

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in
Highlands County by Placid Lakes Utilities,
Inc.

DOCKET NO. 080353-WU
ORDER NO. PSC-09-0022-PCO-WU
ISSUED: January 6, 2009

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman
LISA POLAK EDGAR
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

ORDER SUSPENDING PROPOSED FINAL RATES AND GRANTING
INTERIM RATES SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Placid Lakes Utilities, Inc. (Placid Lakes or the Utility) is a Class B water utility providing service to approximately 1,959 customers in the Highlands County. Placid Lakes is located in a region which has been designated by the Southwest Florida Water Management District as a critical use area. The Utility's water rates were last established in its 2001 rate proceeding.¹ Placid Lakes is a wholly-owned subsidiary of Lake Placid Holding Company (LPHC), the primary developer of the Placid Lakes subdivision. In its 2007 annual report, the Utility reported operating revenues of \$534,068 and a net operating loss of \$13,295.

On October 15, 2008, Placid Lakes filed its application for approval of final and interim rate increases in the instant docket. The Utility had a few deficiencies in the Minimum Filing Requirements (MFRs). Those deficiencies remain outstanding. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. The test year established for interim and final rates is the historical twelve-month period ended December 31, 2007.

Placid Lakes requested interim rates designed to generate annual water revenues of \$643,135, an increase of \$101,903 or 18.83 percent. The Utility requested final rates designed to generate annual water revenues of \$705,582, an increase of \$169,182 or 31.54 percent.

¹ See Order No. PSC-01-0327-PA, issued February 6, 2001, in Docket No. 000295-WU, In re: Application for rate increase in Highlands County by Placid Lakes Utilities, Inc. Consummating Order No. PSC-01-0519-CO-WU, issued March 6, 2001 makes Order PSC-01-0327-PAA-WU effective and final, thereby closing the docket.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

The sixty-day statutory deadline for suspension of Placid Lakes' requested final rates is December 14, 2008. However, by letter dated November 13, 2008, the Utility waived the statutory time frame through December 16, 2008. This order addresses the suspension of Placid Lakes' final rates and the requested interim rate increase. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

SUSPENSION OF FINAL RATES

Section 367.081(6), F.S., provides that we may, for good cause, withhold consent to the implementation of the requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months if: (1) we have not acted upon the requested rate increase; or (2) our PAA action is protested by a party other than the Utility.

We have reviewed the filing and have considered the information filed in support of the rate application and the proposed final rates. However, further investigation of this information is needed, including on-site investigations by staff accountants and engineers. Based on the foregoing, we hereby suspend the Utility's proposed rate increase.

INTERIM RATES

In its MFRs, Placid Lakes requested interim rates designed to generate annual revenues of \$643,135. This represents a water revenue increase of \$101,903 (18.83 percent). The Utility has filed rate base, cost of capital, and operating statements to support its requested revenue increase.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying appropriate adjustments consistent with those made in a Utility's most recent rate proceeding. We have reviewed the Utility's interim request, as well as prior orders concerning the Utility's rate base. Our adjustments are discussed below. We have attached accounting schedules to illustrate the approved rate base, capital structure, and test year operating income amounts. The rate base schedule is shown on Schedule No. 1-A, with adjustments shown on Schedule No. 1-B; the capital structure schedule is shown on Schedule No. 2, and the operating income schedule is shown on Schedule No. 3-A, with the adjustments shown on Schedule No. 3-B.

Rate Base

Placid Lakes filed a year-end water interim rate base for the calendar year ending December 31, 2007. Pursuant to Rule 25-30.433(4), Florida Administrative Code (F.A.C.), for Class B and C utilities, rate base is to be calculated using a simple average of the beginning and end-of-year balances. Plant-in-service, accumulated depreciation, contributions in aid of construction (CIAC), and accumulated amortization of CIAC should reflect simple average balances. To properly reflect simple average balances, plant-in-service, accumulated depreciation, CIAC, and accumulated amortization of CIAC shall be decreased as follows:

Adjustments Required to Reflect Simple Average Balances	
Plant-in-Service	(\$36,988)
Accumulated Depreciation	\$45,372
CIAC	\$31,462
Accumulated Amort. of CIAC	(\$24,608)

In its MFRs, Placid Lakes reflected a \$36,993 non-used and useful plant adjustment, and corresponding adjustments to decrease depreciation expense and property taxes by \$437 and \$1,860, respectively. Pursuant to Section 367.082(5)(b)1, F.S., the only adjustments that shall be made to the interim test year are those consistent with the most recent individual rate proceeding or adjustments to annualize rate changes occurring during the interim test year. We reviewed the Utility's MFRs and Order No. PSC-01-0327-PAA-WU for consistency with the last rate proceeding. As a result of this review, we find that adjustments related to the Utility's last rate case are necessary.

First, for interim purposes, Placid Lakes incorrectly applied a used and useful of 100 percent to its water treatment plant, rather than its calculated test year used and useful of 98 percent. Further, during Placid Lakes' last rate case we found the water treatment plant to be 100 percent used and useful, the well capacities have increased since the Utility's last rate proceeding. Applying the current well capacities, with the used and useful methodology used in the Utility's last rate case, we have calculated a used and useful of 91 percent for the water treatment plant.²

Second, Placid Lakes applied a used and useful percentage of 83.28 to its interim water transmission and distribution plant, rather than its calculated interim used and useful of 82.87 percent. Lastly, Placid Lakes applied its used and useful percentages to its net CIAC, instead of to net plant, as reflected in its last rate proceedings. See Order No. PSC-01-0327-PAA-WU, p. 8. To correct for the above errors, we find that the following adjustments shall be made:

Adjustments Required to Reflect Correct Plant, Depreciation, and Property Taxes		
Classification	Adjustment	Corrected Balance
Rate Base	(\$91,287)	\$128,280
Depreciation Expense	(\$4,534)	\$38,331
Property Taxes	\$700	62,933*

* The corrected balance for taxes other than income includes a reduction of \$4,586 in regulatory assessment fees resulting from the removal of the Utility's final requested revenue increase and a reduction of \$410 in payroll taxes addressed in the Net Operating Income section below.

² Our adjustment here is consistent with our recent decision for Labrador Utilities, Inc.'s (Labrador) interim rate request, wherein the approved interim used and useful percentage using the same methodology in the last rate case was much less than the used and useful percentage approved in Labrador's last rate proceeding. See Order PSC-08-0751-PCO-WS, issued November 13, 2008, in Docket No. 080249-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Moreover, as discussed below, we have removed several pro-forma expense items which affect the working capital allowance. In accordance with Rule 25-30.433(2), F.A.C., we calculated a working capital allowance of \$56,139 based on one-eighth of Operation and Maintenance expenses. Thus, working capital shall be reduced by \$873.

Based on the above, we find that the interim rate base shall be \$470,216.

Cost of Capital

In its MFRs, the Utility reflected a capital structure consisting solely of common equity and customer deposits with cost rates of 8.93 percent and 6 percent, respectively. To determine the accuracy of the amounts, we compared the capital structure amounts with amounts contained in the Utility's balance sheet. However, Placid Lakes failed to provide its balance sheet in its MFRs as required by Rule 25-30.437, F.A.C. Commission staff identified this omission in its deficiency letter mailed to Placid Lakes on November 14, 2008.

As the Utility did not supply a balance sheet, we relied on the data contained in Placid Lakes' 2007 Annual Report. As Rule 25-30.110(2), F.A.C., requires each utility to provide information that is consistent with its annual report, reliance on Placid Lakes' Annual Report was an excellent proxy for the missing balance sheet.

In reviewing Placid Lakes' Annual Report, we noted that a negative cost of equity was reported. Based on our review, during Placid Lakes' last rate case, the Utility had a negative cost of equity balance. In that case, we offset the negative common equity with advances from associated companies at a cost rate of prime plus one percent. See Order No. PSC-01-0327-PAA-WU, p. 9, 10, and 36.

As required by Section 367.082(5)(b)1, F.S., the only adjustments that shall be made to the interim test year are those consistent with the most recent individual rate proceeding or adjustments to annualize rate changes occurring during the interim test year. Placid Lakes' proposed interim capital structure is inconsistent with our decision in the Utility's last rate case. Additionally, Placid applied year-end amounts in its requested capital structure for the calendar year ending December 31, 2007. Pursuant to Rule 25-30.433(4), F.A.C., for Class B and C utilities, the capital structure is to be calculated using a simple average of the beginning and end-of-year balances.

To correct the Utility's capital structure to reflect a simple average and to make the capital structure consistent with the Utility's last rate case, we find that long-term debt shall be increased by \$620,127, common equity set to zero, and customer deposits reduced by \$1,716. Based on these adjustments, the interim cost of capital is 8.42 percent.

Net Operating Income

Based on our review, an adjustment to operating expenses is needed. Placid Lakes included adjustments to increase water expenses by \$6,988 for annualized payroll, salary and wages, employees' benefits, legal fees, testing fees, tank maintenance, insurance, and

miscellaneous expenses. Also, the Utility made corresponding adjustments to increase payroll taxes by \$410 for water. Pursuant to Section 367.082(5)(b)1, F.S., the only adjustments that shall be made to the interim test year are those consistent with the most recent individual rate proceeding or adjustments to annualize rate changes occurring during the interim test year. We find that the Utility's proposed adjustments are pro forma in nature because they are beyond the interim test year. Therefore, Placid Lakes' pro forma expense and payroll tax adjustments above shall be removed from the interim net operating income calculation.

Based on the foregoing, the appropriate test year operating income, before any revenue increase, is \$9,195.

Revenue Requirement

The Utility requested an interim revenue requirement of \$643,135. Based on the above, we approve an interim revenue requirement of \$592,263. This represents an interim revenue increase of \$51,031, or 9.43 percent. This will allow Placid Lakes the opportunity to recover its operating expenses and earn an 8.42 percent return on its rate base.

Thus, on an interim basis, the Utility is hereby authorized to collect annual water revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$541,232	\$51,031	\$592,263	9.43%

Interim Rates

Interim wastewater service rates for Placid Lakes shall be designed to allow the Utility the opportunity to generate annual operating revenues of \$592,263. This reflects an increase of \$51,031, or 9.43 percent, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues shall be removed from the test year revenues. In its MFRs, Placid Lakes included miscellaneous revenues of \$20,118. The calculation is as follows:

1	Total Test Year Revenues	\$541,232
2	Less: Miscellaneous Revenues	<u>\$20,118</u>
3	Test Year Revenues from Service Rates	\$521,114
4	Revenue Increase	<u>\$51,031</u>
5	% Service Rate Increase (Line4/Line 3)	<u>9.79%</u>

The interim rate increase of 9.79 percent for water shall be applied as an across-the-board increase to the service rates in effect as of December 31, 2007. The approved rates shall be

effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until it has been verified that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security discussed below has been filed. The Utility shall provide proof of the date notice was given within 10 days after the date of notice.

The Utility's test year, proposed interim and final water rates, and our approved interim water rates are shown on Schedule No. 4.

Security to Guarantee the Interim Increase

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission. As discussed above, the total annual interim increase is \$51,031. In accordance with Rule 25-30.360, F.A.C., we have calculated the potential refund of revenues and interest collected under interim conditions to be \$30,113. This amount is based on an estimated seven months of revenue being collected from our approved interim rates over the Utility's current authorized rates shown on Schedule No. 4.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We have reviewed Placid Lakes' financial statements from 2005 to 2007 to determine the financial condition of the parent company. Placid Lakes' average equity ratio, working capital, and current ratio are within acceptable parameters. However, the Utility's relative level of liquidity, working capital and current ratio has steadily declined over the three year review period. In addition, the Utility reports negative interest coverage in 2007 and net losses through the period. Net losses have steadily increased and have averaged over \$70,000 per year. Based upon this analysis, Placid Lakes cannot support a corporate undertaking in the amount of \$30,113. Therefore, the Utility shall provide an escrow agreement, a bond, or a letter of credit to guarantee the interim rates collected subject to refund.

If the security provided is an escrow account, the Utility shall deposit 9.43 percent of water revenues into the escrow account each month. In addition, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Utility without our express approval;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;

- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 9) This account must specify by whom and on whose behalf such monies were paid.

If the security provided is a bond or letter of credit, that instrument shall be in the amount of \$30,113. In addition, the bond or letter of credit shall state that it will be released or shall terminate only upon subsequent order of the Commission.

Regardless of the type of security provided, the Utility shall keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. If a refund is required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the Utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the final water rates proposed by Placid Lakes Utilities, Inc. are hereby suspended. It is further

ORDERED that the request for an interim rate increase for water rates by Placid Lakes Utilities, Inc. is hereby granted, subject to our modifications, as set forth in the body of this Order. It is further

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

ORDERED that the approved interim rates shall be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), F.A.C. It is further

ORDERED that the interim rates shall not be implemented until Commission staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. 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 notice. It is further

ORDERED that Lake Placid Holding Company, shall file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions, as set forth in the body of this Order, contingent upon receipt of the written guarantee of Lake Placid Holding Company and written confirmation of Lake Placid Holding Company's continued attestation that it does not have any outstanding guarantees on behalf of Lake Placid Holding Company owned utilities in other states, and in the cumulative amount of \$30,113, subject to refund in this docket. It is further

ORDERED that, pursuant to Rule 25-30.360(6), F.A.C., Placid Lakes Utilities shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. It is further

ORDERED that, should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. It is further

ORDERED that this docket shall remain open pending this Commission's final action on Placid Lakes Utilities' requested rate increase.

By ORDER of the Florida Public Service Commission this 6th day of January, 2009.



ANN COLE
Commission Clerk

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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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Placid Lakes Utilities, Inc.				Schedule No. 1-A		
Schedule of Water Rate Base				Docket No. 080353-WU		
Test Year Ended 12/31/07						
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$2,668,467	\$0	\$2,668,467	(\$36,988)	\$2,631,479
2	Land and Land Rights	1,000	0	1,000	0	1,000
3	Non-used and Useful Components	0	(36,993)	(36,993)	(91,287)	(128,280)
4	Accumulated Depreciation	(1,064,711)	0	(1,064,711)	45,372	(1,019,339)
5	CIAC	(1,648,731)	0	(1,648,731)	31,462	(1,617,269)
6	Amortization of CIAC	704,165	0	704,165	(24,608)	679,557
7	Net Debit Deferred Income Taxes	0	0	0	0	0
8	Advances for Construction	(132,116)	(955)	(133,071)	0	(133,071)
9	Working Capital Allowance	0	57,012	57,012	(873)	56,139
10	Rate Base	<u>\$528,074</u>	<u>\$19,064</u>	<u>\$547,138</u>	<u>(\$76,922)</u>	<u>\$470,216</u>

Placid Lakes Utilities, Inc. Adjustments to Rate Base Test Year Ended 12/31/07	Schedule No. 1-B Docket No. 080353-WU
Explanation	Water
<u>Plant in Service</u> To reflect the 2007 simple average balance.	<u>(\$36,988)</u>
<u>Non-used and Useful Components</u> To reflect the appropriate non-U&U components.	<u>(\$91,287)</u>
<u>Accumulated Depreciation</u> To reflect the 2007 simple average balance.	<u>\$45,372</u>
<u>CIAC</u> To reflect the 2007 simple average balance.	<u>\$31,462</u>
<u>Accumulated Amortization of CIAC</u> To reflect the 2007 simple average balance.	<u>(\$24,608)</u>
<u>Working Capital</u> To reflect the appropriate interim working capital allowance.	<u>(\$873)</u>

Placid Lakes Utilities, Inc. Capital Structure-Simple Average Test Year Ended 12/31/07						Schedule No. 2 Docket No. 080353-WU		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	685,969	0	685,969	(155,627)	530,342	96.93%	8.93%	8.66%
5 Customer Deposits	16,796	0	16,796	0	16,796	3.07%	6.00%	0.18%
6 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
7 Total Capital	<u>\$702,765</u>	<u>\$0</u>	<u>\$702,765</u>	<u>(\$155,627)</u>	<u>\$547,138</u>	<u>100.00%</u>		<u>8.84%</u>
Per Staff								
8 Long-term Debt	\$0	\$620,127	\$620,127	(\$164,990)	\$455,137	96.79%	8.50%	8.23%
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	685,969	(685,969)	0	0	0	0.00%	8.93%	0.00%
12 Customer Deposits	16,796	(1,716)	15,080	0	15,080	3.21%	6.00%	0.19%
13 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
14 Total Capital	<u>\$702,765</u>	<u>(\$67,558)</u>	<u>\$635,207</u>	<u>(\$164,990)</u>	<u>\$470,217</u>	<u>100.00%</u>		<u>8.42%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>8.93%</u>	<u>10.93%</u>	
OVERALL RATE OF RETURN						<u>8.42%</u>	<u>8.42%</u>	

Placid Lakes Utilities, Inc. Statement of Water Operations Test Year Ended 12/31/07						Schedule No. 3-A Docket No. 080353-WU	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$549,215</u>	<u>\$93,920</u>	<u>\$643,135</u>	<u>(\$101,903)</u>	<u>\$541,232</u>	<u>\$51,031</u> 9.43%	<u>\$592,263</u>
Operating Expenses							
2 Operation & Maintenance	\$449,111	\$6,988	\$456,099	(\$6,988)	\$449,111		\$449,111
3 Depreciation	43,302	(437)	42,865	(4,534)	38,331		38,331
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	70,095	(2,866)	67,229	(4,296)	62,933	2,296	65,229
6 Income Taxes	<u>0</u>	<u>28,574</u>	<u>28,574</u>	<u>(46,913)</u>	<u>(18,339)</u>	<u>18,339</u>	<u>(0)</u>
7 Total Operating Expense	<u>\$562,508</u>	<u>\$32,259</u>	<u>\$594,767</u>	<u>(\$62,730)</u>	<u>\$532,037</u>	<u>\$20,635</u>	<u>\$552,672</u>
8 Operating Income	<u>(\$13,293)</u>	<u>\$61,661</u>	<u>\$48,368</u>	<u>(\$39,173)</u>	<u>\$9,195</u>	<u>\$30,396</u>	<u>\$39,591</u>
9 Rate Base	<u>\$528,074</u>		<u>\$547,138</u>		<u>\$470,216</u>		<u>\$470,216</u>
10 Rate of Return	<u>-2.52%</u>		<u>8.84%</u>		<u>1.96%</u>		<u>8.42%</u>

Placid Lakes Utilities, Inc. Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 3-B Docket No. 080353-WU
Explanation	Water	
<u>Operating Revenues</u>		
Remove requested final revenue increase	<u>(\$101,903)</u>	
<u>Operation and Maintenance Expense</u>		
1 Annualize payroll	(\$5,361)	
2 Adjust employee benefits to reflect annualized payroll	(1,829)	
3 Normalize legal fees to reflect 5 year average levels	(2,108)	
4 Normalize testing fees to 5 year average levels	(648)	
5 Adjust operations contract to amortize tank maintenance over two years	10,800	
6 Adjust insurance to reflect actual premium costs	(958)	
7 Normalize miscellaneous expenses to reflect 5 year average levels	<u>(6,884)</u>	
Total	<u>(\$6,988)</u>	
<u>Depreciation Expense</u>		
To reflect the appropriate non-U&U depreciation expense.	<u>(\$4,534)</u>	
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above	(\$4,586)	
2 To reflect the appropriate non-U&U property taxes.	700	
3 Adjust taxes to reflect appropriate payroll tax	<u>(410)</u>	
Total	<u>(\$4,296)</u>	

Placid Lakes Utilities, Inc.		Schedule No. 4		
Water Monthly Service Rates		Docket No. 080353-WU		
Test Year Ended 12/31/07				
	Rates Prior to Filing	Utility Requested Interim	Utility Requested Final	Staff Recomm. Interim
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$9.73	\$11.58	\$14.64	\$10.68
1"	\$14.60	\$17.37	\$21.96	\$16.03
1-1/2"	\$24.37	\$29.00	\$36.66	\$26.76
2"	\$48.64	\$57.88	\$73.16	\$53.40
3"	\$77.85	\$92.64	\$117.10	\$85.47
4"	\$155.69	\$185.28	\$234.18	\$170.94
6"	\$243.28	\$289.51	\$365.93	\$267.10
Gallonge Charge, 0-10,000 Gallons	\$2.80	\$3.33	\$3.27	\$3.07
Gallonge Charge, 10,001-20,000 Gallons	\$4.15	\$4.94	\$4.90	\$4.56
Gallonge Charge, over 20,000 Gallons	\$5.50	\$6.55	\$6.53	\$6.04
GS Gallonge Charge, per1,000Gallons	\$3.18	\$3.78	\$3.76	\$3.49
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$18.13	\$21.57	\$24.45	\$19.89
5,000 Gallons	\$23.73	\$28.23	\$30.99	\$26.03
10,000 Gallons	\$37.73	\$44.88	\$47.34	\$41.38