



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

RECEIVED-FPSC  
00 SEP 14 AM 11:48  
RECORDS AND REPORTING

**DATE:** 09/14/2000

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF ECONOMIC REGULATION, (BINFORD, MUNROE, D. DRAPER, MERCHANT, CROUCH) *WU*  
DIVISION OF LEGAL SERVICES (BRUBAKER) *JB*

**RE:** DOCKET NO. 000295-WU - APPLICATION FOR INCREASE IN WATER RATES IN HIGHLANDS COUNTY BY PLACID LAKES UTILITIES, INC. COUNTY: HIGHLANDS

**AGENDA:** 09/26/2000 - REGULAR AGENDA - DECISION ON INTERIM RATES - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: OCTOBER 10, 2000  
5-MONTH EFFECTIVE DATE: JANUARY 11, 2001

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\000295I.RCM

### CASE BACKGROUND

Placid Lakes Utilities, Inc. (Placid Lakes or utility) is a Class B water-only utility which, according to its annual report for 1999, serves approximately 1,440 water customers in Highlands County, Florida. The utility's service area is located in a water use caution area in the Southwest Florida Water Management District. Placid Lakes is a wholly-owned subsidiary of Lake Placid Holding Company (LPHC), the primary developer of the Placid Lakes subdivision. In its annual report for 1999, the utility reported operating revenues of \$261,784 and a net operating loss of \$80,698.

Placid Lakes' last rate proceeding was a staff assisted rate case in Docket No. 950697-WU. By Order No. PSC-96-0679-FOF-WS, issued on May 23, 1996, the Commission established rate base and increased the utility's water rates. In that same docket, allowance for funds prudently invested (AFPI) charges were approved

DOCUMENT NUMBER-DATE

11489 SEP 14 8

FPSC-RECORDS/REPORTING

in Order No. PSC-97-0917-FOF-WU, issued August 4, 1997. On April 30, 1998, Placid Lakes received a 1998 price index rate adjustment of 2.10%. Further, on June 14, 2000, the utility decreased its water rates for the four year rate case expense as ordered in the utility's prior rate case.

On June 9, 2000, Placid Lakes filed an application for an increase in water rates. By letters dated June 28, 2000 and August 4, 2000, staff notified the utility of several deficiencies in the filing. Those deficiencies were corrected and the official filing date was established as August 11, 2000, pursuant to Section 367.083, Florida Statutes.

The utility's requested test year for final and interim purposes is the historical year ended December 31, 1999. Also, the utility requested that this case be processed using the Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes.

In its MFRs, the utility has requested annual interim revenues of \$459,930 for water. This represents a revenue increase of \$211,238 (84.94%) for water. The interim revenues are based on the utility's request for an overall rate of return of 8.94%. The requested final rates are designed to generate annual water revenues of \$485,481. This represents a revenue increase of \$232,233 (91.70%) for water. The utility is not requesting any changes in its miscellaneous service or service availability charges.

The sixty day statutory deadline for the Commission to suspend the utility's requested rates is October 10, 2000. This recommendation addresses the suspension of Placid Lakes' requested final rates and staff's recommended interim rate increase.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the utility's proposed final water rates be suspended?

**RECOMMENDATION:** Yes. Placid Lakes' proposed final water rates should be suspended. This docket should remain open pending completion of the rate case. (BINFORD, BRUBAKER)

**STAFF ANALYSIS:** Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within sixty (60) days after filing unless the Commission votes to withhold consent to implementation of the requested rates. Further, Section 367.081(8), Florida Statutes, states that the utility may implement its requested rates (secured and subject to refund) at the expiration of five months if: (1) the Commission has not acted upon the requested rate increase or (2) if the Commission's PAA action is protested by a party other than the utility.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We believe it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination by Staff will include on-site investigations by staff accountants and engineers. Based on the above, staff recommends that the utility's requested final rates be suspended. This docket should remain open pending completion of the rate case.

**ISSUE 2:** Should an interim revenue increase be approved?

**RECOMMENDATION:** Yes. The utility should be authorized, on an interim basis, to collect annual water revenues as indicated below. (BINFORD, MONROE)

	<u>Revenues</u>	<u>\$ Increase</u>	<u>% Increase</u>
Water	\$349,827	\$101,135	40.67%

**STAFF ANALYSIS:** Placid Lakes requested interim rates for its water system to generate annual revenues of \$459,930. This amount represents an increase of \$211,238 (84.94%). The test year for interim rates is the historical year ended December 31, 1999. The utility filed rate base, cost of capital and operating statements to support its requested increase.

Staff has attached accounting schedules to illustrate the recommended rate base, capital structure, and test year operating income amounts. The rate base schedule is numbered 1-A, and the schedule of adjustments to rate base is Schedule No. 1-B. The capital structure schedule is Schedule No. 2. The operating statement for water is Schedule No. 3-A, and the schedule of adjustments to the operating statements is Schedule No. 3-B. The recommendations by staff are discussed below.

#### **RATE BASE**

Section 367.082(5)(b)(1), Florida Statutes, requires that the achieved rate of return for interim purposes be calculated by applying appropriate adjustments consistent with those used in the utility's most recent rate proceeding, and annualizing any rate changes that occurred during the interim test year. The Commission's interpretation of the interim statute is that projections or pro forma adjustments are not allowed, but corrections of errors are appropriate. Staff has reviewed the utility's application to determine if its interim request is consistent with Section 367.082, Florida Statutes.

In its application, the utility has used the simple beginning and end-of-year average to calculate its requested water rate base. Placid Lakes also used the formula method, or 1/8 of operation and maintenance (O&M) expenses, to calculate its requested allowance for working capital. Since Placid Lakes is a class B utility, the MFRs are consistent with the averaging and working capital

requirements of Rule 25-30.433, Florida Administrative Code. Based on staff's recommended adjustments to O&M expenses, working capital should be decreased by \$5,166.

#### Used and Useful

The used and useful (U&U) percentage for plant is calculated by adding the average daily customer demand for the maximum five days in the maximum month plus fire flow (if provided) plus growth and then dividing by the firm reliable capacity of the plant. The current five-year statutory allowance for growth was not in effect during the last rate case. Therefore, in order to calculate used and useful in the same manner as the last case, an 18-month margin reserve was used for plant. The last case gave a 98% U&U (rounded up to 100%). Using this same method, along with the addition of plant capacity and an increase in customer demand since the last case resulted in a 96% U&U (again, rounded up to 100% consistent with the last case).

During the last case, a one-year margin reserve was allowed for the distribution system resulting in a 33% U&U. Volume III, Schedule 1 of the current minimum filing requirements (MFRs) shows 1,382 lots currently connected out of 6,204 potential lots. With a one-year margin reserve of 35 lots included, the result is a 22.8 U&U percentage for the distribution system. Since the service area is essentially all residential, lots are considered the same as ERCs.

Based on the above U&U calculations, staff's net U&U adjustment is \$331,564 for water. This results in a decrease in water rate base by \$434,829.

Based on the above adjustments, staff recommends approval of a rate base of \$281,245 for water.

#### COST OF CAPITAL

In the utility's last rate proceeding, the Commission used the capital structure of Placid Lakes' parent to calculate the cost of capital. For interim purposes, the utility determined its cost of capital using its parent's capital structure. LPHC's capital structure is composed of only common and preferred equity and has no debt.

Cost of Equity

The utility has used the minimum of the range of the last authorized rate of return on equity established in its last rate case to determine the cost of equity. For interim purposes, its requested return on equity is 9.47%. In Order No. PSC-96-0679-FOF-WU, the Commission established the return on equity for Placid Lakes at 10.47% for regulatory purposes, with a range of 9.47% to 11.47%. Section 367.082(5)(b), Florida Statutes, requires that the cost of capital for interim purposes shall be determined using the minimum of the range of the last authorized rate of return on equity of the utility. Based on the above, staff recommends that no adjustment to the cost of equity is appropriate for interim purposes.

Schedule No. 2 shows staff's recommended capital structure and costs as adjusted. The overall weighted cost of capital, for interim purposes, is 8.94%.

**NET OPERATING INCOME**

Operating Revenue

In its application, the utility made an adjustment to remove non-used and useful guaranteed revenues. Staff has reviewed this adjustment and we agree that these revenues should be reported below the line.

Based on staff's review, the utility's test year revenues for interim purposes were annualized based on the rates in effect at the end of the test year ended December 31, 1999, pursuant to Section 367.082(5)(b)(1), Florida Statutes.

The only adjustment to operating revenues that staff has made is to remove the utility's requested interim increase to show the achieved return based on actual test year revenue.

Depreciation Expense

Staff has reduced depreciation expense by \$11,792 to reflect staff's recommended non-used and useful plant.

Operation and Maintenance Expense

In its MFRs, Placid Lakes made several specific adjustments to its O&M expenses. Staff's analysis of the MFRs indicated that two of the adjustments reflected corrections of accounting errors on

the utility's books and records. Staff believes that the remaining adjustments were not consistent with the last rate proceeding. The utility made pro forma adjustments related to normalizing officers' salaries, accounting fees, management fees, materials and supplies expense, transportation expense, and miscellaneous expense. The utility also made an adjustment to include the annual amortization of rate case expense for the immediate docket. Some of the adjustment amounts were increases and some were decreases. The net amount of the adjustments not consistent with the last rate proceeding was \$41,328. To be consistent with the interim statute, staff recommends a decrease to O&M expenses of \$41,328 for interim purposes.

#### Taxes Other Than Income

Staff has reduced property tax expense by \$3,517 to reflect staff's recommended non-used and useful plant. Staff also reduced property tax expense by \$535 to remove a pro forma adjustment. Regulatory assessment fees were reduced by \$9,506 to reflect the adjustment made to operating revenue. Therefore, staff recommends an adjustment of \$13,558 to taxes other than income.

Based on the utility's filing and the above adjustments, test year operating income, before any revenue increase, is \$248,692 for water. This represents an achieved rate of return of negative 12.48% for water.

#### REVENUE REQUIREMENT

Based upon recovery of actual operating expenses for the year ended December 31, 1999, and an 8.94% overall rate of return on an average rate base, staff recommends an interim revenue requirement of \$349,827 for water. This represents an annual increase of \$101,135 (40.67%) for water.

**ISSUE 3:** What are the appropriate interim water rates?

**RECOMMENDATION:** The interim rates for Placid Lakes should be designed to allow the utility the opportunity to generate annual operating revenues of \$349,827 for its water system. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. An increase of 40.95% should be applied across the board to the water rates in effect as of December 31, 1999, the end of the test year. The rates should not be implemented until the required security has been filed and proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of notice. (BINFORD)

**STAFF ANALYSIS:** Staff recommends that interim rates for Placid Lakes be designed to allow the utility the opportunity to generate additional annual operating revenues of \$101,135 for its water operations. This results in an increase of 40.95% in water rates when applied as an across the board increase to total revenues, excluding miscellaneous service charges. This increase was applied to the rates in effect as of December 31, 1999, the end of the test year. Section 367.082(5)(b)(1), Florida Statutes, states that the achieved rate of return is calculated by applying appropriate adjustments and annualizing any rate changes occurring during the interim test year. For purposes of the interim application, Placid Lakes chose the test year ending December 31, 1999. Because the rate reduction was implemented after the interim test year, the increase was applied to the rates in effect as of December 31, 1999.

The interim rates should be implemented for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the proposed notice to the customers of the approved increase is adequate and the required security discussed under Issue 4 has been filed. The utility should provide proof of the date notice was given within 10 days after the date of notice.

Placid Lakes's current, requested interim, and staff's recommended interim rates are shown on Schedule No. 4.



**ISSUE 4:** What is the appropriate security to guarantee the water interim increase and the amount subject to refund?

**RECOMMENDATION:** The utility should be required to open an escrow account, or file a security bond or a letter of credit to guarantee any potential refunds of revenues collected under interim conditions. The escrow account, security bond or letter of credit should be in the amount of \$101,135. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. (BINFORD, D. DRAPER)

**STAFF ANALYSIS:** Pursuant to Section 367.082, Florida Statutes, revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 3, the total annual interim increase is \$101,135. Staff has calculated the potential refund of water revenues and interest collected, in accordance with Rule 25-30.360, Florida Administrative Code, under interim conditions to be \$61,189. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the previously authorized rates shown on Schedule No. 4.

Staff has reviewed the financial data of the utility. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 1997, 1998 and 1999 annual reports of Placid Lakes were used to determine the financial condition of the utility. Placid Lakes is 100% owned and capitalized by LPHC. Staff's analysis shows that Placid Lakes has demonstrated minimum liquidity and negative equity since 1997. In addition, Placid Lakes has had no interest coverage and negative profitability over the last three years. Based upon this analysis, staff recommends that Placid Lakes cannot support a corporate undertaking in the amount of \$101,135. Therefore, staff recommends that the utility provide a letter of credit, bond or escrow agreement to guarantee the funds collected subject to refund.

This brief financial analysis is only appropriate for deciding if the utility can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in the rate case.

If the security provided is an escrow account, said account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of this Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of Records and Reporting; that the account shall be interest bearing; that information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; that the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d, DCA 1972), escrow accounts are not subject to garnishments.

The utility should deposit \$8,741 into the escrow account each month for possible refund. The escrow agreement should also state the following: that if a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers; and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument should be in the amount of \$101,135. If the utility chooses a bond as security, the bond should state that it will be released or should terminate only upon subsequent order of the Commission. If the utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the utility or requiring a refund.

Irrespective of the type of security provided, the utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

**PLACID LAKES UTILITIES,  
 SCHEDULE OF WATER RATE  
 INTERIM TEST YEAR ENDED**

**SCHEDULE NO. 1-A  
 DOCKET 000295-WU**

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$1,860,086	(\$24,781)	\$1,835,305	\$0	\$1,835,305
2 LAND & LAND RIGHTS	\$1,000	\$0	\$1,000	\$0	\$1,000
3 NON-USED & USEFUL	\$0	(\$103,265)	(\$103,265)	(\$331,564)	(\$434,829)
4 ACCUMULATED	(\$583,896)	\$26,178	(\$557,718)	\$0	(\$557,718)
5 CIAC	(\$1,010,604)	\$25,958	(\$984,646)	\$0	(\$984,646)
6 AMORTIZATION OF CIAC	\$405,016	(\$15,731)	\$389,285	\$0	\$389,285
7 WORKING CAPITAL	\$0	\$38,014	\$38,014	(\$5,166)	\$32,848
8 OTHER	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>RATE BASE</b>	<u>\$671,602</u>	<u>(\$53,627)</u>	<u>\$617,975</u>	<u>(\$336,730)</u>	<u>\$281,245</u>

<b>PLACID LAKES UTILITIES, INC. ADJUSTMENTS TO RATE BASE INTERIM TEST YEAR ENDED 12/31/1999</b>	<b>SCHED. NO. 1-B DOCKET 000295-WU</b>
<b>EXPLANATION</b>	<b>WATER</b>
<b><u>NON-USED AND USEFUL</u></b>	
1 To correct the non-used and useful plant	(\$518,788)
2 To correct the non-used and useful accum depr adj.	<u>\$187,224</u>
Total	<u>(\$331,564)</u>
<b><u>WORKING CAPITAL</u></b>	
1 Adjustment due to staff's O&M expense adjustment	<u>(\$5,166)</u>

**PLACID LAKES UTILITIES,  
CAPITAL STRUCTURE  
INTERIM TEST YEAR ENDED 12/31/1999**

**SCHEDULE NO. 2  
DOCKET 000295-WU**

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUST- MENTS (EXPLAIN)	PRO RATA ADJUST- MENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY AVERAGE 1999</b>							
1 LONG TERM DEBT	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
2 SHORT-TERM DEBT	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	\$130,162	\$0	\$0	\$130,162	21.06%	7.00%	1.47%
4 COMMON EQUITY	\$487,813	\$0	\$0	\$487,813	78.94%	9.47%	7.48%
5 CUSTOMER DEPOSITS	\$0	\$0	\$0	\$0	0.00%	6.00%	0.00%
6 DEFERRED INCOME TAXES	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-ZERO	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
8 DEFERRED ITC'S-WTD.	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
9 OTHER	\$0	\$0	\$0	\$0	0.00%	9.47%	0.00%
10 <b>TOTAL CAPITAL</b>	<u>\$617,975</u>	<u>\$0</u>	<u>\$0</u>	<u>\$617,975</u>	<u>100.00%</u>		<u>8.94%</u>
<b>PER STAFF AVERAGE 1999</b>							
11 LONG TERM DEBT	\$0	\$0	\$-0	\$0	0.00%	0.00%	0.00%
12 SHORT-TERM DEBT	\$0	\$0	\$-0	\$0	0.00%	0.00%	0.00%
13 PREFERRED STOCK	\$130,162	\$0	(\$70,924)	\$59,238	21.06%	7.00%	1.47%
14 COMMON EQUITY	\$487,813	\$0	(\$265,806)	\$222,007	78.94%	9.47%	7.48%
15 CUSTOMER DEPOSITS	\$0	\$0	\$0	\$0	0.00%	6.00%	0.00%
16 DEFERRED INCOME TAXES	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
17 DEFERRED ITC'S-ZERO	\$0	\$0	\$-0	\$0	0.00%	0.00%	0.00%
18 DEFERRED ITC'S-WTD.	\$0	\$0	\$-0	\$0	0.00%	0.00%	0.00%
19 OTHER	\$0	\$0	\$-0	\$0	0.00%	9.47%	0.00%
17 <b>TOTAL CAPITAL</b>	<u>\$617,975</u>	<u>\$0</u>	<u>(\$336,730)</u>	<u>\$281,245</u>	<u>100.00%</u>		<u>8.94%</u>
						<b>LOW</b>	<b>HIGH</b>
						9.47%	11.47%
						8.94%	10.52%

PLACID LAKES UTILITIES, INC.  
STATEMENT OF WATER OPERATIONS  
INTERIM TEST YEAR ENDED

SCHEDULE NO. 3-A  
DOCKET 000295-WU

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED INTERIM TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$264,031	\$195,899	<u>\$459,930</u>	<u>(\$211,238)</u>	<u>\$248,692</u>	<u>\$101,135</u> 40.67%	<u>\$349,827</u>
<b>OPERATING EXPENSES:</b>							
2 OPERATION & MAINTENANCE	\$274,348	\$29,762	\$304,110	(\$41,328)	\$262,782		\$262,782
3 DEPRECIATION	\$27,145	(\$3,717)	23,428	(11,792)	11,636		11,636
4 AMORTIZATION	\$0	\$0	0	0	0		0
5 TAXES OTHER THAN INCOME	\$25,321	\$18,782	\$44,103	(\$13,558)	\$30,545	\$4,551	\$35,096
6 INCOME TAXES	<u>\$0</u>	<u>\$33,042</u>	<u>\$33,042</u>	<u>(\$54,217)</u>	<u>(\$21,175)</u>	<u>\$36,345</u>	<u>\$15,170</u>
7 TOTAL OPERATING EXPENSES	<u>\$326,814</u>	<u>\$77,869</u>	<u>\$404,683</u>	<u>(\$120,895)</u>	<u>\$283,788</u>	<u>\$40,896</u>	<u>\$324,684</u>
8 OPERATING INCOME	<u>(\$62,783)</u>	<u>\$118,030</u>	<u>\$55,247</u>	<u>(\$90,343)</u>	<u>(\$35,096)</u>	<u>\$60,240</u>	<u>\$25,143</u>
9 RATE BASE	<u>\$617,975</u>		<u>\$617,975</u>		<u>\$281,245</u>		<u>\$281,245</u>
10 RATE OF RETURN	<u>-10.16%</u>		<u>8.94%</u>		<u>-12.48%</u>		<u>8.94%</u>

**PLACID LAKES UTILITIES, INC.  
 ADJUSTMENTS TO OPERATING INCOME  
 INTERIM TEST YEAR ENDED 12/31/1999**

**SCHED. NO. 3-B  
 DOCKET 000295-WU**

<b>EXPLANATION</b>	<b>WATER</b>
<b><u>OPERATING REVENUES</u></b>	
1 Remove requested final revenue increase	<u>(\$211,238)</u>
<b><u>OPERATION &amp; MAINTENANCE EXPENSE</u></b>	
1 Remove pro forma adjustment to materials & supplies.	(\$2,109)
2 Remove pro forma adjustment to Officer's salaries.	\$7,500
3 Remove pro forma adjustment to accounting fees.	\$8,285
4 Remove pro forma adjustment to transportation exp.	(\$809)
5 Remove pro forma adjustment to misc. expenses.	(\$859)
6 Remove pro forma adjustment to management fees.	(\$14,762)
7 Remove rate case expense for immediate docket.	<u>(\$38,574)</u>
Total	<u>(\$41,328)</u>
<b><u>DEPRECIATION EXPENSE-NET</u></b>	
1 Adjust depreciation for non-used and useful plant.	<u>(\$11,792)</u>
<b><u>TAXES OTHER THAN INCOME</u></b>	
1 RAFs on revenue adjustments above	(\$9,506)
2 Remove pro forma adjustment to property tax.	(\$535)
3 Adjust property tax for non-used and useful plant.	<u>(\$3,517)</u>
Total	<u>(\$13,558)</u>
<b><u>INCOME TAXES</u></b>	
To adjust to test year income tax expense	<u>(\$54,217)</u>

<b>PLACID LAKES UTILITIES, INC. WATER MONTHLY SERVICE RATES INTERIM TEST YEAR ENDED 12/31/1999</b>		<b>SCHEDULE NO. 4 DOCKET 000295-WU</b>		
	<b>Rates As of 12/31/1999</b>	<b>Rates As of 06/30/2000</b>	<b>Utility Requested Interim</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>				
<b>Base Facility Charge:</b>				
<b>Meter Size</b>				
5/8"	\$7.17	\$7.16	\$11.05	\$10.11
1"	\$17.93	\$17.91	\$27.63	\$25.27
1 1/2"	\$35.85	\$35.80	\$55.26	\$50.53
2"	\$57.37	\$57.30	\$88.42	\$80.86
3"	\$114.72	\$114.57	\$176.84	\$161.70
4"	\$179.25	\$179.02	\$276.32	\$252.65
6"	\$358.51	\$358.04	*	\$505.32
8"	\$573.62	\$572.87	*	\$808.52
10"	\$824.58	\$823.50	*	\$1,162.25
12"	\$1,541.60	\$1,539.59	*	\$2,172.89
<b>Gallonage Charge, per 1,000 Gals</b>	<b>\$1.14</b>	<b>\$1.14</b>	<b>\$2.48</b>	<b>\$1.61</b>
<b><u>General Service: Commercial and Irrigation</u></b>				
<b>Base Facility Charge:</b>				
<b>Meter Size</b>				
5/8"	\$7.17	\$7.16	\$11.05	\$10.11
1"	\$17.93	\$21.64	\$27.63	\$25.27
1 1/2"	\$35.85	\$35.80	\$55.26	\$50.53
2"	\$57.37	\$57.30	\$88.42	\$80.86
3"	\$114.72	\$114.57	\$176.84	\$161.70
4"	\$179.25	\$179.02	\$276.32	\$252.65
6"	\$358.51	\$358.04	*	\$505.32
8"	\$573.62	\$572.87	*	\$808.52
10"	\$824.58	\$823.50	*	\$1,162.25
12"	\$1,541.60	\$1,539.59	*	\$2,172.89
<b>Gallonage Charge, per 1,000 Gals</b>	<b>\$1.14</b>	<b>\$1.14</b>	<b>\$2.48</b>	<b>\$1.61</b>
<b><u>Typical Residential Bills</u></b>				
<b>5/8" Meter Size</b>				
3,000 Gallons	\$10.59	\$10.58	\$18.49	\$14.93
5,000 Gallons	\$12.87	\$12.86	\$23.45	\$18.14
10,000 Gallons	\$18.57	\$18.56	\$35.85	\$26.17
<b>*Utility did not request an increase and has no customers for these meter sizes.</b>				