the information supplied with the application, proforma schedules of rate base, operating income and capital structure have been calculated for use in determining initial rates.

Southlake Utilities is constructing a 500,000 gallons per day (GPD) water treatment plant capable of serving 1,429 equivalent residential connections (ERC); the Utility is constructing a 350,000 GPD wastewater treatment plant capable of serving 1,167 ERCs. Initial rates have been established based on the estimated cost of these plants. The Utility ultimately anticipates serving 8,000 multi-family residential customers and 150 commercial customers.

In anticipation of this future development, the Utility installed a 500,000 gallon concrete distribution reservoir and completed the operations and maintenance building. It is more economically feasible for Southlake Utilities to install the oversized plant at today's costs instead of waiting until the plant is needed and costs are higher.

In calculating its proposed rates, Southlake Utilities performed a used and useful analysis of the oversized reservoir and building and placed the part that will be used later into plant held for future use (PHFU). We did not make this adjustment because our analysis indicates that the rates based on the projected plant costs are reasonable and in line with other utilities in the area.

The Utility removed depreciation associated with PHFU from accumulated depreciation. We did not make a PHFU adjustment; accumulated depreciation has been increased accordingly.

Contributions-in-aid-of-construction (CIAC) and CIAC amortization have been adjusted to reflect service availability charges approved herein.

The Utility's working capital allowance is based upon 1/8 of operation and maintenance expenses, which is consistent with Commission practice in original certificate cases.

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 3

An investigation was conducted to determine why the Utility intends to use percolation ponds as a means of effluent disposal. We determined that there are no golf courses or other available end users of spray irrigation in the area.

Our calculation of rate base is shown on Schedules Nos. 1 and 2, with adjustments shown on Schedule No. 3.

Upon review, we find that the Utility's operation and maintenance expenses are reasonable, and no adjustments are necessary. The Utility removed depreciation associated with PHFU from its depreciation expenses. We did not make a PHFU adjustment; therefore, depreciation expense was adjusted accordingly. Income taxes have been adjusted to reflect our calculation of state and federal income taxes.

Operating revenues and regulatory assessment fees have been adjusted to allow the Utility to earn a 10.46 percent overall rate of return. Our Schedule of Operations is shown on Schedules Nos. 4 and 5, with adjustments shown on Schedule No. 6.

Southlake Utilities' proforma capital structure has been adjusted to reconcile with rate base and to include customer deposits. We calculate the return on common equity to be 13.11 percent using the current Commission approved leverage formula. The adjusted proforma capital structure is shown on Schedule No. 7.

The Schedules have been used only as tools to aid in the establishment of initial rates. We are not establishing rate base. We find it appropriate, however, to establish a return on equity of 13.11 percent to be used in future proceedings involving such things as the calculation of allowance for funds used during construction (AFUDC) and interim rates.

Shown below are Southlake Utilities' proposed rates and the rates are hereby approved. The rates approved by the Commission were calculated using the base facility charge rate structure and are based on a revenue requirement of \$300,686 and \$238,823 for the water and wastewater systems, respectively. The Utility also requested private fire protection charges. The monthly rate for private fire protection is one-third of the Utility's monthly base facility charge for that particular size of service, which is consistent with Commission policy.

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 4

WATER

Residential and General Service  
(Monthly Rates)

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Utility</u> <u>Proposed</u>	<u>Commission</u> <u>Approved</u>
5/8" x 3/4"	\$ 10.46	\$ 7.71
1"	26.15	19.28
1-1/2"	52.30	38.55
2"	83.68	61.68
3"	156.90	123.36
4"	261.50	192.75
6"	523.00	385.50
 <u>Gallonage Charge</u> Per 1,000 Gallons	 \$ .77	 .72

WASTEWATER

Residential Service  
(Monthly Rates)

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Utility</u> <u>Proposed</u>	<u>Commission</u> <u>Approved</u>
All Meter Sizes	\$ 12.31	\$ 8.12
 <u>Gallonage Charge</u> Per 1,000 Gallons Maximum 10,000 Gallons	 \$ .95	 .71

General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Utility</u> <u>Proposed</u>	<u>Commission</u> <u>Approved</u>
5/8" x 3/4"	\$ 12.31	\$ 8.12
1"	30.78	20.30
1-1/2"	62.00	40.60
2"	98.48	64.96
3"	184.65	129.92
4"	307.75	203.00
6"	615.50	406.00



ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 6

<u>Meter Size</u>	<u>Wastewater</u>	
	<u>Residential</u>	<u>General Service</u>
5/8"	\$ 35.00	\$ 35.00
1"	87.50	87.50
1-1/2"	N/A	175.00
2"	N/A	280.00

The miscellaneous service charges will be administratively approved when the tariffs are approved. The customer deposits are reasonable and they are hereby approve.

Southlake Utilities is directed to file tariff sheets reflecting the rates approved herein within 30 days of the effective date of this Order. The rates shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets.

#### Service Availability Charges

Southlake Utilities will install all water and wastewater treatment facilities. All on-site and off-site transmission, distribution and collection lines and other water and wastewater facilities will be installed and donated to the Utility by the developer.

In its application, the Utility requested to be allowed to charge \$190.00 and \$440.00 for installation of 5/8 inch x 3/4 inch and 1 inch meters, respectively. According to the Utility's calculations, \$95.00 of the \$190.00 installation fee and \$300.00 of the \$440.00 installation fee are related to the cost of the meters. Our analysis of the installation fees indicates that \$35.00 and \$70.00 are more appropriate costs for meters of this type and size. The Utility's proposed meter installation fees have been reduced accordingly. The Utility's proposed meter installation fees are shown below along with the meter installation fees we hereby approve:

<u>Meter Size</u>	<u>Meter Installation Fees</u>	
	<u>Utility Proposed</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$ 190.00	\$ 130.00

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 7

1"	440.00	210.00
Over 1"	Actual Cost	Actual Cost

The Utility also requested plant capacity charges of \$205.00 and \$508.00 per ERC for water and wastewater, respectively. According to Rule 25-30.580, Florida Administrative Code, the minimum amount of CIAC should be the percentage of plant represented by the water transmission and distribution and wastewater collection systems. The maximum amount of CIAC should not exceed 75 percent of the total net plant when the facilities are at design capacity.

In this instance, the water transmission and distribution system represents approximately 56 percent of the total gross water plant and the wastewater collection system represents 61 percent of the total gross wastewater plant. The charges requested by Southlake Utilities would enable it to meet the minimum contribution levels required by Rule 25-30.580, Florida Administrative Code.

However, we have determined that the plant capacity charges should be such that the contribution level of the Utility will be 75 percent of net plant at the time the systems reach capacity. Therefore, we find that plant capacity charges of \$420.00 for water and \$775.00 for wastewater are appropriate and they are approved. Our analysis of the charges is shown on Schedule No. 8.

Southlake Utilities has requested that it be allowed to collect the tax gross-up on CIAC. Order No. 23541, issued October 1, 1990, requires utilities requesting gross-up to file information to demonstrate the need to gross-up. Since Southlake Utilities did not meet the filing requirements in its application, we find it appropriate to deny the Utility's request to collect tax gross-up on CIAC at this time. The Utility has been advised that it may file the information required by Order No. 23541 in the future and request the gross-up. When the information is received, it must be approved by the Commission Staff before gross-up can be granted.

In its application, Southlake Utilities requested a guaranteed revenue charge. By letter dated April 12, 1991, the Utility withdrew its request. At that time the Utility requested allowance for funds prudently invested (AFPI) charges for water and wastewater. The Utility has constructed a 500,000 gpd water and 350,000 gpd wastewater treatment plant capable of serving 1,429 and

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 8

1,167 ERCs, respectively. As discussed previously, the rates approved herein have been designed so that the Utility can earn a fair rate of return on its investment when the system is 100 percent built out. Therefore, the Utility will not earn a fair rate of return on its investment through rates paid by the customers until buildout. The AFPI charge will enable the Utility to recover the return on the plant needed to serve future customers at the time they connect to the system. The amount of the AFPI charges are based upon the date future customers connect to the system normally coinciding with the payment of the service availability charges.

The Utility's proposed AFPI charges for water and wastewater are shown on Schedule No. 9. These charges escalate for a period of seven years. Our calculation of the appropriate charges is shown on Schedule No. 10 for the water system and Schedule No. 11 for the sewer system. The charges shown on Schedules Nos. 10 and 11 begin escalating in July, 1991, since that is when the utility plant is expected to be completed. The charges will continue escalating for a period of 5 years. Generally, the Commission considers any plant constructed for more than five years in the future to be excessive, unless extraordinary or unusual circumstances are demonstrated. The AFPI charges will be discontinued when the systems reach buildout.

It is, therefore,

ORDERED by the Florida Public Service Commission that Southlake Utilities, Inc., 800 U. S. Highway 27, Clermont, Florida 34711, shall charge its customers the rates and charges approved in the body of this Order until authorized to change by the Commission. It is further

ORDERED that Southlake Utilities, Inc. shall file tariff sheets reflecting the rates and charges approved herein within 30 days of the effective date of this Order. It is further

ORDERED that the rates shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets. It is further

ORDERED that the service availability charges and miscellaneous service charges shall be effective for connections made or service rendered on or after the stamped approval date on the tariff sheets. It is further



ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 9

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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, 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 in the event that this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this ~~21st~~  
day of     MAY    ,     1991    .

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ALC

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.

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 10

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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on JUNE 11, 1991.

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 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.

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 11

Southlake Utilities, Inc.  
Schedule of Water Rate Base  
At 100% of Design Capacity

Docket No. 900738-WS  
Schedule No. 1

Description	Balance Per Utility	Commission Adjustment	Balance Per Commission
Utility Plant in Service	2,585,542	0	2,585,542
and	0	0	0
Accumulated Depreciation	(76,584)	(7,336) (1)	(83,920)
Contributions-in-aid-of-Construction	(1,644,881)	(297,752) (2)	(1,942,633)
Accumulated Amortization of C.I.A.C.	48,293	4,573 (3)	52,866
Plant Held for Future Use	(410,289)	410,289 (4)	0
Working Capital Allowance	18,126	0	18,126
TOTAL	520,207	109,774	629,981

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 12

Southlake Utilities, Inc.  
Schedule of Sewer Rate Base  
At 100% of Design Capacity

Docket No. 900738-WS  
Schedule No. 2

Description	Balance Per Utility	Commission Adjustment	Balance Per Commission
Utility Plant in Service	2,117,609	0	2,117,609
Land	0	0	0
Accumulated Depreciation	(49,138)	(18,500) (1)	(67,638)
Contributions-in-aid-of-Construction	(1,249,100)	(345,832) (2)	(1,594,932)
Accumulated Amortization of C.I.A.C.	26,347	21,186 (3)	47,533
Plant Held For Future Use	(270,165)	270,165 (4)	0
Working Capital Allowance	14,679	0	14,679
TOTAL	590,232	(72,981)	517,251

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 13

Schedule No. 3

Southlake Utilities, Inc.  
 Schedule of Adjustments to Rate Base

<u>Description</u>	<u>Water</u>	<u>Wastewater</u>
<u>Accumulated Depreciation</u>		
1) To reflect depreciation associated with plant held for future use.	<u>\$ ( 7,336)</u>	<u>\$ ( 18,500)</u>
<u>Contributions-in-Aid-of-Construction</u>		
2) To reflect Commission approved service availability charges.	<u>\$(297,752)</u>	<u>\$(345,832)</u>
<u>CIAC Amortization</u>		
3) To reflect adjustments made to CIAC.	<u>\$ 4,573</u>	<u>\$ 21,186</u>
<u>Plant Held for Future Use</u>		
4) To remove adjustment from utility's rate base.	<u>\$ 410,289</u>	<u>\$ 270,165</u>

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 14

Southlake Utilities, Inc.  
Schedule of Water Operations  
At 100% of Design Capacity

Docket No. 900738-WS  
Schedule No. 4

Description	Balance Per Utility	Commission Adjustment	Balance Per Commission	Commission Adjustment Required Revenue	Required Revenue Per Commission
Operating Revenues	244,898	0	244,898	55,788 (3)	300,686
Operating and Maintenance	145,011	0	145,011	0	145,011
Depreciation Expense	28,291	2,763 (1)	31,054	0	31,054
Taxes Other Than Income	47,634	0	47,634	2,511 (4)	50,145
Income Taxes	6,944	(9,039)(2)	(2,095)	10,684 (5)	8,590
Total Operating Expenses	227,880	(6,276)	221,604	13,195	234,800
Net Operating Income	17,018	6,276	23,294	42,593	65,886
Rate Base	520,207		629,981		629,981
Rate of Return	3.27%		3.70%		10.46%

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 15

Southlake Utilities, Inc.  
Schedule of Sewer Operations  
At 100% of Design Capacity

Docket No. 900738-WS  
Schedule No. 5

Description	Balance Per Utility	Commission Adjustment	Balance Per Commission	Commission Adjustment Required Revenue	Required Revenue Per Commission
Operating Revenues	223,983	0	223,983	14,840 (3)	238,823
Operating and Maintenance	117,434	0	117,434	0	117,434
Depreciation Expense	22,791	(2,686)(1)	20,105	0	20,105
Taxes Other Than Income	39,465	0	39,465	669 (4)	40,134
Income Taxes	6,944	(4,229)(2)	2,715	4,338 (5)	7,053
Total Operating Expenses	186,634	(6,915)	179,719	5,007	184,726
Net Operating Income	37,349	6,915	44,264	9,833	54,097
Rate Base	590,232		517,251		517,251
Rate of Return	6.33%		8.56%		10.46%

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 16

Schedule No. 6

Southlake Utilities, Inc.  
Adjustments to Schedule of Operations

<u>Description</u>	<u>Water</u>	<u>Wastewater</u>
<u>Depreciation Expense</u>		
1) To reflect depreciation associated with plant held for future use.	<u>\$ 2,763</u>	<u>\$ ( 2,686)</u>
<u>Income Taxes</u>		
2) To reflect Commission calculation of state and federal income taxes at the requested revenue levels.	<u>\$ ( 9,039)</u>	<u>\$ ( 4,229)</u>
<u>Operating Revenues</u>		
3) To adjust the requested operating revenue to a level which will allow the utility to earn a 10.46% overall rate of return on its water and wastewater rate bases.	<u>\$ 55,788</u>	<u>\$ 14,840</u>
<u>Taxes Other Than Income</u>		
4) To reflect the change in regulatory assessment fees resulting from the change in operating revenue.	<u>\$ 2,511</u>	<u>\$ 669</u>
<u>Income Taxes</u>		
5) To reflect Commission calculation of state and federal income taxes at the Commission approved operating revenue level.	<u>\$ 10,684</u>	<u>\$ 4,338</u>



ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 17

Southlake Utilities, Inc.  
 Schedule of Capital Structure  
 At 100% of Design Capacity

Docket No. 900738-WS  
 Schedule No. 7

Description	Balance Per Utility	Commission Adjustment	Balance Per Commission	Recon. Adjust.	Recon. Balance	Weight	Cost Rate	Weighted Cost
Common Equity	441,354		441,354	(14,644)	426,710	37.19%	13.11%	4.88%
Long Term Debt	662,032		662,032	(21,967)	640,065	55.79%	9.00%	5.02%
Customer Deposits	0	83,219	83,219	(2,761)	80,458	7.01%	8.00%	0.56%
Receivables from Associated Companies	0		0	0	0	0.00%	0.00%	0.00%
Other	0		0	0	0	0.00%	0.00%	0.00%
	1,103,386	83,219	1,186,605	(39,372)	1,147,233	99.99%		10.46%

Range of Reasonableness:	High	Low
Common Equity	14.11%	12.11%
Overall Rate of Return	10.83%	10.09%

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 18

Southlake Utilities, Inc.  
 Schedule of Net Plant to Net C.I.A.C.  
 At 100% of Design Capacity

Docket No. 900738-WS  
 Schedule No. 8

Account Number	Account Description	Water	Sewer	Total
101	Utility Plant in Service	2,585,542	2,117,609	4,703,151
104	Accumulated Depreciation	(83,920)	(67,638)	(151,558)
	Net Plant	2,501,622	2,049,971	4,551,593
271	C.I.A.C.	1,942,633	1,594,932	3,537,565
272	Accum. Amortization of C.I.A.C.	(52,866)	(47,533)	(100,399)
	Net C.I.A.C.	1,889,767	1,547,399	3,437,166
	Net C.I.A.C. / Net Plant	75.54%	75.48%	75.52%
	Commission Approved Charge	*550	775	1,325
	Total ERC's	1,429	1,112	

\*Includes \$130 Meter and Meter Installation Charge  
 And \$420 Plant Capacity Charge.

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 19

Southlake Utilities, Inc.  
Allowance For Funds Prudently Invested  
Utility Proposed Charges

Schedule No. 9

Water

	1991	1992	1993	1994	1995	1996	1997
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January	8.03	105.11	210.54	325.22	450.15	586.44	735.31
February	16.07	113.84	220.03	335.56	461.42	598.75	748.77
March	24.10	122.56	229.52	345.89	472.69	611.06	762.23
April	32.13	131.28	239.00	356.22	483.97	623.37	775.69
May	40.16	140.00	248.49	366.55	495.24	635.68	789.15
June	48.20	148.72	257.97	376.89	506.51	647.99	802.62
July	56.23	157.45	267.46	387.22	517.78	660.30	816.08
August	64.26	166.17	276.95	397.55	529.05	672.61	829.54
September	72.29	174.89	286.43	407.88	540.32	684.92	843.00
October	80.33	183.61	295.92	418.22	551.59	697.23	856.46
November	88.36	192.33	305.40	428.55	562.86	709.54	869.92
December	96.39	201.06	314.89	438.88	574.13	721.85	883.38

Wastewater

	1991	1992	1993	1994	1995	1996	1997
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January	14.10	184.52	369.83	571.66	791.77	1,032.14	1,294.96
February	28.20	199.85	386.53	589.86	811.64	1,053.87	1,318.75
March	42.30	215.18	403.22	608.06	831.52	1,075.60	1,342.53
April	56.40	230.51	419.91	626.27	851.40	1,097.33	1,366.32
May	70.50	245.84	436.60	644.47	871.27	1,119.06	1,390.10
June	84.59	261.17	453.30	662.67	891.15	1,140.79	1,413.89
July	98.69	276.49	469.99	680.87	911.03	1,162.52	1,437.68
August	112.79	291.82	486.68	699.08	930.90	1,184.25	1,461.46
September	126.89	307.15	503.38	717.28	950.78	1,205.99	1,485.25
October	140.99	322.48	520.07	735.48	970.65	1,227.72	1,509.03
November	155.09	337.81	536.76	753.69	990.53	1,249.45	1,532.82
December	169.19	353.14	553.45	771.89	1,010.41	1,271.18	1,556.60

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 20

Schedule No. 10  
 Page 1 of 4

SOUTHLAKE UTILITIES, INC.  
 DOCKET NO. 900738-WS

Allowance for Funds Prudently Invested-Water  
 Calculation of Carrying Costs for Each ERC:

Cost of Qualifying Assets:	\$ 1,116,735	Annual Depreciation Expense:	\$ 42,963
Divided By Future ERC:	1,429	Future ERC's:	1,429
Cost/ERC:	\$ 781.48	Annual Depr. Cost per ERC:	\$ 30.07
Multiply By Rate of Return:	10.46%	Annual Property Tax Expense:	\$ 30,242
Annual Return Per ERC:	\$ 81.74	Future ERC's:	1,429
Annual Reduction in Return:	\$ 3.14	Annual Prop. Tax per ERC:	\$ 21.16
(Annual Depreciation Expense per ERC Times Rate of Return)			
Federal Tax Rate:	15.00%	Weighted Cost of Equity:	13.11%
Effective State Tax Rate:	4.68%	Divided by Rate of Return:	10.46%
Total Tax Rate:	19.68%	% of Equity in Return:	125.33%
Effective Tax on Return:	24.66%	Other Costs:	\$ 0
(Equity % Times Tax Rate)		Future ERC's:	1,429
Provision For Tax:	30.70%	Cost per ERC:	\$ 0.00
(Tax on Return/(1-Total Tax Rate))			

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 21

SOUTHLAKE UTILITIES, INC.  
 DOCKET NO. 900738-WS

Schedule No. 10  
 Page 2 of 4

Allowance for Funds Prudently Invested-Water  
 Calculation of Carrying Cost Per ERC Per Month:

	1991	1992	1993	1994	1995
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July	14.11	184.01	361.89	555.84	767.56
August	28.22	198.73	377.93	573.35	786.68
September	42.33	213.44	393.97	590.86	805.81
October	56.43	228.15	410.01	608.37	824.94
November	70.54	242.86	426.05	625.87	844.07
December	84.65	257.58	442.09	643.38	863.20
January	98.76	272.29	458.13	660.89	882.33
February	112.87	287.00	474.17	678.40	901.45
March	126.98	301.71	490.21	695.91	920.58
April	141.08	316.43	506.26	713.41	939.71
May	155.19	331.14	522.30	730.92	958.84
June	169.30	345.85	538.34	748.43	977.97

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 22

SOUTHLAKE UTILITIES, INC.  
DOCKET NO. 900738-WS

Schedule No. 10  
Page No. 3 of 4

Allowance for Funds Prudently Invested-Water  
Calculation of Carrying Cost Per ERC Per Year:

	1991	1992	1993	1994	1995
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	30.07	30.07	30.07	30.07	30.07
Unfunded Property Tax:	21.16	21.16	21.16	21.16	21.16
Subtotal Unfunded Annual Expense:	\$ 51.23	\$ 51.23	\$ 51.23	\$ 51.23	\$ 51.23
Unfunded Expenses Prior Year:	0.00	51.23	102.46	153.68	204.91
Total Unfunded Expenses:	\$ 51.23	\$ 102.46	\$ 153.68	\$ 204.91	\$ 256.14
Return on Expenses Current Year:	5.36	5.36	5.36	5.36	5.36
Return on Expenses Prior Year:	0.00	5.36	10.72	16.08	21.43
Return on Plant Current Year:	81.74	78.60	75.45	72.31	69.16
Earnings Prior Year:	0.00	81.74	174.25	278.65	396.18
Compound Earnings from Prior Year:	0.00	8.55	18.23	29.15	41.44
Total Compounded Earnings:	\$ 87.10	\$ 179.61	\$ 284.00	\$ 401.53	\$ 533.57
Earnings Expansion Factor for Tax:	1.31	1.31	1.31	1.31	1.31
Revenue Required to Fund Earnings:	\$ 113.84	\$ 234.75	\$ 371.19	\$ 524.81	\$ 697.38
Revenue Required to Fund Expenses:	51.23	102.46	153.68	204.91	256.14
Subtotal:	\$ 165.07	\$ 337.20	\$ 524.88	\$ 729.72	\$ 953.52
Divided by Factor for Gross Receipts Tax:	0.975	0.975	0.975	0.975	0.975
ERC Carrying Cost for 1 Year:	\$ 169.30	\$ 345.85	\$ 538.34	\$ 748.43	\$ 977.97

ORDER NO. 24564  
 DOCKET NO. 900378-WS  
 Page 23

SOUTHLAKE UTILITIES, INC.  
 DOCKET NO. 900738-WS

Schedule No. 10  
 Page 4 of 4

Allowance for Funds Prudently Invested  
 Schedule of Charges for Water:

	1991	1992	1993	1994	1995
	----	----	----	----	----
July	14.11	184.01	361.89	555.84	767.56
August	28.22	198.73	377.93	573.35	786.68
September	42.33	213.44	393.97	590.86	805.81
October	56.43	228.15	410.01	608.37	824.94
November	70.54	242.86	426.05	625.87	844.07
December	84.65	257.58	442.09	643.38	863.20
January	98.76	272.29	458.13	660.89	882.33
February	112.87	287.00	474.17	678.40	901.45
March	126.98	301.71	490.21	695.91	920.58
April	141.08	316.43	506.26	713.41	939.71
May	155.19	331.14	522.30	730.92	958.84
June	169.30	345.85	538.34	748.43	977.97

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 24

SOUTHLAKE UTILITIES, INC.  
DOCKET NO. 900738-WS

Schedule No. 11  
Page 1 of 4

Allowance for Funds Prudently Invested-Wastewater  
Calculation of Carrying Costs for Each ERC:

Cost of Qualifying Assets:	\$ 1,384,477	Annual Depreciation Expense:	\$ 20,008
Divided By Future ERC:	1,112	Future ERC's:	1,112
	-----		-----
Cost/ERC:	\$ 1,245.03	Annual Depr. Cost per ERC:	\$ 17.99
Multiply By Rate of Return:	10.46%		-----
	-----		
Annual Return Per ERC:	\$ 130.23	Annual Property Tax Expense:	\$ 24,173
	-----	Future ERC's:	1,112
Annual Reduction in Return:	\$ 1.88		-----
(Annual Depreciation Expense	-----	Annual Prop. Tax per ERC:	\$ 21.74
per ERC Times Rate of Return)			-----
Federal Tax Rate:	15.00%	Weighted Cost of Equity:	13.11%
Effective State Tax Rate:	4.68%	Divided by Rate of Return:	10.46%
	-----		-----
Total Tax Rate:	19.68%	% of Equity in Return:	125.33%
	-----		-----
Effective Tax on Return:	24.66%	Other Costs:	\$ 0
(Equity % Times Tax Rate)	-----	Future ERC's:	1,112
			-----
Provision For Tax:	30.70%	Cost per ERC:	\$ 0.00
(Tax on Return/(1-Total Tax Rate))	-----		-----



ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 25

SOUTHLAKE UTILITIES, INC.  
 DOCKET NO. 900738-WS

Schedule No. 11  
 Page 2 of 4

Allowance for Funds Prudently Invested-Wastewater  
 Calculation of Carrying Cost Per ERC Per Month:

	1991	1992	1993	1994	1995
	----	----	----	----	----
July	18.41	240.62	479.21	741.55	1,030.11
August	36.82	260.34	500.89	765.40	1,056.35
September	55.22	280.05	522.57	789.24	1,082.59
October	73.63	299.77	544.25	813.09	1,108.84
November	92.04	319.49	565.93	836.94	1,135.08
December	110.45	339.21	587.62	860.79	1,161.32
January	128.86	358.93	609.30	884.63	1,187.56
February	147.26	378.65	630.98	908.48	1,213.80
March	165.67	398.37	652.66	932.33	1,240.04
April	184.08	418.09	674.34	956.18	1,266.28
May	202.49	437.81	696.02	980.02	1,292.52
June	220.90	457.53	717.70	1,003.87	1,318.76

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 26

SOUTHLAKE UTILITIES, INC.  
DOCKET NO. 900738-WS

Schedule No. 11  
Page 3 Of 4

Allowance for Funds Prudently Invested-Wastewater  
Calculation of Carrying Cost Per ERC Per Year:

	1991	1992	1993	1994	1995
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	17.99	17.99	17.99	17.99	17.99
Unfunded Property Tax:	21.74	21.74	21.74	21.74	21.74
Subtotal Unfunded Annual Expense:	\$ 39.73	\$ 39.73	\$ 39.73	\$ 39.73	\$ 39.73
Unfunded Expenses Prior Year:	0.00	39.73	79.46	119.19	158.92
Total Unfunded Expenses:	\$ 39.73	\$ 79.46	\$ 119.19	\$ 158.92	\$ 198.66
Return on Expenses Current Year:	4.16	4.16	4.16	4.16	4.16
Return on Expenses Prior Year:	0.00	4.16	8.31	12.47	16.62
Return on Plant Current Year:	130.23	128.35	126.47	124.58	122.70
Earnings Prior Year:	0.00	130.23	276.36	440.04	623.12
Compound Earnings from Prior Year:	0.00	13.62	28.91	46.03	65.18
Total Compounded Earnings:	\$ 134.39	\$ 280.51	\$ 444.20	\$ 627.28	\$ 831.78
Earnings Expansion Factor for Tax:	1.31	1.31	1.31	1.31	1.31
Revenue Required to Fund Earnings:	\$ 175.64	\$ 366.63	\$ 580.57	\$ 819.85	\$ 1,087.14
Revenue Required to Fund Expenses:	39.73	79.46	119.19	158.92	198.66
Subtotal:	\$ 215.37	\$ 446.09	\$ 699.76	\$ 978.78	\$ 1,285.79
Divided by Factor for Gross Receipts Tax:	0.975	0.975	0.975	0.975	0.975
ERC Carrying Cost for 1 Year:	\$ 220.90	\$ 457.53	\$ 717.70	\$ 1,003.87	\$ 1,318.76

ORDER NO. 24564  
 DOCKET NO. 900738-WS  
 Page 27

SOUTHLAKE UTILITIES, INC.  
 DOCKET NO. 900738-WS

Schedule No. 11  
 Page 4 of 4

Allowance for Funds Prudently Invested  
 Schedule of Charges for Wastewater:

	1991	1992	1993	1994	1995
	----	----	----	----	----
July	18.41	240.62	479.21	741.55	1,030.11
August	36.82	260.34	500.89	765.40	1,056.35
September	55.22	280.05	522.57	789.24	1,082.59
October	73.63	299.77	544.25	813.09	1,108.84
November	92.04	319.49	565.93	836.94	1,135.08
December	110.45	339.21	587.62	860.79	1,161.32
January	128.86	358.93	609.30	884.63	1,187.56
February	147.26	378.65	630.98	908.48	1,213.80
March	165.67	398.37	652.66	932.33	1,240.04
April	184.08	418.09	674.34	956.18	1,266.28
May	202.49	437.81	696.02	980.02	1,292.52
June	220.90	457.53	717.70	1,003.87	1,318.76

ORDER NO. 24564  
DOCKET NO. 900738-WS  
Page 28

Docket No. 900738-WS  
Schedule No. 12

Southlake Utilities, Inc.  
Commission Approved AFUDC Rate  
As of January 2, 1991

Class of Capital	Capitalization Per Utility	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	441,354	0	441,354	37.19%	13.11%	4.88%	
Long Term Debt	662,032	0	662,032	55.79%	9.00%	5.02%	
Short-Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	0	0	83,219	7.01%	8.00%	0.56%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Zero Cost	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	0	0	0	0.00%	0.00%	0.00%	
Deferred Income Taxes	0	0	0	0.00%	0.00%	0.00%	
<b>Total</b>	<b>1,103,386</b>	<b>0</b>	<b>1,186,605</b>	<b>99.99%</b>		<b>10.46%</b>	<b>0.832473%</b>