

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 950697-WU
assisted rate case in Highlands) ORDER NO. PSC-96-0679-FOF-WU
County by Placid Lakes) ISSUED: MAY 23, 1996
Utilities, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST
AND
NOTICE OF PROPOSED AGENCY ACTION
APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the matters of temporary rates in the event of protest and the conformance of the utility's books and records with NARUC USOA, 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

Placid Lakes Utilities, Inc. (Placid Lakes or utility) is a Class C water-only utility, providing service to approximately 1,191 water customers in Highlands County. The utility is fully owned by the Lake Placid Holding Company (LPHC), the primary developer of the Placid Lake subdivision. The utility's annual report for 1994 shows consolidated annual operating revenues of \$155,774 and a net operating loss of \$78,200.

Placid Lakes was organized in 1970. We received jurisdiction over private utilities in Highlands County in 1982. The utility was issued a grandfather certificate in Order No. 12594, issued October 10, 1983. We granted the utility price index rate adjustments in 1992, 1993 and 1994 and approved a rate increase through a staff-assisted rate case in 1984. By Order No. 16238,

DOCUMENT NUMBER-DATE

05694 MAY 23 96

FILED-RECORDS/REPORTING

issued June 6, 1986, we found that the utility was over-contributed, and, as a consequence, we eliminated the utility's service availability charges.

In 1986, a developer filed a formal complaint against the utility for refusing to provide service to two of his lots in the utility's service area. The complaint was settled, but it led to an investigation of the utility's capability to serve its service territory. In Docket No. 860532-WU, by Order No. 17372, issued April 7, 1987, we found that the utility could only bring service to undeveloped parts of its territory by a large outlay of funds, which it did not have, or by requiring developers to install and contribute the mains, which would worsen the utility's already over-contributed posture. Therefore, we found it in the public's interest to delete the undeveloped portion of the utility's territory from its certificated service area.

Review of the utility's 1987 annual report showed that it was apparently overearning. Its 1988 annual report showed that it was overearning by some \$12,000 to \$13,000 per year, based on operating expenses alone. By Order No. 21851, issued October 2, 1989, we required the utility to refund \$7,500 plus interest to customers who received September 1989 bills. We also ordered the utility to reduce its existing rates 11.7 %.

In the period between June 1990 and January 1992, three developers that owned lots in the utility's certificated area complained to the Commission, stating that the utility refused to provide service. The utility's response was that we had reduced the utility's service availability charges and prohibited it from accepting contributed lines. The utility also stated that it did not have sufficient funds to further extend water service to those persons within its service area who were not adjacent to existing water lines.

On August 1, 1990, we discovered in a site inspection that the utility connected customers with lines available to their lots, but not those without available lines. It was also discovered that LPHC was collecting from developers an unauthorized \$575 contribution-in-aid-of-construction (CIAC) charge in addition to an authorized \$175 meter installation charge.

As a result of continuing customer complaints, the utility filed a request for review of its service availability charges in Docket No. 920118-WU. By Order No. PSC-92-0632-FOF-WU, issued July 7, 1992, we approved a \$240 main extension charge for all future connections where lines are already available, and authorized the utility to accept donated lines from developers and

customers, in lieu of main extension charges where lines are not already available. We waived Rule 25-30.580, Florida Administrative Code, in order to ensure that funds were available to make future connections. The utility's existing meter installation charge and tap-in fees were retained. We also ordered the utility to show cause why it should not be fined for failure to provide service to new customers in its certificated area and for collecting unauthorized service availability charges. By Order No. PSC-93-0524-AS-WU, issued April 7, 1993, we accepted the utility's offer to pay \$5,000 in settlement of the show cause order.

In Docket No. 940231-WU, the utility requested clarification of its service availability charges. The utility's request arose when a customer complained that the utility was requiring him to pay a connection charge in excess of the Commission approved charge. In Order No. PSC-94-0699-FOF-WU, issued June 8, 1994, we determined that the utility acted within the provisions of its tariff. However, we eliminated the utility's main extension charge and authorized it to engage thereafter in refundable advance agreements.

A show cause proceeding was brought against the utility in Docket No. 920781-WU for failure to remit a fine assessed for filing its 1990 annual report late. The proceeding was closed administratively when the utility made the required remittance.

On May 18, 1994, in Docket No. 940562-WU, the utility requested a deletion of its territory pursuant to Section 367.045, Florida Statutes, stating the deletion to be necessary to its viability and therefore in the public interest. By Order No. PSC-94-1529-FOF-WU, issued December 12, 1994, we denied the utility's request, having concluded that a deletion of territory would place an unnecessary financial burden on lot owners; might result in health concerns; and would create service problems for existing customers.

On April 25, 1995, the utility submitted a tariff filing requesting an increase in its meter installation/tap-in charges. In Order No. PSC-95-0848-FOF-WU, issued July 17, 1995, we approved an increase from \$175 to \$330.

On June 20, 1995, the utility applied for a staff-assisted rate case and paid the appropriate filing fee. The official filing date was August 13, 1995. The utility waived the final order requirement of Section 367.0814(2), Florida Statutes, to enable consideration of system improvements required by the Department of Environmental Protection (DEP). This order addresses that application.

We audited the utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. We conducted a field investigation of the utility's water plant and service area. We reviewed the utility's operation expenses, maps, files, and rate application.

The utility is located in a water use caution area in the Southwest Florida Water Management District.

We have selected an historical test year ended June 30, 1995. In that year the utility recorded water revenues of \$162,810 and operating expenses of \$204,833, with the result of a booked test year operating loss of \$42,023.

QUALITY OF SERVICE

We held a customer meeting on November 30, 1995, in Lake Placid, Florida, attended by seven customers, three of whom addressed concerns with the quality of service, mainly having to do with corrosion problems with house plumbing. They related a large number of water line leaks within their homes and their neighbors', which required them to replace house piping, valves and valve seats. One customer knew of at least five of his neighbors with similar plumbing problems. The utility stated that test results showed it in compliance in all respects. However, the water is acknowledged to have a slight corrosivity. Because of this, corrosion occurs at flux points in some copper plumbing. Although the utility expressed its reservations about additional chemicals in the water system when no contaminant levels have been exceeded, following an inquiry to DEP, the utility has offered to install chemical injection equipment to introduce polyphosphates to reduce the water's corrosivity. We expect this action to resolve the problem.

We find it appropriate to consider the proposed treatment modifications as pro forma improvements to be completed within six months of the effective date of this order. With this qualification, we find the quality of service provided by Placid Lake to be satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments to rate base 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.

Used and Useful Plant

Water Treatment Plant

The design capacity of the water treatment plant is 440,000 gallons per day (gpd). The maximum daily flow occurring in the test year was 305,400 gpd. With 7,350 gpd allowed for margin reserve purposes, and 120,000 gpd for fire flow, we find that the water treatment plant is 100% used and useful.

The permitted capacity of the Placid Lakes plant has been decreased since the utility's last rate case in Docket No. 840247-WU from 600,000 gpd to 440,000 gpd. Further, with fire hydrants now installed in the distribution system, we have recognized in this case an allowance for fire flow capacity, which we did not recognize in the earlier case.

Noting that the maximum day flow rates may be over the design permitted capacity of the water treatment plant, DEP informed the utility on August 8, 1995, that it may deny future general permits for water main extensions, until the water plant has been expanded to ensure adequate storage and treatment.

Water Distribution System

The present water distribution system has a capacity of 3,842 equivalent residential connections (ERC's). The number of test year ERC's is 1,246. With 30 ERC's added for margin reserve considerations, we find that the water distribution system is 33% used and useful.

Depreciable Utility-Plant-in-Service

Rated at 440,000 gpd, the water treatment facility has two 8 inch wells (one rated at 400 gallons per minute (gpm), and the other at 450 gpm); a 150,000 gallon concrete storage tank with a cascade aerator device used for hydrogen sulfide control; three high service pumps (two each rated at 20 horsepower and 400 gpm, and one rated at 40 horsepower and 800 gpm); two hydropneumatic tanks (each 15,000 gallons); gas chlorination used for disinfection purposes; and an 85 kilowatt backup generator.

In 1994, the utility installed a replacement hydropneumatic tank at a cost of \$25,000 when one of the tanks suffered structural failure and incurred a cost of \$10,288 to repair a mechanical

failure in one of the wells. The water distribution system consists primarily of PVC pipe and contains 20 fire hydrants.

The utility's books reflected a utility-plant-in-service (UPIS) balance of \$827,784 at the end of the test year. We calculated UPIS with the UPIS of \$614,154 determined in Order No. 16238 as a starting point. On consideration of plant additions and retirements since then, we made a reconciling adjustment of \$108,118 to reflect the UPIS we have determined and approved, with an averaging adjustment of (\$14,940) in addition.

The DEP has mandated that the utility expand its plant before adding new customers. Accordingly, the utility has contracted in the amount of \$393,884 to construct additional plant that will accommodate new customers. This plant will be 100% non-used and useful to existing customers, but we have included this amount as pro forma plant in the plant account with a full offset in the non-used and useful plant account.

We find it appropriate to include in UPIS the following pro forma plant that will be 100% used and useful to existing customers: 1) \$4,800 to sandblast and recoat the top of the wall and underside of the dome of the existing tank; 2) \$848 for chemical injection equipment for water corrosivity control; and 3) \$8,832 for computer equipment and programs to computerize the utility operation.

In all, we find it appropriate to recognize a pro forma adjustment to UPIS of \$408,364, with an averaging adjustment of (\$4,416) for non-mandated pro forma plant. Therefore, the appropriate average amount of test year UPIS is \$1,324,910.

Land

The utility's land value of \$1,000 was set in the utility's original certification docket by Order No. 12594. We made no changes to this balance.

Non-Used and Useful Plant

As noted above, we have found that the water treatment system is 100% used and useful and the water distribution system is 33% used and useful. We have calculated average non-used and useful plant by multiplying the average plant and average accumulated depreciation by the non-used and useful percentages. We adjusted non-used and useful plant by (\$387,423) to reflect non-used and useful transmission and distribution plant. We made further adjustments to reflect: 1) \$154,964 in average non-used and useful

accumulated depreciation associated with non-used and useful plant; 2) \$320,925 in average non-used and useful CIAC; 3) (\$112,853) in average amortization of non-used and useful CIAC; and 4) (\$393,884) in pro forma plant which is 100% non-used and useful to existing customers.

In all, we have made an adjustment to the non-used and useful plant account of (\$418,271).

Contributions-in-Aid-of-Construction

The utility recorded a balance of (\$597,286) as CIAC at the end of the test year. In Order No. 16238, we found the CIAC balance was (\$378,931), having recognized added line extensions and meter installations paid for by the parent company and customers as CIAC.

As noted above, LPHC improperly collected a connection charge from developers in the utility's service area where lines were available. We find it appropriate to treat the unauthorized collections for the years 1986 through 1990 as CIAC. Accordingly, we made an adjustment of (\$174,559), with an averaging adjustment of \$8,997 in addition, to correct the utility's CIAC balance. Therefore, the average test year CIAC balance is (\$762,848).

Accumulated Depreciation

The utility recorded accumulated depreciation of (\$370,263) on its books for the test year. We calculated accumulated depreciation using the rates set forth in Rule 25-30.140, Florida Administrative Code, making an adjustment of (\$28,839). With an averaging adjustment of \$16,524, we find accumulated depreciation is (\$382,578).

Accumulated Amortization of CIAC

The utility recorded accumulated amortization of CIAC of \$202,425. We made an adjustment of \$78,994 to reflect amortization of CIAC through June 30, 1995. With an averaging adjustment of (\$13,164), we find accumulated amortization of CIAC is \$268,255.

Working Capital Allowance

Following current Commission practice and consistent with Rule 25-30.443, Florida Administrative Code, we find it appropriate to use the one-eighth of operation and maintenance expenses formula to calculate working capital allowance. Accordingly, we find a working capital allowance of \$19,680.

Rate Base Summary

Based on the foregoing, we find the appropriate rate base balance for the test year for rate setting purposes is \$50,148.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, 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 that schedule without further discussion in the body of this order. The major adjustments are discussed below.

Placid Lakes was formed as a wholly owned subsidiary of LPHC on October 25, 1971. The capital structure of LPHC is the only active capital structure available for the determination of the weighted cost of capital.

LPHC's books show 7% noncumulative preferred stock of \$1,180,000; voting common stock of \$53,422; non-voting common stock of \$50,500; retained earnings of \$4,448,378; and additional paid-in capital of \$135,244.

The utility's authorized return on equity, based on the leverage graph formula approved in Docket 950006, Order No. PSC-95-0982-FOF-WS, issued August 10, 1995, is 10.47%, with a range of 9.47% to 11.47%. Applying the weighted average method to the pro rata share of each capital component, we find the utility's appropriate overall rate of return is 9.77%, with a range of 8.97% to 10.57%. We have determined that LPHC carries no debt.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3. Our adjustments are itemized on Schedule No. 3A. Schedule No. 3B presents our analysis of operation and maintenance expenses. 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

The utility recorded water system revenues of \$162,810 during the test period. A revenue check using the billing analysis shows that the utility's test year revenues should be \$163,737. Accordingly, we have made an adjustment of \$927 to bring test year revenues to the proper amount.

Operating and Maintenance Expenses

The utility recorded test year water system operating expenses of \$204,833. These expenses include operation and maintenance expense of \$196,815, and depreciation expense (net of CIAC amortization) of \$8,018. We made several adjustments to the utility's test year operating expenses, which we summarize as follows:

Salaries & Wages - Employees

The utility recorded \$64,076 for salaries and wages, employees for the test year. All plant operations, plant maintenance, distribution system repairs, meter reading, and other field and office duties are performed by the utility's employees. We determined the percentage of time utility employees spent on utility work and made an adjustment of (\$5,590) to remove nonutility salary. We reclassified as salaries and wages, employees \$8,250 from transportation expense and \$3,250 from insurance expense for a car and housing allowance that the manager of the utility received. We made a further adjustment of \$1,500 to annualize the manager's housing and car allowance. Accordingly, we find the appropriate amount for salaries and wages, employees is \$71,486 in the test year.

Employee Pensions and Benefits

The utility did not record anything for employee pensions and benefits for the test year. We have reclassified as employee health insurance \$7,060 from insurance expense. We also made an adjustment of \$2,380 for pro forma health insurance for an employee added to the plan on August 1, 1995. Accordingly, we find the appropriate amount for employee pensions and benefits is \$9,440 in the test year.

Purchased Power

The utility recorded \$9,108 for purchased power for the test year. We made an adjustment of \$105 to bring purchased power to the audited amount. Accordingly, we find the appropriate amount for purchased power is \$9,213 in the test year.

Chemicals

The utility recorded \$3,700 for chemicals during the test year. As noted above, we included chemical injection equipment as pro forma plant to introduce polyphosphates for water corrosivity control. We have made an adjustment to include chemical expense for polyphosphates of \$4,848. Accordingly, we find the appropriate amount for chemical expense is \$8,548 in the test year.

Materials and Supplies

The utility recorded \$32,242 for materials and supplies during the test year. We have made adjustments to: 1) reclassify \$1,340 of gasoline expense to transportation expense; 2) remove \$51 of out-of-test-year gasoline expense; 3) include \$14,356 of inventory supplies used during the test year; 4) reclassify \$23,646 of capital expenditures to UPIS; 5) reclassify \$101 of office expense from miscellaneous expense; and 6) reclassify \$1,528 of meter installation expense to UPIS. We have made adjustments in all of (\$12,108). Accordingly, we find the appropriate amount for materials and supplies is \$20,134 in the test year.

Contractual Services

The utility recorded \$48,116 for contractual services during the test year. We have made adjustments of: 1) (\$11,964) to amortize legal fees over four years; 2) (\$1,005) to reclassify an auto repair and maintenance expense to transportation expense; 3) (\$21,076) to amortize consulting fees over four years; and 4) \$6,475 to include annual accounting fees for the utility. We have made adjustments in all of (\$27,570). Accordingly, we find the appropriate amount for contractual services is \$20,546 in the test year, which includes \$3,988 in legal fees, \$7,025 in consulting fees, \$1,350 in contract labor, \$6,475 in accounting fees and \$1,708 for DEP-required water testing.

Rents

The utility shares office space with LPHC. For this utility, we find the appropriate rent expense is \$1,800 per year.

Transportation Expense

The utility recorded \$8,250 for transportation expense during the test year. We have made adjustments to: 1) reclassify \$1,340 of gasoline expense from materials and supplies; 2) reclassify the manager's housing and car allowance of \$8,250 as salaries and wages, employees; and 3) reclassify \$1,005 of auto repair and maintenance expense from contractual services. In all, we have made adjustments of (\$5,905). Accordingly, we find the appropriate amount for transportation expense is \$2,345 in the test year.

Insurance Expense

The utility recorded \$21,643 for insurance expense during the test year. We have made adjustments to: 1) reclassify \$7,060 of employee health insurance to employee pensions and benefits; 2) reclassify \$3,250 of the manager's housing and car allowance to salaries and wages, employees; 3) remove \$5,706 of non-utility insurance and annualize premiums paid; 4) remove a double entry of \$664 of workers compensation expense and annualize premiums paid, and 5) remove \$265 of out-of-test-year workers compensation. We have made adjustments in all of (\$16,945). Accordingly, we find the appropriate amount for insurance expense is \$4,698 in the test year.

Regulatory Commission Expense

The utility recorded no regulatory commission expense during the test year. We have made an adjustment of \$250 to recognize rate case filing fee amortization over four years. Accordingly, we find the appropriate amount for regulatory commission expense is \$250 in the test year.

Miscellaneous Expense

The utility recorded \$9,680 for miscellaneous expense during the test year. We have made adjustments to: 1) add \$165 to annualize the cost of billing forms; 2) remove \$500 of non-recurring postage expense; 3) remove \$667 of postage to reflect postage used during the year; 4) include a Highlands County blanket permit fee of \$400; and 5) reclassify \$101 of office expense to materials and supplies. We have made adjustments in all of (\$703). Accordingly, we find the appropriate amount for miscellaneous expense is \$8,977 in the test year.

Depreciation Expense

The utility recorded depreciation expense of \$13,518 for a six month period ending June 30, 1995. Applying depreciation rates prescribed by rule and used and useful percentages determined herein to the appropriate test year UPIS account balances, we have calculated the depreciation expense to be \$24,540 for the test year. We made an adjustment of \$11,022 to bring depreciation expense to the proper test year amount.

CIAC Amortization Expense

The utility recorded CIAC amortization expense of (\$5,500) for the six month period ending June 30, 1995. We have determined test year CIAC amortization expense is (\$15,251). Accordingly, we have made an adjustment of (\$9,751) to bring amortization expense to the proper test year amount. Therefore, depreciation expense net of amortization of CIAC is \$9,289 in the test year.

Taxes Other than Income

The utility did not record anything for taxes other than income tax during the test year. We have made adjustments to: 1) include \$640 of real estate tax; 2) include \$7,368 in regulatory assessment fees for the test year; 3) include \$5,469 in Social Security and medicare taxes; 4) include \$5,383 of tangible personal property taxes; 5) include \$1,680 for federal unemployment taxes; and f) include \$1,930 for state unemployment taxes. Accordingly, we find the appropriate amount for test year taxes other than income tax is \$22,470 in the test year.

Income Taxes

Placid Lakes is an 1120 corporation, subject to federal income tax liability. Accordingly, we find the appropriate amount of income tax expense is \$1,200 for the test year.

Increases in Operating Expenses for Ratesetting Purposes

We have increased test year revenues by \$33,047 to reflect the level of revenues required to cover expenses and allow the utility the opportunity to earn the rate of return on investment we have herein approved. Therefore, we have increased taxes other than income tax by an additional amount of \$1,487 to reflect the regulatory assessment fee of 4.5% on the amount by which we have increased test year revenues.

Operating Expenses Summary

We find it appropriate to apply adjustments to the utility's test year operating expenses resulting in total test year operating expenses for ratesetting purposes of \$191,883.

Test Year Operating Income/Loss

We have found the test year operating revenues for Placid Lakes are \$163,737 and the test year operating expenses are \$190,396. This results in a test year operating loss of \$26,659.

REVENUE REQUIREMENT

We find it appropriate to authorize the utility an annual increase in revenues of \$33,047, as shown in Schedule No. 3, or 20.18%. This will afford the utility with the opportunity to recover its expenses and earn a 9.77% return on its investment.

RATES AND CHARGES

The utility's current residential tariff provides for a base facility and gallonage charge rate structure. This is the rate structure we prefer, because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that rate payers pay their share of the variable costs of providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

In addition, the base facility charge rate structure is an appropriate rate structure for Placid Lakes for water conservation, a statewide goal. The utility is in the Southwest Florida Water Management District and in a water use caution area. However, the utility customers' average monthly usage of 5,853 gallons we do not view as excessive.

We have calculated rates based on test year customers and the audit consumption levels. The utility's existing rates and the new rates we herein approve are as follows.

MONTHLY WATER RATES
Residential, General and Multi-Residential Service

Base Facility Charge

<u>Meter Size</u>	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$ 6.56	\$ 7.04
1"	16.39	17.61
1 1/2"	32.77	35.21
2"	52.44	56.34
3"	98.32	112.67
4"	163.86	176.05
6"	327.74	352.10
8"	409.67	563.37
10"	753.79	809.84
12"	1,409.28	1,514.04

Gallonage Charge

Per 1,000 Gallons	\$.82	\$ 1.12
-------------------	--------	---------

The rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The tariff sheets shall be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given no less than ten days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Service Availability Charges

Currently, the utility's tariff contains a meter installation and tap-in fee of \$330, which we approved in Order No. PSC-95-0848-FOF-WU. The utility is authorized to use refundable advance agreements for line extensions, pursuant to Order PSC-94-0699-FOF-WU. The refundable advance agreements permit the utility to collect 75% of the line's cost from each connection on a pro rata basis and refund 100% of the pro rata cost to the developer or customer who funded the line extension.

There are now approximately 7,280 unconnected lots in the utility's service territory. The utility contends that the present service availability policy of refundable advance agreements is actually causing it to lose potential customers. It requested that we consider other methods of service availability charges. We find it appropriate to approve the following service availability charges:

Plant Capacity Charge

The DEP has mandated new plant if the utility is to serve new customers. The utility has contracted to increase plant at a cost of \$393,884 to provide service to an additional 1,250 ERC's. Therefore, we find it appropriate to authorize a plant capacity charge of \$315.

Main Extension Charge

The utility provided an estimate of \$2,172,943 to complete the lines in the development, an estimate which we believe is reasonable. On the basis of 7,280 additional customers, we therefore find it appropriate to authorize a main extension charge of \$299.

Meter Installation Charge

We find it appropriate to maintain the existing meter installation charge of \$330.

Allowance for Funds Prudently Invested(AFPI)

Rule 25-30.434, Florida Administrative Code, provides "a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers." The

funds for the plant expansion are required to be spent by the utility prior to receiving fees for service availability.

We find it appropriate to authorize an AFPI charge for the new plant mandated by DEP. By this mechanism existing customers do not pay for plant expansion to serve future customers. Future customers bear their equitable share of the carrying costs related to the plant facilities constructed to provide them service.

This one-time connection fee is based on the number of ERC's and shall be applicable to all future customers who have not already prepaid a connection charge, CIAC, or customer advances. The fee shall be charged based on the date the future customers make some form of "prepayment" (connection charge, CIAC, or advance) or on the date the customer connects to the system, whichever comes first. The AFPI charge shall be calculated using the standard program of the Bureau of Economic Regulation of the Division of Water and Wastewater.

As noted above, the mandated additional plant is for future customers only and is 100% non-used and useful for present ratemaking purposes. The appropriate AFPI charge shall be determined after the new plant is complete and the cost estimate of \$393,884 can be trued-up. Accordingly, this docket shall remain open pending verification of the completion of this and the other pro forma improvements approved herein. After completion of this pro forma improvement and prior to closure of the docket, we shall determine the AFPI charge using actual costs.

Rate Case Expense Amortization

Section 367.0816, Florida Statutes requires that rates be reduced immediately following the expiration of a four year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense over this period and the gross-up for regulatory assessment fees, which is \$262 annually. The reduction in revenues will result in the new rates shown on Schedule No. 4.

The utility shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall be required to file a proposed customer notice 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 shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATES IN THE EVENT OF PROTEST

This order approves an increase in water rates as proposed agency action. A timely protest might delay what may be a justified rate increase, resulting in an unrecoverable loss of revenues to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, pursuant to Section 367.0814, Florida Statutes, and Rule 25-30.360, Florida Administrative Code, we hereby authorize the utility to collect the rates we approve herein, on a temporary basis, subject to refund, provided that the utility first obtain our approval of security for potential refund and of the proposed customer notice.

The security shall be in the form of a bond or letter of credit in the amount of \$22,827. This amount is based on the rate calculation, which includes ad valorem taxes. Alternatively, the utility could 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.

If the utility chooses a letter of credit as a 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 refunds 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.
- 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, the 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 account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

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. In any case, an account of all monies received as 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. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

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 Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

NARUC UNIFORM SYSTEM OF ACCOUNTS CONFORMITY

During the test year, the utility did not maintain its books in conformity with NARUC's Uniform System of Accounts (USOA).

Paragraph (1) of Rule 25-30.115, Florida Administrative Code, states:

Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

We believe the utility has the expertise necessary to convert and maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, we find it appropriate to require the utility to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

EFFECTIVE DATE

The metered rates shall be effective for service rendered as of the stamped approval date on the revised tariff sheets provided customers have received notice. The service availability charges shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets provided customers have received notice. Tariff sheets shall be approved upon verification that the tariff sheets are consistent with our decision herein, that the proposed customer notice is adequate, and that any required security has been provided. In no event shall the rates be effective for services rendered prior to the stamped approval date.

DOCKET STATUS

We have ordered the utility to accomplish a number of pro forma improvements. If no timely protest is received, upon expiration of the protest period, this docket shall remain open for an additional six months from the effective date of the order so that we may verify that these items have been completed and further if necessary to allow for approval of an AFPI charge based on actual final costs of pro forma plant. However, if the utility fails to timely complete these items, we are prepared to consider that a show cause proceeding be initiated.

ORDER NO. PSC-96-0679-FOF-WU
DOCKET NO. 950697-WU
PAGE 21

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Placid Lakes Utilities, Inc., for an increase in water rates is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the authorization of temporary rates in the event of protest and the finding that the utility maintain its books and records in conformity with 1984 NARUC Uniform System of Accounts, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of Records and Reporting at her office at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Placid Lakes Utilities, Inc., is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the rates approved herein, Placid Lakes Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff pages shall be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Placid Lakes Utilities, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that the rates and charges' approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages, provided that the customers have received notice. It is further

ORDER NO. PSC-96-0679-FOF-WU
DOCKET NO. 950697-WU
PAGE 22

ORDERED that Placid Lakes Utilities, Inc., shall provide proof that notice was given within ten days of the date of the notice. It is further

ORDERED that Placid Lakes Utilities, Inc., shall make the specific plant improvements as set forth in the body of this Order. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Placid Lakes Utilities, Inc., is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Placid Lakes Utilities, Inc., furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein upon protest, Placid Lakes Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$22,827 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

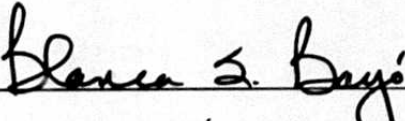
ORDERED that Placid Lakes Utilities, Inc., shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that, upon expiration of the protest period, this docket shall remain open for an additional six months from the effective date of this Order during which time Placid Lakes Utilities, Inc., shall complete pro forma plant improvements as identified herein. It is further

ORDERED that upon completion of pro forma plant improvements, this docket shall continue to remain open in order to determine an allowance for funds prudently invested charge on the basis of actual costs as herein described.

ORDER NO. PSC-96-0679-FOF-WU
DOCKET NO. 950697-WU
PAGE 23

By ORDER of the Florida Public Service Commission, this 23rd
day of May, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

CJP

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 action, except for the matters of temporary rates in the event of protest and the conformance of the utility's books and records with NARUC USOA, 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 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 13, 1996. 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.

ORDER NO. PSC-96-0679-FOF-WU
DOCKET NO. 950697-WU
PAGE 24

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 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.

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 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 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.

PLACID LAKES UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 1
 DOCKET NO. 950697-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 827,784	\$ 497,126 A	\$ 1,324,910
LAND/NON-DEPRECIABLE ASSETS	1,000	0	1,000
NON USED AND USEFUL PLANT	0	(418,271) B	(418,271)
CIAC	(597,286)	(165,562) C	(762,848)
ACCUMULATED DEPRECIATION	(370,263)	(12,315) D	(382,578)
AMORTIZATION OF CIAC	202,425	65,830 E	268,255
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>19,680</u> F	<u>19,680</u>
WATER RATE BASE	\$ 63,660	\$ (13,512)	\$ <u>50,148</u>

PLACID LAKES UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 1A
DOCKET NO 950697-WU

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect Commission approved utility plant.	\$ 108,118
2. To reflect averaging adjustment.	(14,940)
3. To include pro forma plant.	408,364
4. To reflect averaging adjustment on pro forma plant not required by DEP or other authority.	(4,416)
	<u>\$ 497,126</u>
B. <u>NON-USED AND USEFUL PLANT</u>	
1. To reflect non-used and useful plant.	\$ (387,423)
2. To reflect non-used and useful accumulated depreciation associated with non-used and useful plant.	154,964
3. To reflect non-used and useful CIAC.	320,925
4. To reflect non-used and useful accumulated amortization associated with non used and useful CIAC.	(112,853)
5. To reflect non-used and useful pro forma plant.	(393,884)
	<u>\$ (418,271)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To bring CIAC to proper amount.	\$ (174,559)
2. To reflect averaging adjustment.	8,997
	<u>\$ (165,562)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect Commission approved accumulated depreciation on UPI	\$ (28,839)
2. To reflect averaging adjustment.	16,524
	<u>\$ (12,315)</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. To reflect Commission approved amortization of CIAC .	\$ 78,994
2. To reflect averaging adjustment.	(13,164)
	<u>\$ 65,830</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses.	<u>\$ 19,680</u>

PLACID LAKES UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 2
 DOCKET NO. 950697-WU

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
PREFERRED STOCK 7% NON-CUMULATIVE	\$ 1,180,000	\$ (1,169,915)	\$ 10,085	20.11%	7.00%	1.41%
RETAINED EARNINGS	4,448,378	(4,410,359)	38,019	75.81%	10.47%	7.94%
COMMON STOCK - VOTING	53,422	(52,965)	457	0.91%	10.47%	0.10%
COMMON STOCK - NON-VOTING	50,500	(50,068)	432	0.86%	10.47%	0.09%
ADDITIONAL PAID IN CAPITAL	135,244	(134,088)	1,156	2.30%	10.47%	0.24%
TOTAL	\$ 5,867,544	\$ (5,817,396)	\$ 50,148	100.00%		9.77%

RANGE OF REASONABLENESS

	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.47%	11.47%
OVERALL RATE OF RETURN	8.97%	10.57%

PLACID LAKES UTILITIES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 3
DOCKET NO. 950697-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ <u>162,810</u>	\$ <u>927 A</u>	\$ <u>163,737</u>	\$ <u>33,047 G</u>	\$ <u>196,784</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANC	\$ <u>196,815</u>	\$ <u>(39,378) B</u>	\$ <u>157,437</u>	<u>0</u>	<u>157,437</u>
DEPRECIATION	<u>13,518</u>	<u>11,022 C</u>	<u>24,540</u>	<u>0</u>	<u>24,540</u>
AMORTIZATION	<u>(5,500)</u>	<u>(9,751) D</u>	<u>(15,251)</u>	<u>0</u>	<u>(15,251)</u>
TAXES OTHER THAN INCOME	<u>0</u>	<u>22,470 E</u>	<u>22,470</u>	<u>1,487 H</u>	<u>23,957</u>
INCOME TAXES	<u>0</u>	<u>1,200 F</u>	<u>1,200</u>	<u>0</u>	<u>1,200</u>
TOTAL OPERATING EXPENSES	\$ <u>204,833</u>	\$ <u>(14,437)</u>	\$ <u>190,396</u>	\$ <u>1,487</u>	\$ <u>191,883</u>
OPERATING INCOME/(LOSS)	\$ <u>(42,023)</u>		\$ <u>(26,659)</u>		\$ <u>4,901</u>
WATER RATE BASE	\$ <u>63,660</u>		\$ <u>50,148</u>		\$ <u>50,148</u>
RATE OF RETURN	<u>-66.01%</u>		<u>-53.16%</u>		<u>9.77%</u>

PLACID LAKES UTILITIES, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 3A
DOCKET NO. 950697-WU
(Page 1 of 2)

A. <u>OPERATING REVENUES</u>	<u>WATER</u>
1. To adjust revenue per utility books to revenue per billing analysis.	\$ <u>927</u>
B. <u>OPERATION AND MAINTENANCE EXPENSES</u>	
1. (601) Salaries and Wages - Employees	
a. To remove non-utility salary of employees.	\$ (5,590)
b. To reclassify house and tax allowance from account #650.	8,250
c. To reclassify house and tax allowance from account #655.	3,250
b. To annualize housing & tax allowance for manager.	1,500
	\$ <u>7,410</u>
2. (604) Employee Pensions and Benefits	
a. To reclassify health insurance from account # 655.	\$ 7,060
b. To include pro forma health insurance started 8/1/95.	2,380
	\$ <u>9,440</u>
3. (615) Purchased Power	
a. To correct balance for purchased power per audit.	\$ <u>105</u>
4. (618) Chemicals	
a. To include annual cost of aqua mag.	\$ <u>4,848</u>
5. (620) Materials and Supplies	
a. To reclassify gasoline expense to account # 650.	\$ (1,340)
b. To remove out of period gasoline expense.	(51)
c. To include cost of inventory supplies used.	14,356
d. To reclassify capital expenditures to utility plant.	(23,646)
e. To reclassify office expense from account # 675.	101
f. To reclassify meter installations to utility plant.	(1,528)
	\$ <u>(12,108)</u>
6. (630) Contractual Services	
a. To amortize legal fees over 4 years.	\$ (11,964)
b. To reclassify auto R & M to account # 650.	(1,005)
c. To amortize consulting fees over 4 years.	(21,076)
d. To include accounting fees.	6,475
	\$ <u>(27,570)</u>
7. (640) Rents	
a. To include annual rent expense.	\$ <u>1,800</u>

PLACID LAKES UTILITIES, INC.
ADJUSTMENTS TO OPERATING INCOME
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3A (cont'd)
DOCKET NO. 950697-WU
(PAGE 2 OF 2)

8.	(650) Transportation Expenses	
	a. To reclassify gasoline expense from account #620.	\$ 1,340
	b. To reclassify house & car allowance to account #601.	(8,250)
	c. To reclassify auto R & M from account #630.	1,005
		<u>\$ (5,905)</u>
9.	(655) Insurance Expense	
	a. To reclassify employee insurance to account #604.	\$ (7,060)
	b. To reclassify house and car allowance to account #601.	(3,250)
	c. To remove non-utility insurance and annualize policy.	(5,706)
	d. To remove workers comp double entry and annualize new policy.	(664)
	e. To remove out of test year workers compensation insurance.	(265)
		<u>\$ (16,945)</u>
10.	(665) Regulatory Commission Expenses	
	a. To reflect rate case filing fee amortized over 4 years.	<u>\$ 250</u>
11.	(675) Miscellaneous Expenses	
	a. To annualize cost of billing forms.	\$ 165
	b. To remove non-recurring postage expense.	(500)
	c. To remove postage used during year.	(667)
	d. To include Highlands County blanket fee.	400
	e. To reclassify office expense to account #620.	(101)
		<u>\$ (703)</u>
	TOTAL O & M ADJUSTMENTS	<u>\$ (39,378)</u>
C.	<u>DEPRECIATION EXPENSE</u>	
	1. To reflect Commission approved test year depreciation expense net of non-used and useful depreciation expense.	<u>\$ 11,022</u>
D.	<u>AMORTIZATION EXPENSE (CIAC)</u>	
	1. To reflect Commission approved test year amortization expense.	<u>\$ (9,751)</u>
E.	<u>TAXES OTHER THAN INCOME</u>	
	1. To include all taxes other than income for the test year.	<u>\$ 22,470</u>
F.	<u>INCOME TAXES</u>	
	1. To include federal tax liability.	<u>\$ 1,200</u>
G.	<u>OPERATING REVENUES</u>	
	1. To reflect increase in revenue required to cover expenses and allow recommended rate of return.	<u>\$ 33,047</u>
H.	<u>TAXES OTHER THAN INCOME</u>	
	1. To reflect regulatory assessment fee at 4.5% on increase in revenue.	<u>\$ 1,487</u>

PLACID LAKES UTILITIES, INC.
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 3B
 DOCKET NO. 950697-WU

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$ 64,076	\$ 7,410 [1]	\$ 71,486
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	9,440 [2]	9,440
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	9,108	105 [3]	9,213
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	3,700	4,848 [4]	8,548
(620) MATERIALS AND SUPPLIES	32,242	(12,108)[5]	20,134
(630) CONTRACTUAL SERVICES	48,116	(27,570)[6]	20,546
(640) RENTS	0	1,800 [7]	1,800
(650) TRANSPORTATION EXPENSE	8,250	(5,905)[8]	2,345
(655) INSURANCE EXPENSE	21,643	(16,945)[9]	4,698
(665) REGULATORY COMMISSION EXPENSE	0	250 [10]	250
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	9,680	(703)[11]	8,977
	<u>\$ 196,815</u>	<u>\$ (39,378)</u>	<u>\$ 157,437</u>

PLACID LAKES UTILITIES, INC.
 SCHEDULE OF RATE CASE EXPENSE RATE
 REDUCTION AFTER FOUR YEARS
 TEST YEAR ENDING JUNE 30, 1995

SCHEDULE NO. 4
 DOCKET NO. 950697-WU

MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 7.04	\$ 0.01
1"	17.61	0.02
1-1/2"	35.21	0.05
2"	56.34	.07
3"	112.67	0.15
4"	176.05	0.23
6"	352.10	0.47
8"	563.37	0.75
10"	809.84	1.08
12"	1,514.04	2.01
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.12	\$ 0.00