BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.	DOCKET NO. 000295-WU ORDER NO. PSC-01-0327-PAA-WU ISSUED: February 6, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING INCREASED WATER RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein are 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 B water-only utility which, according to its 1999 annual report, 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 (SWFWMD). 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-WU, issued on May 23, 1996, we established rate base and increased the utility's water rates. In that same docket, allowance for funds

prudently invested (AFPI) charges were approved by 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 adjustment 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, we notified the utility of several deficiencies in its 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 our Proposed Agency Action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes.

By Order No. PSC-00-1891-PCO-WU, issued October 16, 2000, Placid Lakes was granted interim rates designed to generate annual revenues of $349,827. This represents a revenue increase of $101,135 (40.67%) for the water system. The utility requested final rates designed to generate annual water revenues of $485,481. This represents a revenue increase of $232,233 (91.70%).

We have jurisdiction pursuant to Section 367.081, Florida Statutes.

QUALITY OF SERVICE

Rule 25-30.433(1) Florida Administrative Code, requires us to make a determination of the quality of service provided by the utility in every rate case. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of the utility's product, operational conditions of the utility's plant and facilities, and the utility's attempt to address customer satisfaction.

In determining the quality of service, we may consider any sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection

(DEP) or the county health department over the preceding three-year period. Any comments by DEP and county health department officials concerning quality of service as well as the testimony of the utility's customers are also considered. Our analysis below addresses each of these three components.

The utility's service area is located in Lake Placid, Florida, which is in west central Highlands County. The utility provides water service to 1,406 residential customers and 31 general service customers. The utility's raw water is obtained from four wells in the area surrounding the water plant. The water treatment includes aeration, chlorination and polyphosphate with three hydropneumatic tanks (15,000 gallons each) and two ground storage tanks (150,000 gallons each).

Quality of Utility's Product

In Highlands County, the drinking water program is regulated by the Southwest Florida District of DEP. The quality of drinking water is determined by the results of required testing and analysis of the utility's products. According to DEP, the utility is current with all of its testing requirements, and the results of those tests are satisfactory. A review of reports and required test results indicates that the utility is properly treating its drinking water and that the quality of the product is satisfactory. It is also noted that field representatives of both DEP and SWFWMD stated that Placid Lakes represents the best water utility under their jurisdiction.

Operational Conditions at the Plant

In addition to periodic DEP inspections over the last three years, our staff engineer conducted extensive inspections of all the utility's facilities on September 10, 2000 through September 14, 2000. Conditions and operation were found to be excellent.

Customer Satisfaction

The utility received approximately 107 customer complaints and requests for service during the test year. The majority (57) concerned water leaks and meter checks. Other complaints included eight complaints concerning backflow preventors, four concerning water taste or color, and one concerning pressure. All complaints

appear to have been resolved promptly by the utility. The remaining 37 customer contacts were routine service calls. In addition, a three year scan of the Commission Complaint Tracking System (CATS) was conducted, and no complaints were found.

A customer meeting was held October 24, 2000 at 6:00 P.M. in the Lake Placid High School auditorium. The meeting was attended by two customers. Neither had quality of service complaints.

Conclusion

In view of our analysis of the three quality of service components, we hereby find that the quality of service provided by Placid Lakes in treating and distributing water is satisfactory.

RATE BASE

Test Year

In its minimum filing requirements (MFRs), the utility requested use of a historical year-end test year. In its test year approval request, Placid Lakes stated that the year-end treatment was applied to enable it to recover its current cost of operations. Other than this statement, the utility did not provide any further reason or justification for its request to use a year-end instead of an average test year. The utility also stated in its test year request that there were no extraordinary maintenance or rehabilitation projects undertaken in 1999. Further, the utility stated that customer growth in 1999 occurred at a level consistent with prior years.

The use of a year-end versus an average test year has been addressed by the Florida Supreme Court on a number of occasions. In City of Miami v. FPSC, 208 So. 2d 249 (Fla 1968), the Court found that, in the absence of the most extraordinary of conditions, the Commission should apply average investment during the test year in determining rate base. In Citizens of Florida v. Hawkins, 356 So. 2d 258 (Fla. 1978), the Court found that average rate base can produce a distorted picture when a company is experiencing extraordinary growth due to rapid increases in demand for its service, such as population growth or when other factors are forcing investment costs upward without a corresponding increase in revenues. In a more recent case, we found that a utility had to

prove that extraordinary conditions exist in order to use a year-end rate base. See Order No. PSC-96-1338-FOF-WS, issued November 7, 1996, in Docket No. 951056-WS.

Based on our review in this case, we do not believe that extraordinary conditions exist. Comparing the utility's average to its requested year-end rate base, we believe that the difference is minimal. Further, the utility has not shown any extraordinary growth in demand or customers, nor any material changes in its plant-in-service at year-end. Accordingly, we find it reasonable to use a simple average test year for ratemaking purposes. This averaging methodology is consistent with Rule 25-30.433(4), Florida Administrative Code, for Class B water utilities. As such, we have reflected the utility's rate base and capital structure on a simple average basis. We have also made corresponding adjustments to revenues, depreciation expense and taxes other than income.

Pro Forma Plant Adjustments

The utility purchased pumping equipment for its Well No. 2 after the test year. The equipment had been damaged by lightning. The utility provided documentation for the expenditures. Under these circumstances, we find it reasonable to increase utility plant-in-service by $11,865 to reflect pro forma plant. Corresponding adjustments to increase accumulated depreciation by $297, to increase depreciation expense by $593, and to increase taxes other than income for property/real estate tax by $214 are also approved.

Capitalized Interest on Construction Work in Progress

In Audit Exception No. 2, we discovered that during 1997, the utility acquired a loan from its parent company, Lake Placid Holding Company, Inc., for construction of its plant expansion. The utility capitalized the interest on the construction related to the plant expansion loan. Rule 25-30.116(5), Florida Administrative Code, states that no utility may charge or change its Allowance for Funds Used During Construction (AFUDC) rate without prior Commission approval.

In the utility's response to the audit report, the utility stated that it was unaware of a requirement for written

authorization from the Commission prior to capitalizing interest during construction.

In Orders Nos. PSC-95-1444-FOF-WS, issued November 28, 1995, in Docket No. 950193-WS, and PSC-95-1325-FOF-WS, issued October 31, 1995, in Docket No. 941151-WS, we disallowed capitalized interest because the utility did not have an approved AFUDC rate. Consistent with Rule 25-30.116(5), Florida Administrative Code, and our past practice, the unapproved AFUDC shall be disallowed. Accordingly, plant shall be decreased by $45,333. Corresponding adjustments to decrease accumulated depreciation by $3,857 and to decrease depreciation expense by $1,543 shall also be made.

Used and Useful - Unaccounted for Water

Consistent with our prior practice, the acceptable limit is 10%, and any unaccounted for gallons above 10% is considered excessive. Placid Lakes' unaccounted for water is 2.5%, which is within the acceptable limit. Based on the above, we find that no adjustment is necessary.

Used and Useful Percentages

Water Treatment Plant - The water plant consists of two 150,000 gallon ground storage tanks with four wells. Treatment of raw water includes aeration, addition of polyphosphate and chlorination. The wells yield (less the largest) is 466,000 gpd. The ground storage capacity, less 10% for dead storage, adds 240,000 gpd to the plant capacity. This results in a firm reliable capacity of 706,000 gpd.

The demand for the maximum month, five maximum day average, was 487,400 gpd. With a 120,000 gpd required fire flow and 100,106 gpd growth allowance, the system demand was 707,506 gpd. These values resulted in a plant used and useful of 100%. The calculation is summarized in Attachment A, page 1.

The utility used the same method in its MFRs to calculate a requested 100% with the exception of using maximum day demand instead of maximum month maximum five day average demand and failed to include the required five-year growth allowance.

Water Distribution System - Usage indicates that a lot to lot or equivalent residential connection (ERC) to ERC calculation would be immaterially different. This is because there are no general service customers with high consumption. Therefore, we have used lot to lot in the calculation of the water distribution system used and useful.

The utility engineer, Mr. Guastella, furnished a detailed street by street analysis of the distribution system. Along with this data, Mr. Guastella proposed exceptions to be made in the used and useful calculation, as follows: (1) all lines six inches to ten inches in diameter be considered transmission mains and, therefore, should be considered 100%; (2) all streets with a lot count of 50% or greater should be considered 100%; and (3) a minimum of 10% be used for all streets with less than 10% of available lots occupied.

Because of the great variance in the age and cost of the distribution lines, we agree with the method used by the utility's engineer with the following exceptions for lines smaller than six inches in diameter: (1) lines with 50% of the lots connected shall not be considered 100% used and useful, but the percentage shall be based on actual percentages resulting from lot counts, and (2) a minimum of 10% used and useful shall not be used for lines with a used and useful less than this value, but these lines shall reflect the actual percentages resulting from lot counts. We agree that all mains six inches in diameter and larger shall be considered 100% used and useful. The resulting percentages shall be considered individually and applied to the specific line's cost.

After verifying line cost by checking utility records on site, we used system maps to determine each line's used and useful percentage, taking into account the two exceptions. Using our calculated numbers and allowing for a five year growth, the result is 76.37% used and useful. Without these additional engineering considerations, a used and useful percentage of 54.99% results, as shown on Attachment A, page 2.

This method is similar to the method used with respect to the Rotonda West Utility Corporation in Order No. PSC-96-0663-FOF-WS, issued May 13, 1996, in Docket No. 950336-WS. This method was approved because additional engineering information was available and supplied by the utility in the MFRs, resulting in a more accurate used and useful analysis. Similarly, in this case,

additional engineering information was provided which permitted us to make a more accurate used and useful analysis under these circumstances. We believe it is reasonable to use this method.

In view of the results presented above, we find that the utility's used and useful percentages are 100% for the water plant and 76.37% for the water distribution system.

Based on the above, the following non-used and useful amounts and adjustments are hereby approved:

	Non-used and useful Amounts		
	Amount Per Utility	Amount Per Commission	Adjustments Per Commission
Plant-in-Service	($149,433)	($197,604)	($48,171)
Accumulated Depreciation	$53,681	$70,420	$16,739
Net Non-used and useful	($95,752)	($127,184)	($31,432)
Depreciation Expense	($3,475)	($4,595)	($1,120)
Property Taxes	($1,164)	($1,403)	($239)

Working Capital

The utility has calculated its working capital allowance pursuant to Rule 25-30.433 (2), Florida Administrative Code, which requires that Class B utilities use the formula method, or one-eighth of operation and maintenance (O&M) expenses. As discussed later in this Order, we are approving adjustments to O&M expenses. Based on the adjusted balance of O&M expenses, the working capital provision for Placid Lakes is $36,537 for the water system.

Rate Base

Based on the adjustments approved herein and use of a simple average test year, the average rate base for the utility is $562,673 for the water system. The rate base schedule for the water system is attached as Schedule No. 1-A. The schedule of adjustments to rate base is attached as Schedule No. 1-B.

COST OF CAPITAL

Weighted Average Cost of Capital

Placid Lakes is a wholly-owned subsidiary of Lake Placid Holding Company (LPHC), the developer of the service territory served by the utility. The utility has requested a 10.97% overall rate of return in this proceeding. This return is based upon the parent company's capital structure comprised of 20.6% preferred stock at a cost rate of 7.0% and 79.4% common equity at a cost rate of 12.0%. According to its petition, "(t)he requested return on equity for final rates is proposed to be established at 200 basis points above the Applicant's estimated cost of debt."

According to the MFR schedules, the capital structure for Placid Lakes for the year ended December 31, 1999, was comprised of negative common equity and advances from associated companies. LPHC acknowledges that the source of funds for utility operations comes entirely from LPHC and that the utility's actual capital structure is essentially 100% debt. According to the utility's response to Audit Disclosure No. 11, the LPHC loans to the utility are at a rate of Prime plus 1%. Based upon a current Prime rate of 9.5%, the interest rate on advances from associated companies is 10.5%. Accordingly, we find it reasonable to approve a weighted average cost of capital of 10.5% based upon the utility's actual capital structure of 100% debt.

Although the utility does not have a positive equity balance, a Return On Equity (ROE) shall be established. Based upon the minimum equity ratio recognized in the leverage formula approved in Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, the cost of common equity is 9.93% with a range of plus or minus 100 basis points.

As noted in various filings in this proceeding, the utility takes exception to the ROE indicated by the leverage formula because it does not believe this rate of return reflects its cost of capital. In its response to Audit Disclosure No. 11, the utility states that "(w)hen, as in this case, the FPSC's leverage graph produces an equity rate significantly less than the lower risk debt rate that the Company pays with respect to certain loans from its parent, and less than it could possibly obtain from outside sources, the leverage graph cannot be used." As noted

above, the utility has requested an ROE of 12.0% for purposes of establishing final rates in this proceeding.

Other than a brief discussion of how the indicated ROE compares with its estimated cost of debt, the utility has not provided any analysis to support an ROE other than the rate indicated by the leverage formula. Absent competent, substantial evidence to support a different ROE, we are compelled to approve the ROE indicated by our leverage formula for purposes of this proceeding. Our analysis of capital structure is detailed on Schedule No. 2.

Allowance for Funds Used During Construction (AFUDC) Rate

By letter dated December 13, 2000, the utility requested approval of an AFUDC rate for prospective purposes based on the 10.97% rate of return requested in this rate case. We agree that a prospective AFUDC rate shall be established. However, the rate shall be calculated based on the capital structure approved in this case. Based on the capital structure approved herein, and in accordance with Rule 25-30.116(7), Florida Administrative Code, we approve an AFUDC rate of 10.50%. The monthly discounted rate shall be 0.874579%. The effective date of the rate shall be January 1, 2000, in accordance with Rule 25-30.116(5), Florida Administrative Code, which states that the new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate. Our calculations are in accordance with Rule 25-30.116 (2), Florida Administrative Code, based on the capital structure for the twelve months ending December 31, 1999.

NET OPERATING INCOME

Adjustments to O&M Expenses

In Audit Disclosure No. 6, our staff auditors found that the utility included wastewater related expenses as water expenses. According to the utility, it has a small wastewater plant that serves a customer base that is not large enough to be regulated by this Commission. The utility agreed that the invoices in question were inadvertently included in the water expenses. O&M expenses shall therefore be decreased by $1,521.

The auditors also found that the utility included a charitable contribution as an operating expense. Order No. 24049, issued January 31, 1991, in Dockets Nos. 891231-TL and 891239-TL, states that charitable contributions and civic membership fees shall not be included in operating expense. Based on this Order and past Commission practice, O&M expenses shall be further decreased by $50.

Another item the auditors found was an invoice for chemical expenses of $750 that was not included in operating expense. We find that this was a prudent expense and it shall therefore be included.

We have reviewed these adjustments and find that they are appropriate. Accordingly, a net decrease shall be made to O&M expenses of $821 to reflect the audit findings discussed and approved above.

Rate Case Expense

The utility included a $154,295 estimate in the MFRs for current rate case expense. As part of the analysis, we requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete this rate case. The revised estimate of rate case expense through completion of the Proposed Agency Action (PAA) process is $165,482. The components of the estimated rate case expense are as follows:

		REVISED ESTIMATE		
	MFR ESTIMATED	ACTUAL	ESTIMATED	TOTAL
Accounting/Engineering	$118,100	$119,742	$9,500	$129,242
Legal	27,000	16,478	10,320	26,798
In House	4,195	3,507	650	4,157
Other	5,000	5,285	0	5,285
Current Rate Case Expense	$154,295	$145,012	$20,470	$165,482
Annual Amortization	$38,574			$41,371

Section 367.081(7), Florida Statutes states that "[t]he Commission shall determine the reasonableness of rate case expenses

and shall disallow all rate case expenses determined to be unreasonable. No rate case expense determined to be unreasonable shall be paid by a consumer."

We have examined the requested actual expense, supporting documentation, and estimated expenses as listed above for the current rate case. We believe that several adjustments are necessary to the utility's requested rate case expense.

Accounting/Engineering Fees - In its MFRs, the utility requested accounting/engineering rate case expense of $118,100. Upon our request, the utility submitted a breakdown of actual accounting/engineering expense, which totaled $119,742. With the utility's estimate to complete, the revised total accounting/engineering rate case expense was $129,242.

The accounting/engineering consulting firm included invoices totaling $65,137 for rate case expense prior to the approval of the test year. The invoices contained general descriptions of the work performed and the total hours worked by each consultant. No breakdown was provided to show what specific activities were performed during this time. Given the dollar amount of the consulting fees, it is apparent that the firm performed a substantial amount of work prior to test year approval. In order to review the reasonableness of these costs, we reviewed the activities that we were aware had occurred during this time.

By letter dated March 8, 2000, the utility requested approval of a projected test year ended December 31, 1999, based on the historical year ended December 31, 1998. Upon receipt of this letter, Commission staff telephoned the utility's attorney and informed him that an historical 1998 base year was too old. Since it was already March 2000 at that time, our staff recommended that the utility instead use an historical test year ended December 31, 1999. The utility withdrew its original request by letter dated March 9, 2000. By letter dated March 10, 2000, the utility requested approval of a historical test year ended December 31, 1999.

We recognize that some preparatory work needs to be completed prior to requesting test year approval. The test year approval rule requires that certain information be analyzed by the utility in order to inform this Commission as to the appropriateness of the

requested test year. It is also prudent for a utility to look at its current operating status as well as its near-future needs in tailoring a test year request. We recognize that work could reasonably be performed in analytical review of the most recent fiscal year as well as review of prior orders, statutes and Commission rules.

On its invoices for this time frame, the consultants listed explanations such as inspection of facilities, work on used and useful, analysis and correction of partial MFRs prepared by the previous accounting firm, and preliminary review of the response to the consultant's data request to the utility. Each invoice contained descriptions of the work performed and the total hours worked by each consultant. The individual job functions were not itemized by the individual who performed the work or the number of hours spent on each task. Thus, we have no method to determine how much of these costs are prudent rate case costs, non-recurring accounting fees or unreasonable and duplicative expenses. We do, however, find that the total cost incurred by the utility's consultant during this time frame was in excess of the type of work that is normally performed prior to test year approval.

Additionally, we were informed by the consultant that the utility's books were not in total compliance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) when its consultant was hired. We note that our audit staff did not find material non-compliance of the utility's books with the USOA during the audit. Thus, we find that the work that the consultant performed in this regard was prudent and reasonable. As such, these costs shall be allowed but they shall not be considered rate case expense. We find it is appropriate to consider these costs as non-recurring accounting services. According to Rule 25-30.433(8), Florida Administrative Code, non-recurring expenses shall be amortized over a five year period unless a shorter or longer period can be justified. We find that it is appropriate to amortize these costs over five years. Because the utility has corrected any potential non-compliance with the NARUC USOA, we do not find that any rule violation has occurred, nor do we believe it necessary to consider any show cause action in this regard.

We are also aware that the consulting firm performed work preparing MFRs prior to test year approval for a test year that was

rejected. While not a requirement, we believe that it is prudent for a utility to discuss with our staff what test year may or may not be appropriate before any work is performed on any specific year. We find that to perform this work only to re-do a substantial portion because the test year was unaccepted is imprudent. A simple phone call to our staff could have communicated any concerns about a stale test year. As such, we find it appropriate to disallow any rate case expense incurred for this reason.[1]

Because no breakdown was provided to show what specific activities were performed during this time, we do not know the exact amount of costs incurred for each of the activities above. It is the utility's burden to prove that its requested costs are reasonable. Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982). Further, we have broad discretion with regard to rate case expense. Florida Crown Utility Services, Inc. v. Utility Regulatory Bd. of Jacksonville, 274 So. 2d 597, 598 (Fla. 1st DCA 1973). In lieu of an actual breakdown, we find that an estimate of 10% of the rate case expense incurred prior to the approval of the test year is reasonable for pre-test year approval costs. This amounts to $6,514. We have also estimated that the remaining costs shall be split evenly, or 45% to non-recurring accounting costs and 45% to costs incurred on an inappropriate and rejected test year. This results in $29,312 considered nonrecurring expenses to be amortized over five years. The increase to amortization is $5,862. Further, rate case expense shall be reduced by $29,312 for unreasonable expenses on work performed prior to the test year. The total reduction to rate case expense related to pre-test year approval cost is $58,624.

We have also reviewed the remaining charges for accounting/engineering costs. Mr. Guastella is the principal of the consulting firm hired by the utility to work on the rate case and he performed the engineering portion of the work. Mr.

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[1]We have recently disallowed similar rate case costs incurred for a test year that was rejected. See Order No. PSC-00-1528-PAA-WU, issued August 23, 2000, in Docket No. 991437-WU. While portions of that PAA order were protested and are not final, this specific issue was not protested and is, therefore, deemed stipulated pursuant to Section 120.80(13)(b), Florida Statutes.

Guastella charged the utility for 91.5 hours at an average hourly rate of $230 an hour. We believe that this hourly rate is high compared to other engineering and rate consultants that practice before this Commission. While we find that Placid Lakes' decision to retain Mr. Guastella for his expertise is reasonable, it does not automatically follow that the customers shall bear the full costs for his services.

We have reviewed past rate proceedings in an attempt to determine what hourly rates we have allowed for Mr. Guastella. In Order No. PSC-96-1338-FOF-WS, issued November 7, 1996, in Docket No. 951056-WS, Mr. Guastella's hourly rate was adjusted downward to an approximate average of his hourly rate and that of another engineering consultant involved in that proceeding. The other engineering consultant is Mr. Frank Seidman, whose main area of expertise is engineering but who also provides accounting and rate consulting services. In the following year, in Order No. PSC-97-1225-FOF-WU, issued October 10, 1997, in Docket No. 970164-WU, we also adjusted Mr. Guastella's hourly rate downward. Based on our past decisions, we find it appropriate to adjust rate case expense to an hourly rate which we believe to be more reasonable for the ratepayers of Placid Lakes. For the instant rate case, we averaged Mr. Guastella's hourly rate and Mr. Seidman's hourly rate as charged in Docket No. 991437-WU. This results in a reduction of $5,990 to accounting and engineering rate case expense.

Further, the utility included $8,467 of accounting/engineering fees incurred in correcting MFR deficiencies. The utility filed its MFRs on June 9, 2000. After reviewing the information in the MFRs, our staff determined that there were deficiencies. By letter dated June 28, 2000, our staff informed the utility of five specific deficiencies in the MFRs. Some of the specific deficiencies included failure to submit a breakdown of expenses from a parent, affiliate, or related parties, and the failure to submit required information regarding the parent's capital structure.

The utility submitted its first deficiency response on July 28, 2000. After reviewing the information, our staff determined that the MFRs were still incomplete and sent another deficiency letter on August 4, 2000. The utility submitted the information on August 11, 2000. We believe that the cost to re-do some schedules of the MFRs would not have been incurred if the utility had

completed the schedules correctly when it submitted its MFRs the first time.

The official filing date was established on August 11, 2000, after the utility had completely satisfied the MFRs. We find that all expenses incurred pertaining to deficiencies on the MFRs for the period of June 28, 2000 through August 11, 2000, in the amount of $8,467 for accounting/engineering fees are unreasonable. Therefore, this cost shall be disallowed as rate case expense.[2]

The utility submitted an estimated additional cost of $9,500 in accounting fees to complete the rate case through the PAA. This estimate did not include a breakdown of the work that would be performed for the remainder of the case. We find that 30 hours plus travel expense for one person, or $5,500, is sufficient. The number of hours is consistent with the number of hours recommended for legal fees to cover the review of the recommendation, attendance at agenda, and review of the PAA Order, if not protested. This is the same amount of time that was allowed in the recent Indiantown Company, Inc. rate case docket which was also processed as a PAA (See Order No. PSC-00-2054-PAA-WS). This results in a reduction of $4,000.

To summarize, we find that the appropriate amount of accounting/engineering fees for this rate case is $52,162. This is a reduction of $77,080 from the utility's revised estimate for accounting/engineering fees of $129,242.

Legal Fees - In its MFRs, the utility requested legal rate case expense of $27,000. At our staff's request, the utility submitted a breakdown of actual legal expenses incurred, which amounted to $16,478. With the utility's estimate to complete, the revised total legal rate case expense was $26,798. Based on our review, we find that the legal rate case expense is reasonable except as addressed below.

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[2]We have previously disallowed rate case expense incurred for revising MFRs and correcting MFR deficiencies. See Order No. PSC-00-2054-PAA-WS, issued October 27, 2000, in Docket No. 990939-WS and Order No. PSC-00-1528-PAA-WU.

We find that all legal expenses incurred pertaining to MFR deficiencies, as explained above, shall be disallowed. For the period of June 28, 2000 through August 11, 2000, we find that legal fees in the amount of $2,569 shall be disallowed.

Our analysis of the supporting documentation for rate case expense submitted by the utility revealed $1,690 in legal fees, which were incurred for items not related to the present rate case. The items in question were invoices for a tariff filing, a waiver of a four-year rate reduction for prior rate case expense, and a settlement agreement. We find that these were prudent and reasonable costs. However, they shall be reclassified as contractual services-legal. We also found $238 recorded as contractual services-legal that shall be considered rate case expense. Accordingly, rate case expense shall be decreased by a net amount of $1,452 with a corresponding increase of $1,452 to contractual services-legal.

The utility submitted an estimated additional cost of $10,320 for 48 hours in legal fees to complete the rate case through PAA. This estimate did not include a breakdown of the legal work that would be performed for the remainder of the case. We believe that 30 hours, or $6,450, is sufficient for legal fees to cover the review of the recommendation, attendance at agenda, and review of the PAA order, if not protested. This is the same amount of time that was allowed in Order No. PSC-00-2054-PAA-WS. This amounts to a reduction of $3,870.

To summarize, the appropriate amount of legal rate case expense is $18,670. This is a reduction of $8,129 from the utility's revised estimated legal fees of $26,798.

In House Rate Case Expenses - In its explanation of management fees, the utility's parent determined that the salary of one of its employees should be increased by 25% due to additional time spent on the rate case ($37,618 x 25% = $9,404). In the MFRs, the utility added 1/4 of this additional expense ($9,404/4 = $2,351) to management fees but did not include it in rate case expense. While the overall revenue impact is zero, the amount shall appropriately be included as rate case expense. Therefore, management fees shall be decreased by $2,351 and rate case expense shall be increased by $9,404.

Other Accounting Costs - Prior to hiring its current accounting/engineering consultant, the utility contracted its work to a regional accounting firm. According to our staff auditors, the regional accounting firm was not able to meet the demands of preparing the utility for its rate case. Although less than a third of the regional firm's costs were included in rate case expense, this amount shall be considered a non-recurring expense and amortized over five years, consistent with Rule 25-30.433(8), Florida Administrative Code. This results in a decrease to rate case expense of $5,285 and an increase to non-recurring amortization of $1,057.

Rate Case Expense Summary - After a thorough evaluation of the revised and estimated rate case expense submitted by the utility, we find that the appropriate and reasonable total rate case expense through the PAA process for this docket is $84,393.

	MFR ESTIMATED	UTILITY REVISED ACTUAL	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED BALANCE
Accounting/Engineering	$118,100	$129,242	($77,080)	$52,162
Legal	27,000	26,798	(8,129)	18,670
In House	4,195	4,157	9,404	13,561
Other	5,000	5,285	(5,285)	0
Total Rate Case Expense	$154,295	$165,482	($81,090)	$84,393
Annual Amortization	$38,574		(17,476)	$21,098

The approved rate case expense shall be amortized over four years, pursuant to Section 367.0816, Florida Statues, at $21,098 per year. Based on the data provided by the utility and the approved adjustments discussed above, the rate case expense amortization shall be decreased by $17,476. This is the difference between the $21,098 amortization approved herein and the $38,574 included in the MFRs.

Further, non-recurring costs shall be increased by $6,919, contractual services legal shall be increased by $1,452, and management fees shall be decreased by $2,351.

Adjustment to Property Taxes

For the test year, the utility reflected property taxes of $13,373 for the water system. The amount was based on the actual property taxes due as of March 31, 2000, without any discount applied. The utility made two adjustments to this amount. The first adjustment decreased property taxes by $1,146 for non-used and useful plant. The second adjustment increased property taxes by $895 for test year changes to plant-in-service. This resulted in a requested expense for property taxes of $13,122.

In Audit Exception No. 9, our staff auditors discovered that the utility did not take advantage of the property tax discount for payments made in November. Applying the standard 4% discount rate, we find it appropriate to reduce property taxes by $535. This adjustment is consistent with past Commission practice.[3]

Income Tax Expense

As addressed previously, we find the utility's capital structure consists of 100% debt. When a capital structure consists of 100% debt, the entity has no taxable income. Accordingly, no income tax expense will be generated. As a result, the utility's requested income tax expense shall be removed.

Test year Operating Loss

Based on the adjustments previously discussed and approved, the test year operating income, before any provision for increased revenues, shall be an operating loss of $101,955 for the water system. The schedule for the water operating income is attached as Schedule No. 3-A. The adjustments are shown on Schedule No. 3-B.

REVENUE REQUIREMENT

The revenue requirement is a summary computation that is dependent upon previously approved provisions for rate base, cost of capital, and operating expenses. Placid Lakes requested final

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[3]See Order No. 6591, issued April 1, 1975, in Docket No. 74509-EU and Order No. 9599, issued October 17, 1980, in Docket No. 800011-EU.

rates were designed to generate annual revenues of $485,481 for the water system. These revenues exceed test year revenues by $232,233 (91.70%)

Based on the approved underlying rate base, cost of capital, and operating income issues, we find it appropriate to approve rates that are designed to generate a revenue requirement of $417,316. These revenues are lower than the utility's test year revenues by $168,624 (67.80%) as shown on attached Schedule No. 3-A.

RATES AND RATE STRUCTURE

Rate Structure

The utility's current rate structure consists of a traditional base facility charge and uniform gallonage charge. The utility has proposed a three-tier (block) inclining block rate structure to be applicable to the residential class, with usage blocks for monthly consumption set at: (1) at 0-10,000 gallons; (2) 10,001-40,000 gallons; and (3) in excess of 40,000 gallons. In addition, the utility has proposed usage block rate factors for each tier of 1.0, 1.5 and 2.0, respectively. The utility has proposed maintaining its base facility and uniform consumption charge rate structure for its general service class. The SWFWMD advocates this rate structure change, because the utility is located in a water use caution area (WUCA), and SWFWMD has long advocated rate structures that provide pricing incentives to conserve.

There are several steps involved in evaluating and calculating an inclining-block rate structure including, but not limited to, determining: 1) the appropriate "conservation adjustment," if any; 2) the appropriate usage blocks; and 3) the appropriate usage block rate factors. We agree in part with the utility's proposed rate structure and methodology of calculating its requested rates. Our analysis is discussed below.

Selection of Appropriate Usage Blocks - As mentioned previously, the utility proposed a three-tier inclining-block rate structure for its residential class, with usage block break points at 10 thousand gallons (kgal) and 40 kgal. In order to determine whether these usage blocks are appropriate, we analyzed the

utility's combined residential billing analysis. The summary results are shown below:

SUMMARY OF RESIDENTIAL BILLING ANALYSIS		
Consumption (kgal)	**Percentage of Cumulative Bills**	**Consolidated Factor Percentage**
0	10.9%	0.0%
10	86.3%	78.9%
15	93.5%	87.5%
20	96.3%	91.9%
30	98.6%	96.1%
40	99.4%	97.6%

As shown in the above table, over 86% of all residential bills and almost 80% of all residential gallons have been accounted for at 10 kgal, meaning that the great majority of customers do not exhibit excessive usage and will therefore be unaffected by the higher rates in the two subsequent inclining blocks. Therefore, we find it is reasonable to have the first usage block capped at 10 kgal. Capping the first usage block at 10 kgal captures almost 80% of the gallons in the first block, thereby somewhat mitigating revenue stability concerns, and is consistent with our past decisions regarding inclining-block rate structures.[4]

However, we disagree with the utility's proposal for the second block to be capped at 40 kgal of consumption and for the third block to apply to consumption in excess of 40 kgal. First, we do not believe that sufficiently strong conservation signals are sent by making the kgal included in the second block three times greater than the number of kgal in the first block. For example, the overall system-wide average residential consumption per month is approximately 6 kgal. To cap the second block at 40 kgal means that a residential customer could use over six times the overall

[4]See Orders Nos. PSC-00-0248-PAA-WU and PSC-00-1528-PAA-WU. Although Order No. PSC-00-1528-PAA-WU has been protested and set for hearing, the design of the usage blocks is not at issue.

system-wide residential average (6 kgal x 6 = 36 kgal) without moving (or paying) out of the second usage block. Further, the block in excess of 40 kgal would target barely one-half of one percent of bills (100% - 99.4%) and less than three percent of consumption (100% - 97.6%).

Neither this Commission nor the SWFWMD believe that the proposed second and third usage blocks target consumption sufficient to realize any meaningful conservation. Selecting the appropriate usage blocks often involves analyzing several different combinations of usage blocks before a decision regarding the appropriate blocks is made. However, in this case, we believe that the three monthly usage blocks of 0-10,000 gallons, 10,001-20,000 gallons and over 20,000 gallons are self-evident.

We find it appropriate to set the second block for monthly consumption at 10 kgal - 20 kgal for several reasons. First, usage blocks capped at 10 and 20 kgal per month, respectively, increases the customers' ease of understanding of the rate structure. Second, capping the second block at a monthly usage level below 20 kgal may unfairly penalize larger families, as the monthly consumption based on the SWFWMD's 130 gallons per day per capita (gpdpc) target would be 19,500 gallons (5 persons x 130 gpdpc x 30 days). Third, by capping the second block at some consumption level above 20 kgal per month, the rate structure would not target a sufficient number of bills and gallons to maximize the desired reduction in consumption. For example, as shown in the preceding table, a second block capped at 30 kgal per month would affect 1.4 percent of bills, accounting for the remaining 3.9 percent of consumption. Even worse, capping the second block at 40 kgal per month would barely target one-half of one percent of bills and the last 2.4 percent of consumption. However, by capping the second block at 20 kgal per month, we target 3.6 percent of the bills, accounting for the last 8.1 percent of consumption.

Due to the circumstances discussed earlier, it is the desire of both this Commission and the SWFWMD to target the maximum consumption possible in hopes of forestalling potential water supply problems. We find that this goal is best accomplished by capping the second block at 20 kgal per month.

Selection of the Appropriate Conservation Adjustment and Usage Block Rate Factors - To evaluate the need for a conservation

adjustment in this case, we calculated cost-based rates of $11.09 for the base facility charge (BFC) for a 5/8" x 3/4" meter and $2.03 for the general service gallonage charge. These charges would result in 48% of cost recovery through the BFC and 52% through the gallonage charge. To shift more of the burden of cost recovery to the gallonage charge to promote conservation, we find that some "conservation adjustment" is appropriate. Based on the utility's proposal, all general service customers would pay $2.03 per kgal. We believe that the overall rate increase will be enough to promote some conservation by the general service customers.

This Commission and the SWFWMD believe that 60% of cost recovery via the gallonage charge is the minimum starting point when designing an inclining-block rate structure. We first made a 10% conservation adjustment before designing the rates; however, this resulted in less than a 40% BFC/60% gallonage charge cost recovery split. We then applied a 15% conservation adjustment, which resulted in a 41%/59% split. We believe this split is tantamount to a 40%/60% split; therefore, we applied a 15% adjustment as the minimum adjustment to apply in our conservation rate design process. We also included similar adjustments of 20% (resulting in a 39%/61% split) and 25% (resulting in a 36%/64% split).

The next step in our analysis was to incorporate different usage block rate factors into our calculations. We calculated rates (using the preliminary recommended revenue requirement) based on 19 different rate factor combinations at conservation adjustments of 15%, 20% and 25%. We then selected five representative rate factor combinations to present in Table 1, attached hereto. Pages 1 through 3 of Table 1 show consumption charges (charges excluding the BFC) that were calculated at different usage levels, and the resulting price increases in the gallonage charges over the current rates at those different usage levels. We also calculated the total change in price (BFC plus gallonage charges); this analysis is shown on page 4 of Table 1.

It is virtually impossible to merely look at the results on page 4 of Table 1 to select the rate design which best meets our conservation rate design goals. We therefore designed an objective method of evaluating each of the 15 different sets of inclining-block rates.

Because there are two variables (the magnitude of conservation adjustment and the different combinations of rate factors) in the rates calculations, our evaluation of the 15 sets of rates was a two-step process. First, we evaluated the usage block rate factors against one another while holding the conservation adjustment and consumption level constant. For example, as shown on page 4 of Table 1, at a conservation adjustment of 20% and 5 kgal of consumption, the range of total price changes across the different rate factors is 50.9% to 37.3%. A double thick-line box was selected to indicate that the 50.9% price increase sends the strongest price signal to conserve. Similarly, at a conservation adjustment of 20% and 40 kgal of consumption, the range of total price changes across the different rate factors is 176.8% to 285.0%. Again, a double thick-line box highlights that the 285.0% price increase sends the strongest price signal to conserve. This process was performed for each conservation adjustment and kgal consumption level.

We then reversed the process, evaluating the conservation adjustments against one another while holding the rate factors and consumption level constant. For example, as shown on page 4 of Table 1, at 5 kgal of consumption, the rate factors of 1.0/1.5/2 result in respective price changes of 51.7%, 50.9% and 49.7% at conservation adjustments of 15%, 20% and 25%. A shaded box highlights that the 51.7% price increase sends the strongest price signal to conserve. Similarly, at 40 kgal of consumption, the rate factors of 1.0/1.5/4 result in price changes of 270.2% at a conservation adjustment of 15%, 285.0% at a conservation adjustment of 20% and 297.8% at a conservation adjustment of 25%. Again, 297.8% is shaded because it sends the strongest price signal to conserve.

The final step in evaluating the different combinations was to look at the results to determine if there is a particular rate design which results in the greatest number of strong price signals across all levels of consumption, especially at the higher consumption levels. For example, the rates based on a 15% conservation adjustment and rate factors of 1.0/1.5/2 send strong price signals (whether by the conservation adjustment or by the rate factors) at consumption levels up to 10 kgal. However, we dismissed this rate design from consideration because it fails to achieve our goal of sending stronger price signals to customers at higher consumption levels. Further, the rate design based on a

conservation adjustment of 20% and rate factors of 1.0/1.5/3 received no consideration, because it did not achieve stronger price signals relative to the other rate designs at any level of consumption.

However, three examples of rate designs receiving some consideration include those based on a 25% conservation adjustment with rate factors of: a) 1.0/1.5/4; b) 1/2/3; and c) 1.0/2/4. As indicated, at consumption of 10 kgal and above, all three of these rate designs are effective at sending strong signals to conserve.

However, a rate design based on a 25% conservation adjustment and rate factors of 1.0/1.5/2 is clearly the most appropriate. It is the only rate design of the 15 different rate designs depicted on page 4 of Table 1 which, whether by the conservation adjustment or the specific combination of rate factors, results in strong pricing signals at each consumption level.

Based on the analysis discussed above, we find it appropriate to approve an inclining-block rate structure for residential customers. The appropriate monthly usage blocks consist of three tiers of 0-10,000 gallons, 10,001-20,000 gallons and over 20,000 gallons. A conservation adjustment of 25% is appropriate, with usage block rate factors for each tier of 1.0, 1.5 and 2.0, respectively. The appropriate rate structure for the general service customers is a continuation of the traditional base facility and uniform gallonage charge rate structure.

Repression Adjustment

As shown on Workpaper - Rates II of Vol. IV of the utility's MFRs, the utility proposed that for consumption over 10 kgal per month, a 10% increase in rates would lead to a 1% decrease (repression) in consumption. As the calculations on the utility's workpaper indicate, the utility has proposed a 1,892 kgal (or 1.9%) consumption reduction for the residential class, and a 464 kgal (or 9.2%) consumption reduction for the general service class, resulting in an overall proposed repression adjustment of 2,356 kgal (approximately 2.2%).

We agree in part with the utility's proposed adjustments. While we agree that a repression adjustment should be made for the residential class, we do not believe an adjustment is appropriate

for the general service class. Furthermore, we believe that residential consumption reductions will occur in all three usage blocks, yielding an adjustment greater than that proposed by the utility.

As shown on page 4 of Table 1, preliminary rates (i.e., before repression adjustment), based on the approved usage blocks, conservation adjustment and rate factors, yield anticipated total price changes ranging from 26.5% at 1 kgal to 62.7% at 10 kgal. Consumption at the 5.5 kgal average in this block yields a price increase of approximately 52%. Based on the magnitude of the expected price increases in this first block, we find that a repression adjustment is appropriate. Further, for bills with monthly consumption above 10 kgal, the increase in price will range from 70% to over 200%. Therefore, we find that repression adjustments in the other two usage blocks are warranted as well.

However, we have no historical data of other utilities converting from a uniform consumption charge to an inclining-block consumption charge to use as a point of reference in determining an appropriate adjustment. Based on our analysis of utilities in our database, however, for utilities that did not experience a change in rate structure in rate proceedings, an average price increase of approximately 33% resulted in an approximate 7% reduction in consumption. Considering that a 7% reduction in consumption could be expected if there were no change in rate structure, we used 7% as the floor for our approved adjustments in this case, and find that it is an appropriate adjustment for the first usage block. Although the average price increase in the first usage block is greater than 33% (it is approximately 52%), we do not believe that a repression adjustment greater than 7% (5,580 kgal) is warranted. Some consumption in the first block represents nondiscretionary consumption which is subject to little, if any, repression.

Customers who use from 10 kgal to 20 kgal per month will face preliminary price changes ranging from 70% (at 11 kgal) to 110.6%. The consolidated factor midpoint in this usage block occurs at 13 kgal, with a preliminary expected price increase of 82.3%. Assuming a proportional increase in repression, we find that a repression adjustment of 11% (1,444 kgal) for monthly consumption in the second usage block is reasonable.

Customers who use greater than 20 kgal per month will face preliminary price changes ranging from 117% (at 21 kgal) to greater than 200%. The consolidated factor midpoint in this usage block occurs at 30 kgal, with a preliminary expected price increase of 158.4%. A proportional increase in repression results in an adjustment of approximately 20% (1,632 kgal) in this usage block.

We have not typically applied repression adjustments to the general service class, and we have not made a repression adjustment to that class in this case.[5] First, this class is typically more heterogenous than the residential class. Therefore, without specific knowledge about the business makeup of the general service customers (i.e., carwashes vs. laundromats vs. convenience stores, etc.), it is not possible to reasonably predict what an appropriate repression adjustment might be. Furthermore, consumption in this class is often considered more nondiscretionary and necessary for business purposes. Therefore, rather than promote conservation, price increases may be passed on to the customers of the respective businesses. Finally, consumption in this class represents approximately 5% of overall utility consumption. Therefore, any adjustment made to this class would not be material.

The effects of our approved repression adjustments in each usage block result in an overall residential repression adjustment of 9%, or an anticipated reduction in consumption of 8,655 kgals. The resulting consumption to be used to calculate consumption charges is 97,397 kgals.

Based on the foregoing, we find that repression of consumption is likely to occur. The appropriate repression adjustment is a reduction in consumption of 8,655 kgal, and the resulting consumption to be used to calculate consumption charges is 97,397 kgal. In order to monitor the effects of this rate proceeding on consumption, the utility shall prepare monthly reports detailing the number of bills rendered, the consumption billed (by usage block for residential customers) and the revenue billed. These reports shall be provided, by customer class and meter size, on a

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[5]See Order PSC-00-1528-PAA-WU. Although this Order was protested and is now set for hearing, the repression adjustment was not a protested issue.

quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

Rates

As discussed previously, the appropriate revenue requirement, excluding miscellaneous service charges of $1,694, is $415,622. As discussed above, we have found that an inclining-block rate structure is appropriate for the residential class, while the general service class shall continue with its traditional BFC/uniform gallonage charge rate structure. The appropriate consumption to be used for rate setting is 97,397 kgals. Therefore, the resulting monthly rates for service are those shown on Schedule No. 4.

The permanent rates requested by the utility are designed to produce revenues of $485,481 for water service. The requested revenues represent an increase of $232,233, or 91.70%. Our approved increase in revenue requirement is $168,624, or approximately 67.8%. The final rates approved for the utility shall be designed to produce revenues of $415,622 (excluding miscellaneous service charge revenues).

Approximately 36% (or $151,483) of the revenue requirement is recovered through the approved base facility charge. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 64% of the revenue requirement (or $264,139) represents revenues collected through the consumption charge based on the number of factored gallons.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the rates approved herein. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), Florida Administrative Code. The rates shall not be implemented until Commission staff has approved the proposed customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

A comparison of the utility's original rates, requested rates and our approved rates is shown on Schedule No. 4.

Refund of Interim Revenues

In Order No. PSC-00-1891-PCO-WU, issued October 16, 2000, the utility's proposed rates were suspended and interim water rates were approved subject to refund, pursuant to Sections 367.082, Florida Statutes. The interim revenues are shown below:

	Revenues	Increase	Percentage
Water	$ 349,827	$ 101,135	40.67%

According to Section 367.082, Florida Statutes, any refund shall be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect shall be removed. Examples of these adjustments would be an attrition allowance or rate case expense, which are recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates was the historical twelve months ended December 31, 1999. The approved interim rates did not include any provisions for pro forma consideration of increased operating expenses or increased plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

To establish the proper refund amount, we have calculated a revised interim revenue requirement utilizing the same data used to establish final rates. We included pro forma plant since it was in service by October 2000, which is during the interim collection period. However, rate case expense was excluded because it was not an actual expense during the interim collection period.

Using the principles discussed above, we have calculated the appropriate revenue requirement for the interim collection period to be $394,934. This results in an increase of $146,242 or 58.80%. This revenue level is more than the interim increase which was granted by Order No. PSC-00-1891-PCO-WU.

Based on the above, the utility shall not be required to refund any water revenues collected under interim rates.

Therefore, the revenue held subject to refund and the letter of credit, required by Order No. PSC-00-1891-PCO-WU guaranteeing those revenues, shall be released.

UNAUTHORIZED CHANGE OF AFUDC RATE

As discussed previously, our staff auditor discovered that, during 1997, the utility acquired a loan from its parent company for construction of its plant expansion. The utility capitalized the interest on the construction related to the plant expansion loan.

Rule 25-30.116(5), Florida Administrative Code, provides that no utility may charge or change its AFUDC rate without prior Commission approval. We believe that capitalizing the interest from this construction loan is tantamount to changing the AFUDC rate without our prior approval. In the utility's response to the audit report, the utility stated that it was unaware that it was required to obtain our authorization prior to capitalizing interest during construction.

Section 367.161, Florida Statutes, authorizes this Commission to assess a penalty of not more than $5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. In failing to obtain prior approval before capitalizing interest from the loan, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., having found that the company had not intended to violate the rule, we nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833).

Although the utility is in apparent violation of Rule 25-30.116(5), Florida Administrative Code, we believe that there are

factors present which mitigate the utility's apparent violation. Because we are approving an AFUDC rate as addressed previously in this Order, the utility will no longer have an unapproved rate and thus will be in compliance with Rule 25-30.116, Florida Administrative Code. Further, the disallowance of capitalized interest will preclude the utility from earning a return on this amount and the utility will be required to expense the amount below the line.

Based on the foregoing, we do not believe that the apparent violation of Rule 25-30.116(5), Florida Administrative Code, under these circumstances rises to the level that warrants the initiation of a show cause proceeding. Therefore, we decline to order the utility to show cause for failing to obtain prior approval before capitalizing the interest associated with its plant expansion loan.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Placid Lakes Utilities, Inc.'s application for increased water rates and charges 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 incorporated herein by reference. 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 the rates and charges approved herein shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that Placid Lakes Utilities, Inc. shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that Placid Lakes Utilities, Inc. shall not be required to refund any water revenues collected under interim rates. Accordingly, the revenue held subject to refund and the letter of credit, required by Order No. PSC-00-1891-PCO-WU guaranteeing those revenues, shall be released. It is further

ORDERED that Placid Lakes Utilities, Inc. shall prepare monthly reports detailing the number of bills rendered, the consumption billed (by usage block for residential customers) and the revenue billed. These reports shall be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no timely protest is received upon expiration of the protest period, this Order will become final upon the issuance of a Consummating Order and the docket shall be closed upon the utility's filing and our staff's approval of revised tariff sheets.

By ORDER of the Florida Public Service Commission this 6th day of February, 2001.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)
JSB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 27, 2001.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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.

PLACID LAKES UTILITIES, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED 12/31/1999

SCHEDULE NO. 1-A
DOCKET 000295-WU

	DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST-MENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUST-MENTS	COMMISSION ADJUSTED TEST YEAR
1	UTILITY PLANT IN SERVICE	$1,860,086	$0	$1,860,086	($58,249)	$1,801,837
2	LAND & LAND RIGHTS	$1,000	$0	$1,000	$0	$1,000
3	NON-USED & USEFUL COMPONENTS	$0	($95,752)	($95,752)	($31,432)	($127,184)
4	ACCUMULATED DEPRECIATION	($583,896)	$0	($583,896)	$29,738	($554,158)
5	CIAC	($1,010,604)	$0	($1,010,604)	$25,959	($984,645)
6	AMORTIZATION OF CIAC	$405,016	$0	$405,016	($15,731)	$389,285
7	WORKING CAPITAL ALLOWANCE	$0	$38,328	$38,328	($1,791)	$36,537
	RATE BASE	$671,602	($57,424)	$614,178	($51,505)	$562,673

PLACID LAKES UTILITIES, INC. ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 12/31/1999	SCHEDULE NO. 1-B DOCKET 000295-WU PAGE 1 OF 1
EXPLANATION	**WATER**
PLANT IN SERVICE	
1 To adjust to simple average balance	($24,781)
2 Adjustment for unauthorized capitalized interest booked	(45,333)
3 Proforma adj. for pumping equipment damaged by lightening	11,865
Total	($58,249)
NON-USED & USEFUL PLANT	
Adjustment due to adjustments in used and useful	($31,432)
ACCUMULATED DEPRECIATION	
1 To adjust to simple average balance	$26,178
2 Adjustment for unauthorized capitalized interest booked	3,857
3 Proforma adj. for pumping equipment damaged by lightening	(297)
Total	$29,738
CIAC	
To adjust to simple average balance	$25,959
ACCUM. AMORT. OF CIAC	
To adjust to simple average balance	($15,731)
WORKING CAPITAL	
Adjustment due to adjustments to O&M expense	($1,791)

PLACID LAKES UTILITIES, INC.
CAPITAL STRUCTURE
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
PER UTILITY - YEAR END 1999								
1	LONG TERM DEBT	$0	$0	$0	$0	0.00%	10.50%	0.00%
2	SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
3	PREFERRED STOCK	0	0	126,246	126,246	20.56%	7.00%	1.44%
4	COMMON EQUITY	(887,391)	0	1,375,323	487,932	79.44%	12.00%	9.53%
5	CUSTOMER DEPOSITS	0	0	0	0	0.00%	6.30%	0.00%
6	DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
7	DEFERRED ITC'S	0	0	0	0	0.00%	0.00%	0.00%
8	ADVANCES FROM ASSOC. COS.	1,707,915	0	(1,707,915)	0	0.00%	0.00%	0.00%
9	**TOTAL CAPITAL**	$820,524	$0	($206,346)	$614,178	100.00%		10.97%
PER COMMISSION - AVERAGE 1999								
10	LONG TERM DEBT	$0	$732,714	($170,040)	$562,674	100.00%	10.50%	10.50%
11	SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12	PREFERRED STOCK	0	0	0	0	0.00%	7.00%	0.00%
13	COMMON EQUITY	(896,277)	896,277	0	0	0.00%	9.93%	0.00%
14	CUSTOMER DEPOSITS	0	0	0	0	0.00%	6.30%	0.00%
15	DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
16	DEFERRED ITC'S	0	0	0	0	0.00%	0.00%	0.00%
17	ADVANCES FROM ASSOC. COS.	1,628,991	(1,628,991)	0	0	0.00%	0.00%	0.00%
18	**TOTAL CAPITAL**	$732,714	$0	($170,040)	$562,674	100.00%		10.50%
						LOW	**HIGH**	
19				RETURN ON EQUITY		8.93%	10.93%	
20				OVERALL RATE OF RETURN		10.50%	10.50%	

PLACID LAKES UTILITIES, INC.
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED 12/31/1999

SCHEDULE NO. 3-A
DOCKET 000295-WU

	DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST-MENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUST-MENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1	**OPERATING REVENUES**	$268,587	$216,894	$485,481	($236,789)	$248,692	$168,624 67.80%	$417,316
	OPERATING EXPENSES:							
2	OPERATION & MAINTENANCE	$304,110	$2,515	$306,625	($14,329)	$292,296		$292,296
3	DEPRECIATION	26,631	(3,475)	23,156	(1,556)	21,600		21,600
4	AMORTIZATION	0	0	0	0	0		0
5	TAXES OTHER THAN INCOME	37,586	10,380	47,966	(11,215)	36,751	7,588	44,339
6	INCOME TAXES	(37,714)	78,073	40,359	(40,359)	0	0	0
7	**TOTAL OPERATING EXPENSES**	$330,613	$87,493	$418,106	($67,459)	$350,647	$7,588	$358,235
8	**OPERATING INCOME**	($62,026)	$129,401	$67,375	($169,330)	($101,955)	$161,036	$59,081
9	**RATE BASE**	$671,602		$614,178		$562,673		$562,673
10	**RATE OF RETURN**	(9.24)%		10.97%		(18.12)%		10.50%

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

SCHEDULE NO. 3-B
DOCKET 000295-WU
PAGE 1 OF 1

EXPLANATION	WATER
OPERATING REVENUES	
1 Remove requested final revenue increase	($232,233)
2 To adjust to simple average balance	(4,556)
Total	($236,789)
OPERATION & MAINTENANCE EXPENSE	
1 To reflect Commission's miscellaneous adjustments	($821)
2 To reflect Commission's adjustments to rate case expense	(17,476)
3 To reflect non-recurring items removed from rate case exp.	6,919
4 To reflect legal services removed from rate case expense.	1,452
5 To remove management fees and include in rate case expense.	(2,351)
6 To adjust purchase power for repression	(905)
7 To adjust chemicals for repression	(1,147)
Total	($14,329)
DEPRECIATION EXPENSE-NET	
1 To adjust to simple average balance	$514
2 Adjustment for unauthorized capitalized interest booked	(1,543)
3 Proforma adj. for pumping equipment damaged by lightening	593
4 Adjustment due to non used&useful adjustment	(1,120)
Total	($1,556)
TAXES OTHER THAN INCOME	
1 Adjust RAFs on utility's requested revenue increase	($10,450)
2 Adjust RAFs to reflect test year simple average revenues	(205)
3 To remove utility's increase for prop/real estate discount	(535)
4 Adjust non used&useful adjustment prop./real estate tax	(239)
5 Adjust prop/real estate tax for additional plant investment	214
Total	($11,215)
INCOME TAXES	
To remove test year income tax expense	($40,359)

PLACID LAKES UTILITIES, INC.
WATER MONTHLY SERVICE RATES
TEST YEAR ENDED 12/31/1999

SCHEDULE NO. 4
DOCKET 000295-WU
PAGE 1 OF 1

	Rates As of 06/30/2000	Commission Approved Interim		Utility Requested Final		Comm. Approved Final
Residential						
Base Facility Charge by Meter Size						
5/8" x 3/4"	$7.16	$10.11		$11.28		$8.31
3/4"	$7.16	$10.11		$16.92		$12.47
1"	$17.91	$25.27		$28.20		$20.78
1 1/2"	$35.80	$50.53		$56.40		$41.55
2"	$57.30	$80.86		$90.24		$66.48
3"	$114.72	$161.70		$180.48		$132.96
4"	$179.25	$252.65		$282.00		$207.75
6"	$358.04	$505.32		*		*
8"	$572.87	$808.52		*		*
10"	$823.50	$1,162.25		*		*
12"	$1,539.59	$2,172.89		*		*
Gallonage Charge						
per 1,000 Gals (kgal)	$1.14	$1.61	0-10 kgal	$2.42	0-10 kgal	$2.39
			10-40 kgal	$3.63	10-20 kgal	$3.59
			>40 kgal	$4.84	>20 kgal	$4.78
General Service						
Base Facility Charge by Meter Size						
5/8" x 3/4"	$7.16	$10.11		$11.28		$8.31
3/4"	$7.16	$10.11		$16.92		$12.47
1"	$17.91	$25.27		$28.20		$20.78
1 1/2 "	$35.80	$50.53		$56.40		$41.55
2"	$57.30	$80.86		$90.24		$66.48
3"	$114.72	$161.70		$180.48		$132.96
4"	$179.25	$252.65		$282.00		$207.75
6"	$358.04	$505.32		*		*
8"	$572.87	$808.52		*		*
10"	$823.50	$1,162.25		*		*
12"	$1,539.59	$2,172.89		*		*
Gallonage Charge per kgal	$1.14	$1.61		$2.68		$2.71

Typical Residential Bills

5/8" x 3/4" Meter Size				
3,000 Gallons	$10.58	$14.94	$18.54	$15.48
12,000 Gallons	$20.84	$29.43	$42.74	$27.43
22,000 Gallons	$32.24	$45.53	$79.04	$77.67
42,000 Gallons	$55.04	$77.73	$154.06	$173.27

*Utility did not request an increase and has no customers for these meter sizes; therefore, these rates have been discontinued.

Attachment A page 1 of 2

WATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 000295-WU - Placid Lakes Utilities, Inc.

1)	Firm Reliable Capacity of Plant	706,000	gallons per day
2)	Average of 5 Highest Days From Maximum Month	487,400	gallons per day
3)	Average Daily Flow	283,767	gallons per day
4)	Fire Flow Capacity	120,000	gallons per day

a) Required Fire Flow: 1,000 gallons per minute for 2 hours

5) Growth

a)	Test year Customers in ERCs:	Begin	1,450
		End	1,519
		Average	1,485

(Use average number of customers)

b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	61	ERCs
c)	Statutory Growth Period	5	Years

(b)x(c)x [2/(a)]= 100,106 gallons per day for growth

6)	Excessive Unaccounted for Water	0	gallons per day
a)	Average Unaccounted for Water	7,101	gallons per day
	Percent of Average Daily Flow	2.50%	
b)	Reasonable Amount	28,377	gallons per day
	(10% of average Daily Flow)		
c)	Excessive Amount	0	gallons per day

USED AND USEFUL FORMULA

[(2)+(4)+(5)-(6)]/(1) = 100.0% Used and Useful

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

Docket No. 000295-WU - Placid Lakes Utilities, Inc.

1)	Capacity of System	3,255	lots
2)	Test year connections		
	a) Beginning of Test Year	1,450	lots
	b) End of Test Year	1,519	lots
	c) Average Test Year	1,485	lots
3)	Growth	305	lots
	(Use End of Test Year and End of Previous Years for growth connections)		
	a) customer growth in connections for last 5 years including Test Year using Regression Analysis	61	lots .
	b) Statutory Growth Period	5	Years

(a)x(b) = 305 lots allowed for growth

USED AND USEFUL FORMULA

[(2+(3)]/(1) = 54.99% Used and Useful **

** See Distribution System Discussion. The calculation shown above is done for comparison purposes only.

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS (RATES BEFORE REPRESSION ADJUSTMENT)						
		Inclining-Block Rates @ 15% Conservation Adjustment				
Usage Blocks (kgal)	**Current Rates**	**1/1.5/2**	**1/1.5/3**	**1/1.5/4**	**1/2/3**	**1/2/4**
0-10	$1.14	$2.02	$1.89	$1.77	$1.80	$1.69
10-20	$1.14	$3.03	$2.84	$2.66	$3.60	$3.38
20+	$1.14	$4.04	$5.67	$7.08	$5.40	$6.76
Consump (kgal)	**Current Consump Charges**	**Inclining-Block Consumption Charges**				
1	$1.14	$2.02	$1.89	$1.77	$1.80	$1.69
5	$5.70	$10.10	$9.45	$8.85	$9.00	$8.45
10	$11.40	$20.20	$18.90	$17.70	$18.00	$16.90
15	$17.10	$35.35	$33.10	$31.00	$36.00	$33.80
20	$22.80	$50.50	$47.30	$44.30	$54.00	$50.70
30	$34.20	$90.90	$104.00	$115.10	$108.00	$118.30
40	$45.60	$131.30	$160.70	$185.90	$162.00	$185.90
Consump (kgal)		**Changes in Consumption Charges**				
1		77.2%	65.8%	55.3%	57.9%	48.2%
5		77.2%	65.8%	55.3%	57.9%	48.2%
10		77.2%	65.8%	55.3%	57.9%	48.2%
15		106.7%	93.6%	81.3%	110.5%	97.7%
20		121.5%	107.5%	94.3%	136.8%	122.4%
30		165.8%	204.1%	236.5%	215.8%	245.9%
40		187.9%	252.4%	307.7%	255.3%	307.7%

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS (RATES BEFORE REPRESSION ADJUSTMENT)						
		Inclining-Block Rates @ 20% Conservation Adjustment				
Usage Blocks (kgal)	**Current Rates**	**1/1.5/2**	**1/1.5/3**	**1/1.5/4**	**1/2/3**	**1/2/4**
0-10	$1.14	$2.11	$1.97	$1.85	$1.87	$1.76
10-20	$1.14	$3.17	$2.96	$2.78	$3.74	$3.52
20+	$1.14	$4.22	$5.91	$7.40	$5.61	$7.04
Consump (kgal)	**Current Consump Charges**	**Inclining-Block Consumption Charges**				
1	$1.14	$2.11	$1.97	$1.85	$1.87	$1.76
5	$5.70	$10.55	$9.85	$9.25	$9.35	$8.80
10	$11.40	$21.10	$19.70	$18.50	$18.70	$17.60
15	$17.10	$36.95	$34.50	$32.40	$37.40	$35.20
20	$22.80	$52.80	$49.30	$46.30	$56.10	$52.80
30	$34.20	$95.00	$108.40	$120.30	$112.20	$123.20
40	$45.60	$137.20	$167.50	$194.30	$168.30	$193.60
Consump (kgal)		**Changes in Consumption Charges**				
1		85.1%	72.8%	62.3%	64.0%	54.4%
5		85.1%	72.8%	62.3%	64.0%	54.4%
10		85.1%	72.8%	62.3%	64.0%	54.4%
15		116.1%	101.8%	89.5%	118.7%	105.8%
20		131.6%	116.2%	103.1%	146.1%	131.6%
30		177.8%	217.0%	251.8%	228.1%	260.2%
40		200.9%	267.3%	326.1%	269.1%	324.6%

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS (RATES BEFORE REPRESSION ADJUSTMENT)						
		Inclining-Block Rates @ 25% Conservation Adjustment				
Usage Blocks (kgal)	Current Rates	1/1.5/2	1/1.5/3	1/1.5/4	1/2/3	1/2/4
0-10	$1.14	$2.19	$2.05	$1.92	$1.94	$1.83
10-20	$1.14	$3.29	$3.08	$2.88	$3.88	$3.66
20+	$1.14	$4.38	$6.15	$7.68	$5.82	$7.32
Consump (kgal)	Current Consump Charges	Inclining-Block Consumption Charges				
1	$1.14	$2.19	$2.05	$1.92	$1.94	$1.83
5	$5.70	$10.95	$10.25	$9.60	$9.70	$9.15
10	$11.40	$21.90	$20.50	$19.20	$19.40	$18.30
15	$17.10	$38.35	$35.90	$33.60	$38.80	$36.60
20	$22.80	$54.80	$51.30	$48.00	$58.20	$54.90
30	$34.20	$98.60	$112.80	$124.80	$116.40	$128.10
40	$45.60	$142.40	$174.30	$201.60	$174.60	$201.30
Consump (kgal)		Changes in Consumption Charges				
1		92.1%	79.8%	68.4%	70.2%	60.5%
5		92.1%	79.8%	68.4%	70.2%	60.5%
10		92.1%	79.8%	68.4%	70.2%	60.5%
15		124.3%	109.9%	96.5%	126.9%	114.0%
20		140.4%	125.0%	110.5%	155.3%	140.8%
30		188.3%	229.8%	264.9%	240.4%	274.6%
40		212.3%	282.2%	342.1%	282.9%	341.4%

TABLE 1

SELECTION OF CONSERVATION ADJUSTMENT AND USAGE BLOCK RATE FACTORS (RATES BEFORE REPRESSION ADJUSTMENT)

		Changes in Total Price @ 15% Conservation Adjustment				
Consump (kgal)		1/1.5/2	1/1.5/3	1/1.5/4	1/2/3	1/2/4
1		37.8%	36.2%	34.8%	35.1%	33.8%
5		51.7%	46.7%	42.0%	43.2%	38.9%
10		59.6%	52.6%	46.1%	47.7%	41.8%
15		84.5%	75.2%	66.6%	87.2%	78.1%
20		100.0%	89.3%	79.3%	111.6%	100.6%
30		142.5%	174.2%	201.0%	183.9%	208.8%
40		166.7%	222.4%	270.2%	224.9%	270.2%
Consump (kgal)		Changes in Total Price @ 20% Conservation Adjustment				
1		32.1%	30.4%	29.0%	29.2%	27.9%
5		50.9%	45.5%	40.8%	41.6%	37.3%
10		61.4%	53.9%	47.4%	48.5%	42.5%
15		88.8%	78.7%	70.0%	90.6%	81.6%
20		105.8%	94.1%	84.1%	116.8%	105.8%
30		151.1%	183.5%	212.2%	192.7%	219.2%
40		176.8%	234.2%	285.0%	235.7%	283.7%
Consump (kgal)		Changes in Total Price @ 25% Conservation Adjustment				
1		26.5%	24.8%	23.2%	23.5%	22.1%
5		49.7%	44.3%	39.2%	40.0%	35.7%
10		62.7%	55.2%	48.2%	49.3%	43.3%
15		92.3%	82.2%	72.7%	94.1%	85.1%
20		110.6%	98.9%	87.9%	122.0%	110.9%
30		158.4%	192.8%	221.8%	201.5%	229.8%
40		185.6%	246.1%	297.8%	246.6%	297.2%
Legend:	= the greatest price chg across rate factors holding consump (kgal) & conservation adj constant (horizontal analysis)			= greatest price chg across conservation adj holding consump (kgal) & rate factors constant (vertical analysis)		