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(LICENSED IN TEXAS ONLY)

July 25, 2003
VIA HAND DELIVERY

RECEIVED
JUL 25 2003

FPSC-COMMISSION CLERK

Ms. Blanca Bayo
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Farmton Water Resources, LLC; Docket No. 021256-WU
Application for Original Certificate
Our File No. 36029.01

Dear Ms. Bayo:

Attached in accordance with the requirements of Order No. PSC-03-0370-PCO-WU are the original and fifteen copies of the Direct Testimonies and Exhibits of the following witnesses filed on behalf of Farmton Water Resources, LLC in the above-referenced docket:

Tara L. Hollis 06753-03
Earl M. Underhill 06754-03
Charles W. Drake, P.G. 06755-03
Gerald C. Hartman, P.E. 06756-03
Howard M. Landers 06757-03

Sincerely,

ROSE, SUNDSTROM & BENTLEY


F. Marshall Deterding
For The Firm

AUS _____ FMD/tms
CAF _____
CMP _____ ec: Jennifer A. Rodan, Esq.
COM 3+ Orig for Edward P. de la Parte, Jr. Esq.
CTR _____
ECR _____
SCL 2 _____ Donald A. Schmidt, Mayor
OPC _____ William J. Bosch, III, Esq.
MMS _____ Scott L. Knox, Esq.
SEC 1 _____ Frank Roberts, City Manager
OTH _____

DIRECT TESTIMONY
OF
TARA L. HOLLIS, M.B.A., C.P.A.

TO
THE STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

RE: APPLICATION OF FARMTON WATER RESOURCES, LLC
FOR ORIGINAL WATER CERTIFICATE
IN VOLUSIA AND BREVARD COUNTIES, FLORIDA

DOCKET NUMBER 021256-WU

JULY 2003

DOCUMENT NO. 021256
6753 JUL 23 2003
FPSC-CC. REG. CLERK

DIRECT TESTIMONY OF TARA L. HOLLIS, M.B.A., C.P.A.

1 Q. State your name and address.

2 A. Tara Lynn Hollis, M.B.A., C.P.A., Hartman & Associates,
3 Inc., 201 E. Pine Street, Suite 1000, Orlando, Florida
4 32801.

5 Q. Ms. Hollis, are you a licensed Certified Public Accountant
6 in the State of Florida?

7 A. Yes. My license number is AC-0031100.

8 Q. Ms. Hollis, what is your area of specialty in your practice?

9 A. I specialize primarily in water and wastewater utility
10 financial matters.

11 Q. What professional experience do you have that would qualify
12 you to provide testimony in this matter?

13 A. I have been involved with the development of water and
14 wastewater rates and charges for various governmental units
15 throughout the State of Florida, which has included the
16 preparation of detailed financial projections.

17 Q. In what area are you going to provide testimony in this
18 matter?

19 A. In financial rate setting matters associated with the
20 application of Farmton Water Resources, LLC, and for the
21 Florida Public Service Commission original water
22 certificate.

23 Q. What specifically does that include?

24 A. It includes the retail, fire protections, and bulk water
25 user rates and service availability charges.

1 Q. Was the application for certification and supporting
2 financial report prepared by your firm?

3 A. Yes, our firm prepared the engineering, financial,
4 hydrogeological, and utility management aspects of the
5 application on behalf of our client, Farmton Water
6 Resources, LLC, which were included in Composite Exhibit
7 "GCH-1".

8 Q. Was the application submitted to the Public Service
9 Commission with an associated report on record at the
10 Commission?

11 A. Yes, these have been presented as Exhibits GCH-1.

12 Q. Is your rate setting analysis presented in Exhibit GCH-1?

13 A. Yes, Section 6 and Attachment B of the Engineering and
14 Financial Report (Exhibit GCH-1) detail the financial
15 information and rate design including supporting schedules.

16 Q. How were the expenses and capital costs contained in Exhibit
17 GCH-1, derived?

18 A. I worked with our engineers and hydrogeologists to develop
19 expense and capital projections, which were utilized in
20 developing the rates and charges identified in the
21 application.

22 Q. What is the appropriate return on equity for Farmton Water
23 Resources, LLC?

24 A. On July 5, 2002, the Public Service Commission issued Order
25 No. PSC-02-0898-PAA-WS reestablishing an authorized range of

1 return on common equity for water and wastewater utilities,
2 which I have included as Exhibit TLH-1. This leverage
3 formula was used as the basis for the rate of return on
4 equity for Farmton Water Resources, LLC.

5 Q. What is the appropriate AFUDC rate for Farmton Water
6 Resources, LLC?

7 A. The rate utilized was developed based on the parent
8 company's, Farmton Management LLC, lending rate of prime
9 plus two percent (2%).

10 Q. Has a newer leverage formula order been issued and adopted
11 by the Florida Public Service Commission since the
12 preparation of your schedules contained in the Farmton Water
13 Resources, LLC Application?

14 A. Yes, a newer leverage formula has been adopted and while we
15 have no problem with updating the information contained
16 within the application in order to recognize the most recent
17 leverage formula adopted by the Commission, we could not do
18 so at that time, because that newer version of the leverage
19 formula had not been adopted.

20 Q. Utilizing the information provided, did you then develop the
21 rates and charges shown in the Application?

22 A. Yes, those rates and charges were developed by me in
23 conformance with the requirements of the applicable
24 provisions of PSC Rules and Chapter 367, Florida Statutes.

25 Q. Are you expecting to provide rebuttal testimony?

DIRECT TESTIMONY OF TARA L. HOLLIS, M.B.A., C.P.A.

1 A. To the extent that it is needed, yes.

2 Q. Do you have a resume?

3 A. Yes, that is attached as Exhibit TLH-2.

4 Q. Does this conclude your Direct Testimony?

5 A. Yes.

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EXHIBIT TLH-1

Florida Public Service Commission

Order No. PSC-02-0898-PAA-WS

Issued July 5, 2002

In re: Water and wastewater annual reestablishment of authorized
range of return on common equity for water and wastewater
utilities pursuant to Section 367.081(4), F.S.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Water and wastewater
industry annual reestablishment
of authorized range of return on
common equity for water and
wastewater utilities pursuant to
Section 367.081(4)(f), F.S.

DOCKET NO. 020006-WS
ORDER NO. PSC-02-0898-PAA-WS
ISSUED: July 5, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING AUTHORIZED RANGE OF RETURNS ON
COMMON EQUITY FOR WATER AND WASTEWATER UTILITIES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service
Commission that the action discussed herein is preliminary in
nature and will become final unless a person whose interests are
substantially affected files a petition for a formal proceeding,
pursuant to Rule 25-22.029, Florida Administrative Code.

Section 367.081(4)(f), Florida Statutes, authorizes this
Commission to establish, not less than once each year, a leverage
formula to calculate a reasonable range of returns on equity for
water and wastewater (WAW) utilities. In Docket No. 010006-WS, the
Commission established the current leverage formula by Order No.
PSC-01-2514-FOF-WS, issued on December 24, 2001. This Order
utilizes the same leverage formula methodology, with updated
financial data, as that set forth in Order No. PSC-01-2514-FOF-WS,

DOCUMENT NUMBER-DATE

06915 JUL-5 2002

FPSC-COMMISSION CLERK

using returns on equity from financial models based on an index of natural gas utilities. Accordingly, we approve the following leverage formula:

$$\text{Return on Common Equity} = 9.65\% + 0.582/\text{Equity Ratio}$$

Where the Equity Ratio = Common Equity / (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Range: 10.23% @ 100% equity to 11.10% @ 40% equity

We note that the leverage formula depends on the four basic assumptions listed below:

- 1) Business risk is similar for all WAW utilities.
- 2) The cost of equity is an exponential function of the equity ratio.
- 3) The marginal weighted average cost of investor capital is constant over the equity ratio range of 40% to 100%.
- 4) The cost rate at an assumed Moody's Baa3 bond rating, plus a 50 basis point private placement premium and a 50 basis point small utility premium, represents the average marginal cost of debt to a Florida WAW utility over an equity ratio range of 40% to 100%.

The leverage formula is assumed to be appropriate for the average Florida WAW utility.

The leverage formula relies on two return on equity (ROE) models and several adjustments for differences in risk and debt cost in order to conform the results of the models to the average Florida WAW utility. Both models include a four percent adjustment for flotation costs. The models are as follows:

- A Discounted Cash Flow (DCF) model applied to an index of natural gas utilities (NG) that have publicly traded stock and are followed by the Value Line Investment Survey (Value Line). The DCF model is an annual model and uses prospective growth rates.
- A Capital Asset Pricing Model (CAPM) using a market return for companies followed by Value Line, the average yield on the

Treasury's long-term bonds projected by the Blue Chip Financial Forecasts, and the average beta of the index of NG utilities. The market return is adjusted to assume a quarterly model by adding 20 basis points to the result.

The indicated returns of the above models are averaged and the resulting estimate is adjusted in the following manner:

- A bond yield differential of 40 basis points to reflect the difference in yields between an A/A2 rated bond, which is the average bond rating for the NG utility index, and a BBB-/Baa3 rated bond. Florida WAW utilities are assumed to be comparable to WAW companies with the lowest investment grade bond rating, which is Baa3. This adjustment compensates for the difference between the credit quality of "A" rated debt and the credit quality of the minimum investment grade rating.
- A private placement premium of 50 basis points is added to reflect the difference in yields on publicly traded debt and privately placed debt, which is illiquid. Investors require a premium for the lack of liquidity of privately placed debt.
- A small utility premium of 50 basis points is added to reflect that the average Florida WAW utility is too small to qualify for privately placed debt.

After the above adjustments are made, the resulting cost of equity estimate is included in the average capital structure for the NG utilities. The cost of equity is determined at a 40% equity ratio and the leverage formula is derived. The leverage formula derived using the current methodology with updated financial data is presented in Attachment 1.

As set forth in Section 367.081 (4) (f), Florida Statutes, the Commission shall use the current leverage formula for any utility "which otherwise would have no established rate of return on equity." In addition, we are utilizing the current leverage formula to reestablish the authorized ROE for all WAW utilities that currently have authorized ROEs. This update would not be done annually, only when there have been significant changes in the capital markets. We believe this action to be cost effective and

appropriate in order to avoid a piecemeal approach in updating authorized ROEs.

Pursuant to Section 367.011(2), Florida Statutes, the Commission has "exclusive jurisdiction over each utility with respect to its authority, service, and rates." Additionally, as set forth in Section 367.081(2)(a), Florida Statutes, the Commission can "either upon request or upon its own motion, fix rates." A utility's ROE is one factor that is used in determining rates. As a result, we have the authority to use the leverage formula set forth in this Order to reestablish the ROE for all WAW utilities that currently have an authorized ROE. Updating the ROEs of the WAW utilities will not change the rates currently charged to ratepayers.

Many WAW utilities currently have authorized ROEs that are outside the range of returns indicated by the leverage formula. Capital market conditions change continuously, and reestablishing the authorized ROE for all WAW utilities that currently have authorized ROEs reflects current capital market conditions. A utility's authorized ROE and range can affect excess earnings reviews (earnings surveillance), index and pass-through applications, and interim rates. Updating the WAW utilities' ROEs will bring many outdated ROEs in line with the current economic returns expected by today's investors. In addition, using an ROE based on current expected returns will limit the chance of overstating or understating the true economic cost to the utilities when the ROE is used for purposes other than setting rates.

The Commission regulates approximately 200 WAW utilities. Only 47% of these utilities have authorized ROEs. The leverage formula authorized by this Order will lower the ROE of an estimated 34% of the utilities with authorized ROEs. In addition, it will raise the ROE of an estimated 38% of utilities with authorized ROEs and leave 28% of the utilities with authorized ROEs unchanged. We note that this Commission adopted a similar approach for the gas industry. See Order No. PSC-93-1820-FOF-GU, issued December 22, 1993, in Docket No. 931098-GU; Order No. PSC-94-0249-FOF-GU, issued March 7, 1994, in Docket No. 931100-GU; and Order No. PSC-93-1772-FOF-GU, issued December 10, 1993, in Docket No. 931099-GU. This action was taken to reflect significant changes in capital market

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DOCKET NO. 020006-WS
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conditions and to bring those utilities' ROEs more in line with current market conditions.

For WAW utilities that have authorized ROEs, we hereby reestablish the authorized ROEs using the water and wastewater leverage formula authorized by this Order. The appropriate equity ratio for determining the new authorized ROE shall be the equity ratio that this Commission used to determine the utility's last authorized ROE. The appropriate range for the new authorized ROE is the ROE plus or minus 100 basis points.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the leverage formula methodology, summarized herein and in Attachment 1, used to calculate a range of returns on equity for water and wastewater utilities is hereby approved. It is further

ORDERED that Attachment 1 is herein incorporated by reference. It is further

ORDERED that returns on common equity are hereby capped at 11.10 percent for all water and wastewater utilities with equity ratios of less than 40 percent in order to discourage imprudent financial risk. It is further

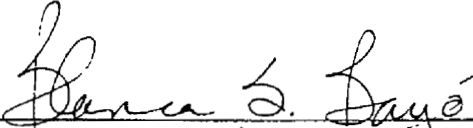
ORDERED that the leverage formula methodology approved in this Order shall be applied to all water and wastewater utilities that currently have an authorized return on equity. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, 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 the Commission Clerk and Administrative Services, 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

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ORDERED that in the event this Order becomes final, this docket shall remain open to allow our staff to monitor the movement in capital costs and to readdress the reasonableness of the leverage formula as conditions warrant.

By ORDER of the Florida Public Service Commission this 5th day of July, 2002.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing 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.

ORDER NO. PSC-02-0898-PAA-WS
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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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 26, 2002.

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/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

SUMMARY OF RESULTS
Leverage Formula Update

	<u>Updated Results</u>	<u>Currently in Effect</u>
(A) CAPM ROE for Natural Gas Index	8.93%	9.08%
(B) DCF ROE for Natural Gas Index	<u>10.13%</u>	<u>10.81%</u>
AVERAGE	9.53%	9.95%
Bond Yield Differential	.40%	.25%
Private Placement Premium	.50%	.50%
Small-Utility Risk Premium	.50%	.50%
Adjustment to Reflect Required Equity		
Return at a 40% Equity Ratio	<u>.17%</u>	<u>.15%</u>
Cost of Equity for Average Florida WAW		
Utility at a 40% Equity Ratio	<u>11.10%</u>	<u>11.34%</u>

2001 Leverage Formula (Currently in Effect)

Return on Common Equity	=	9.10% + .896/ER
Range of Returns on Equity	=	10.00% - 11.34%

2002 Leverage Formula (Recommended)

Return on Common Equity	=	9.65% + .582/ER
Range of Returns on Equity	=	10.23% - 11.10%

Marginal Cost of Investor Capital
 Average Water and Wastewater Utility

<u>Capital Component</u>	<u>Ratio</u>	<u>Marginal Cost Rate</u>	<u>Weighted Marginal Cost Rate</u>
Common Equity	45.46%	10.93%	4.97%
Total Debt	<u>54.54%</u>	9.65% *	<u>5.26%</u>
	100.00%		10.23%

A 40% equity ratio is the floor for calculating the required return on common equity. The return on equity at a 40% equity ratio is $9.65\% + 0.582/.40 = 11.10\%$

Marginal Cost of Investor Capital
 Average Water & Wastewater Utility at 40% Equity Ratio

<u>Capital Component</u>	<u>Ratio</u>	<u>Marginal Cost Rate</u>	<u>Weighted Marginal Cost Rate</u>
Common Equity	40.00%	11.10%	4.44%
Total Debt	<u>60.00%</u>	9.65% *	<u>5.79%</u>
	100.00%		10.23%

Where: ER = Equity Ratio = Common Equity / (Common Equity + Preferred Equity + Long-Term Debt + Short-Term Debt)

* Assumed Baa3 rate for April 2002 plus a 50 basis point private placement premium and a 50 basis point small utility risk premium.

Source: Moody's Credit Perspectives

ANNUAL DISCOUNTED CASH FLOW MODEL

INDEX	MOODY'S NATURAL GAS INDEX								APRIL				
	COMPANY	DIV0	DIV1	DIV2	DIV3	DIV4	EPS4	ROE4	GR1-4	GR4+	HI-PR	LO-PR	AVER-PR
GL RESOURCES	1.08	1.08	1.11	1.13	1.16	2.10	12.50	10241	10560	24340	22800	23570	
IMOS ENERGY	1.18	1.21	1.25	1.30	1.35	2.20	14.00	10372	10541	24550	23440	23995	
ASCANDE NATURAL GAS	0.96	0.96	0.97	0.97	0.98	2.00	15.00	10069	10765	22500	20200	21350	
ACLEDE GAS	1.36	1.38	1.40	1.43	1.45	2.25	12.00	10166	10427	24880	23300	24090	
ICOR, INC.	1.84	1.94	2.04	2.14	2.24	4.40	21.50	10491	11055	49000	44990	46995	
ORIHWEST NATURAL GAS	1.26	1.28	1.30	1.33	1.35	2.50	11.00	10179	10506	30300	27600	28950	
EDMONT NATURAL GAS	1.60	1.68	1.73	1.77	1.82	2.90	12.50	10270	10466	37950	35000	36475	
OUTHWEST GAS	0.82	0.82	0.84	0.86	0.88	1.95	8.00	10238	10439	24990	22600	23795	
GL HOLDINGS	1.28	1.30	1.32	1.33	1.35	2.65	12.50	10127	10613	27950	26250	27100	
AVERAGE	1.2644	1.2944	1.3278	1.3622	1.3978	2.55	13.2222	10239	10597			28480	

S&P STOCK GUIDE MAY 2002 with April Stock Prices

Stock Price w/four Percent Flotation Costs	Annual	ROE
27.3408	10.13%	
	1.1550	1.0742
	27.3408	1.0005
		0.9321
		0.8757
		22.3033

27.34 = April 2002 average stock price with a 4% flotation cost.

10.13% = Cost of equity required to match the current stock price with the expected cash flows.

Sources:

- . Stock Prices - S&P Stock Guide, May 2002 Edition.
- . DPS, EPS, ROE - Value Line Edition 3, March 22, 2002.

Capital Asset Pricing Model Cost of Equity for
Water and Wastewater Industry

CAPM analysis formula

$$K = RF + \text{Beta}(\text{MR} - \text{RF})$$

K = Investor's required rate of return

RF = Risk-free rate (Blue Chip forecast for
Long-term Treasury bond)

Beta = Measure of industry-specific risk (Average
for water utilities followed by Value Line)

MR = Market return (Value Line Investment Survey
For Windows, May 2002)

$$\underline{8.93\%} = 6.00\% + .59(10.64\% - 6.00\%) + .20\%$$

Note: We calculated the market return using an annual DCF model for a large number of dividend paying stocks followed by Value Line. For April 2002 stock prices, the result was 10.44%. We have added 20 basis points to allow for the quarterly compounding of dividends. The resulting market return is 10.64%. We have also added 20 basis points to the CAPM result to allow for a four-percent flotation cost.

BOND YIELD DIFFERENTIALS
 Public Utility Long Term Bond Yield Averages
 Source: Moody's Credit Perspectives

UPDATED: 05/20/2002

120 Month Average -	0 1982		0 1982		0 0472		0 0472		0 0472		0 0989		0 0989		0 0989		0 0989		
MONTH/YEAR	Aaa	SPREAD	Aa1	SPREAD	Aa2	SPREAD	Aa3	SPREAD	A1	SPREAD	A2	SPREAD	A3	SPREAD	Baa1	SPREAD	Baa2	SPREAD	Baa3
Apr-2002		3 69	3 69	3 69	7 38	0 06	7 44	0 06	7 51	0 06	7 57	0 23	7 80	0 23	8 02	0 23	8 25	0 23	8 48
Mar-2002		3 71	3 71	3 71	7 42	0 11	7 53	0 11	7 65	0 11	7 76	0 19	7 95	0 19	8 13	0 19	8 32	0 19	8 51
Feb-2002		3 57	3 57	3 57	7 14	0 13	7 27	0 13	7 41	0 13	7 54	0 21	7 75	0 21	7 97	0 21	8 18	0 21	8 39
Jan-2002		3 64	3 64	3 64	7 28	0 13	7 41	0 13	7 53	0 13	7 66	0 16	7 82	0 16	7 97	0 16	8 13	0 16	8 29
Dec-2001	7 53	0 00	7 53	0 00	7 53	0 10	7 63	0 10	7 73	0 10	7 83	0 15	7 98	0 15	8 12	0 15	8 27	0 15	8 42
Nov-2001	7 45	0 00	7 45	0 00	7 45	0 04	7 49	0 04	7 53	0 04	7 57	0 13	7 70	0 13	7 83	0 13	7 96	0 13	8 09
Oct-2001	7 45	0 01	7 46	0 01	7 47	0 05	7 52	0 05	7 58	0 05	7 63	0 13	7 76	0 13	7 89	0 13	8 02	0 13	8 15
Sep-2001	7 52	0 02	7 54	0 02	7 55	0 07	7 62	0 07	7 68	0 07	7 75	0 12	7 87	0 12	8 00	0 12	8 12	0 12	8 24
Aug-2001	7 36	0 01	7 38	0 01	7 39	0 07	7 46	0 07	7 52	0 07	7 59	0 12	7 71	0 12	7 83	0 12	7 95	0 12	8 07
Jul-2001	7 46	0 04	7 51	0 04	7 55	0 08	7 63	0 08	7 70	0 08	7 78	0 09	7 87	0 09	7 96	0 09	8 05	0 09	8 14
Jun-2001	7 50	0 06	7 56	0 06	7 62	0 08	7 70	0 08	7 77	0 08	7 85	0 06	7 91	0 06	7 96	0 06	8 02	0 06	8 08
May-2001	7 61	0 09	7 70	0 09	7 79	0 07	7 86	0 07	7 92	0 07	7 99	0 04	8 03	0 04	8 07	0 04	8 11	0 04	8 15
Apr-2001	7 53	0 09	7 63	0 09	7 72	0 07	7 79	0 07	7 87	0 07	7 94	0 04	7 98	0 04	8 02	0 04	8 06	0 04	8 10
Mar-2001	7 31	0 10	7 41	0 10	7 51	0 06	7 57	0 06	7 62	0 06	7 68	0 06	7 74	0 06	7 79	0 06	7 85	0 06	7 91
Feb-2001	7 46	0 08	7 54	0 08	7 62	0 04	7 66	0 04	7 70	0 04	7 74	0 07	7 81	0 07	7 87	0 07	7 94	0 07	8 01
Jan-2001	7 53	0 10	7 63	0 10	7 73	0 02	7 75	0 02	7 78	0 02	7 80	0 06	7 86	0 06	7 93	0 06	7 99	0 06	8 05
Dec-2000	7 51	0 14	7 65	0 14	7 79	0 02	7 81	0 02	7 82	0 02	7 84	0 06	7 90	0 06	7 95	0 06	8 01	0 06	8 07
Nov-2000	7 71	0 16	7 87	0 16	8 03	0 03	8 06	0 03	8 08	0 03	8 11	0 05	8 16	0 05	8 20	0 05	8 25	0 05	8 30
Oct-2000	7 80	0 14	7 94	0 14	8 08	0 02	8 10	0 02	8 12	0 02	8 14	0 05	8 19	0 05	8 24	0 05	8 29	0 05	8 34
Sep-2000	7 95	0 08	8 03	0 08	8 11	0 04	8 15	0 04	8 19	0 04	8 23	0 03	8 26	0 03	8 29	0 03	8 32	0 03	8 35
Aug-2000	7 89	0 03	7 92	0 03	7 95	0 06	8 01	0 06	8 07	0 06	8 13	0 04	8 17	0 04	8 21	0 04	8 25	0 04	8 29
Jul-2000	8 00	0 05	8 05	0 05	8 10	0 05	8 15	0 05	8 20	0 05	8 25	0 03	8 28	0 03	8 30	0 03	8 33	0 03	8 36
Jun-2000	7 96	0 07	8 03	0 07	8 10	0 09	8 19	0 09	8 27	0 09	8 36	0 04	8 40	0 04	8 43	0 04	8 47	0 04	8 51
May-2000	8 22	0 11	8 33	0 11	8 44	0 09	8 53	0 09	8 61	0 09	8 70	0 05	8 75	0 05	8 81	0 05	8 86	0 05	8 91
Apr-2000	7 95	0 11	8 06	0 11	8 17	0 06	8 23	0 06	8 29	0 06	8 35	0 02	8 37	0 02	8 38	0 02	8 40	0 02	8 42
Mar-2000	7 87	0 06	7 93	0 06	7 99	0 10	8 09	0 10	8 18	0 10	8 28	0 04	8 32	0 04	8 36	0 04	8 40	0 04	8 44
Feb-2000	7 82	0 09	7 91	0 09	7 99	0 09	8 08	0 09	8 16	0 09	8 25	0 03	8 28	0 03	8 30	0 03	8 33	0 03	8 36
Jan-2000	7 95	0 11	8 06	0 11	8 17	0 06	8 23	0 06	8 29	0 06	8 35	0 02	8 37	0 02	8 38	0 02	8 40	0 02	8 42
Dec-1999	7 74	0 13	7 87	0 13	8 00	0 05	8 05	0 05	8 09	0 05	8 14	0 05	8 19	0 05	8 23	0 05	8 28	0 05	8 33
Nov-1999	7 56	0 13	7 69	0 13	7 82	0 04	7 86	0 04	7 90	0 04	7 94	0 06	8 00	0 06	8 06	0 06	8 12	0 06	8 18
Oct-1999	7 73	0 11	7 85	0 11	7 96	0 03	7 99	0 03	8 03	0 03	8 06	0 09	8 15	0 09	8 23	0 09	8 32	0 09	8 41
Sep-1999	7 55	0 14	7 69	0 14	7 82	0 04	7 86	0 04	7 89	0 04	7 93	0 09	8 02	0 09	8 10	0 09	8 19	0 09	8 28
Aug-1999	7 54	0 14	7 68	0 14	7 82	0 03	7 85	0 03	7 88	0 03	7 91	0 08	7 99	0 08	8 08	0 08	8 16	0 08	8 24
Jul-1999	7 34	0 14	7 48	0 14	7 62	0 03	7 65	0 03	7 68	0 03	7 71	0 09	7 80	0 09	7 88	0 09	7 97	0 09	8 06
Jun-1999	7 37	0 15	7 52	0 15	7 67	0 02	7 69	0 02	7 72	0 02	7 74	0 10	7 84	0 10	7 93	0 10	8 03	0 10	8 13
May-1999	7 09	0 15	7 24	0 15	7 38	0 03	7 41	0 03	7 44	0 03	7 47	0 09	7 56	0 09	7 65	0 09	7 74	0 09	7 83
Apr-1999	6 80	0 16	6 96	0 16	7 11	0 04	7 15	0 04	7 18	0 04	7 22	0 10	7 32	0 10	7 41	0 10	7 51	0 10	7 61
Mar-1999	6 78	0 17	6 95	0 17	7 11	0 05	7 16	0 05	7 21	0 05	7 26	0 10	7 36	0 10	7 45	0 10	7 55	0 10	7 65
Feb-1999	6 56	0 19	6 75	0 19	6 94	0 05	6 99	0 05	7 04	0 05	7 09	0 11	7 20	0 11	7 30	0 11	7 41	0 11	7 52
Jan-1999	6 41	0 21	6 62	0 21	6 82	0 05	6 87	0 05	6 92	0 05	6 97	0 11	7 08	0 11	7 19	0 11	7 30	0 11	7 41

Source: Moody's Credit Perspectives, May 20, 2002

12/31/01 Equity Ratios of Natural Gas Utilities

Value Line Listed Gas Utilities	Bond Rating	% of Gas Rev.	V/L Market Capital (billions)	Equity Ratio	Value Line Beta
AGL RESOURCES	A-	76%	1.30	35%	0.60
ATMOS ENERGY	A-	96%	0.95	46%	0.55
CASCADE NATURAL GAS	BBB+	100%	0.23	44%	0.55
LACLEDE GAS	A+	93%	0.45	43%	0.55
NICOR, INC.	AA	83%	2.00	53%	0.60
NORTHWEST NAT. GAS	A	98%	0.68	49%	0.60
PIEDMONT NAT. GAS	A	86%	1.10	52%	0.60
SOUTHWEST GAS CORP.	BBB-	86%	0.78	36%	0.65
WGL HOLDINGS	AA-	100%	1.30	52%	0.60
Average:	A			45.46%	0.59

Source:
 Value Line Edition 3, March 22, 2002.
 Utilities Filed March 31, 2002 S.E.C. 10Q
 C.A. Turner Utilities Report May 2002

EXHIBIT TLH-2

Tara L. Hollis, M.B.A., C.P.A.

RESUMÉ

HARTMAN & ASSOCIATES, INC.

A Tetra Tech, Inc. Company



tlh@consulthai.com / http://www.consulthai.com

TARA L. HOLLIS, M.B.A., C.P.A. ASSOCIATE

EDUCATION

M.B.A., University of Central Florida, 1998.
B.S.B.A., Accounting, University of Central Florida, 1996.

PROFESSIONAL REGISTRATION

C.P.A., November 1997, Florida, No. AC-0031100

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Florida Government Finance Officers Association

QUALIFICATIONS SUMMARY

Ms. Hollis's responsibilities include the preparation of rate and cost of service studies, feasibility and financial reports and debt structuring analysis for the purpose of utility indebtedness for major capital improvement programs. Ms. Hollis has an extensive range of experience in financial analysis including such areas as budget analyses, customer and usage

analyses, development of revenue requirements, cost of service allocations, and sensitivity analyses related to the implementation of conservation efforts. Included in these broad areas of financial analyses are detailed analyses pertaining to the sufficient recovery of revenue such as utility rates and rate design alternatives, the determination of specialized user fees and charges, service availability and impact fees, and various miscellaneous service charges. In addition, Ms. Hollis has extensive experience related to reviewing and analyzing compliance with bond covenant requirements and contractual obligations. She has assisted in the development of numerous bond documents including engineering reports and official statements for the issuance of municipal debt instruments. Additionally, Ms. Hollis creates computerized dynamic spreadsheet models for use in valuing and analyzing future sales, profitability and financial performance ratios of utility systems and to determine fund needs for capital expansion programs.

EXPERIENCE

- Development of extensive and dynamic computer models for water, wastewater and reclaimed water rate studies, feasibility studies, forecasts, and valuations including the City of Lauderhill, the City of Sanibel, the City of Clermont, the City of Palm Bay, the City of Tamarac, the City of Apopka, the City of Orlando, the City of Port St. Lucie, the City of Orange City, and Kings Point Utilities.
- Development of retail and bulk rates; impact fees; capital funding plans; and user rates and charges including the preparation of water, wastewater and reclaimed water user rate studies for public utilities. Recent clients include the City of Lauderhill, the City of Orange City, the City of Sanibel, the City of Apopka, the City of Fort Walton Beach, the City of North Lauderdale, the City of Port St. Lucie, the City of Orlando, the City of Palm Bay, the City of Naples, the City of Miami Springs, the City of Tamarac, and St. Johns County.
- Water conservation rate analysis, structuring and enactment. Clients have included the City of Lauderhill, the City of Apopka, the City of Orange City, the City of Fort Walton Beach, and St. Johns County.

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Tara L. Hollis, M.B.A., C.P.A. (continued)

- Miscellaneous service charges for a variety of customer request services including customer deposits, water meter installation charges, water and wastewater taps, turn-on charges, and the initiation of service charges. Clients have included the City of Lauderhill, the City of Orange City, and the City of Fort Walton Beach.
- Development of presentation workshops and accompanying briefing documents for utility rate study and cost of service clients to foster client and audience understanding of the analysis conducted. Recent clients include the Cities of Apopka, Fort Walton Beach, Orange City, Sambel, Tamarac, and St. Johns County.
- Assistance and documentation for revenue and other special forms of tax-exempt bond financing including detailed projections and reports to support the issuance of long-term indebtedness. Clients include the City of Clermont, the City of Palm Bay, the City of Port St. Lucie, the City of Apopka, the City of North Miami Beach, and Marion County.
- Preparation of Bond Resolutions, Official Statement, Certificates of Compliance, Additional Bonds Test certificates, and other related documents in support of long-term indebtedness. Recent clients include the City of Clermont, the City of Palm Bay, the City of Port St. Lucie, and the City of Apopka.
- Assistance with litigation, negotiations, and expert witness services including Kings Point Utilities, Okeelanta LP, Osceola LP, and the Cities of Casselberry and Winter Park.
- Conducting valuation studies using various techniques including the income approach and comparable sales approach for water, wastewater, and electric utility systems, and developing detailed financial forecasts and cash flow models to be used in damages calculations.
- Preparation of Utility Annual Reports and review of compliance issues as required by the Bonds Resolutions. Clients include the City of Cape Coral, the City of Tamarac, and Clay County Utility Authority.
- Preparation of initial operating budgets, rates and service area certification for investor-owned utilities including Farmton Water Resources LLC, St. Johns Service Company and North Beach Utilities, Inc.
- Water and Sewer Utility Rate Escrow reconciliation for investor owned utilities including Ocean City Utilities.
- Preparation of detailed reports explaining water, wastewater, and reclaimed water systems and related terms and rates and charges, for clients including the City of North Miami Beach.
- Special assessment programs for water and wastewater improvement projects including the City of Palm Bay.
- Assistance in the preparation of governmental operating budgets.
- Audits and reviews of not-for-profit organizations and their compliance with federal and state funding requirements.