

24564, on May 21, 1991, establishing the current customer rates of the utility, including Allowance for Funds Prudently Invested (AFPI) charges. Consistent with Commission practice, Southlake's original rates and charges were based upon estimated rates at 80% of build-out and a plant completion date of July 1, 1991.

On August 8, 1995, the utility filed an Application for Approval of AFPI charges. The utility filed this application to obtain approval of a change in the starting date of the AFPI charges and to adjust the specified AFPI amounts to reflect actual construction costs. In its application, the utility used the water and wastewater treatment plant balances as of December 31, 1994 as the test year for its calculation.

The utility requested a waiver of Rule 25-30.434(4), Florida Administrative Code, which requires the effective date of the charge to be the month following the end of the test year. The utility requested that the charges be effective as of January 1, 1993, instead of January 1, 1995. In addition, the utility agreed to collect its currently tariffed AFPI charges subject to refund of any amounts exceeding the charges approved in this docket. A proposed tariff sheet reflecting the new charges was also filed.

As an oversight, the utility's proposed tariff was never suspended. However, the utility never implemented the proposed tariff.

Southlake's Request for Waiver of
Rule 25-30.434(4), Florida Administrative Code

Rule 25-30.434(4), Florida Administrative Code provides that:

The beginning date for accruing the AFPI charge shall agree with the month following the end of the test year that was used to establish the amount of non-used and useful plant. If any connections have been made between the beginning date and the effective date of the charge, no AFPI will be collected from those connections.

As stated earlier, the utility used a test year ending December 31, 1994 for purposes of this application. According to Rule 25-30.434(4), Florida Administrative Code, the utility's collection of AFPI should commence January, 1995. However, Southlake has collected AFPI charges prior to 1994, the date of plant completion. The utility requested that the Commission waive Rule 25-30.434(4), Florida Administrative Code, so that the

effective date is January 1, 1993. The utility's basis for the waiver was that the utility, at the request of the Commission Staff, agreed to collect its currently tariffed AFPI charges subject to refund of any amounts exceeding the charges approved in this docket.

We find that compliance with Rule 25-30.434, Florida Administrative Code, is mandatory. The rules regarding AFPI are very specific on the procedure for implementation. Rule 25-30.434(1), Florida Administrative Code, states:

An Allowance for Funds Prudently Invested (AFPI) charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers.

Deviation from this rule would be contrary to Section 120.68(12)(b), Florida Statutes, which states that "The court shall remand the case to the agency if it finds the agency's exercise of discretion to be inconsistent with an agency rule."

According to the utility, the physical plant was not completed until 1994. Thus, a waiver of Rule 25-30.434(4), Florida Administrative Code, would effectively extinguish the purpose and methodology in collecting AFPI. Although Order No. 24564 allowed the utility to collect AFPI, the allowance was based upon representations by the utility of a plant completion date of July 1991, not June 1994.

Further, Rule 25-30.434, Florida Administrative Code, does not contain a specific exemption from the provisions of the rule itself as does the rule on service availability, for example. See Rule 25-30.580(2), Florida Administrative Code, wherein a specific exemption is allowed for undue hardship. The utility does not cite to any legal authority for its request. We do recognize, however, that Rule 25-30.011(2), Florida Administrative Code, states:

[i]n any case where compliance with any of these rules introduces unusual hardship, or if unreasonable difficulty is involved in immediate compliance with any particular rule, application may be made to the Commission for modification of the rule ... provided that the utility shall submit with such application a full and complete statement of reason thereof.

However, the utility has not demonstrated unreasonable difficulty or unusual hardship preventing compliance with the AFPI Rule. Accordingly, we deny the utility's request for waiver of Rule 25-30.434(4), Florida Administrative Code. This portion of our decision is issued as a proposed agency action and will become final and effective if no timely protest is filed by a substantially affected person. See the Notice of Further Proceedings at the end of this Order.

Cancellation of Existing AFPI Tariff

The circumstances surrounding this application are very complex. Southlake's current AFPI charges, established in Order No. 24564, were based on estimated components. As previously stated, we approved the AFPI charges based on the representation that the plant would be completed and start serving customers by July 1, 1991. When the construction of the plant was not completed by that date, the utility did not notify us of the delay. The utility did not begin providing full water and wastewater service until June of 1994. The existing AFPI tariff has become inappropriate because the charges accrued do not reflect the actual cost incurred by the utility, along with the proper beginning date for accruing the AFPI charge.

The relationship between the utility and its related party, Southlake Community Foundation, Inc., further complicates this application. Southlake Utilities, Inc. was founded to serve the 8,000 unit town of Southlake. The first development within the new town of Southlake is Southlake Apartments, Phase 1A. There are two customers in each apartment building. Each customer consists of 8 to 9 apartment units.

The utility agreed with Southlake Community Foundation, Inc., to pre-collect AFPI charges based on the carrying cost in June, 1993. The utility also agreed to collect these charges in installment payments when each section of the apartment community was occupied by residents. As a result of this agreement, the Southlake Community Foundation paid these charges in seven installment payments by May, 1994.

The utility's 1992 and 1993 annual reports show balances of construction-work-in-progress of \$571,929 and \$948,693, respectively. The same annual reports also show a zero balance for utility plant-in-service for water and wastewater. The utility's 1994 annual report indicates balances of utility plant-in-service of \$247,784 for water and \$941,412 for wastewater. The Schedule of Monthly Flows, attached to the utility's response to staff's data

request, indicates that the utility completed its plant construction and started serving water and wastewater customers in June of 1994.

The AFPI charge includes a rate of return, depreciation, property taxes and regulatory assessment fees on this additional plant capacity. It is clear that Rule 25-30.434(1), Florida Administrative Code, only allows a utility to accrue AFPI on prudently constructed non-used and useful plant. We conclude that construction-work-in-progress does not qualify for AFPI as that plant is not in service, and further, no depreciation can be taken on construction-work-in-progress. Because the plant construction was completed in 1994, a test year of December 31, 1994 is appropriate for this filing. Although a test year ending June, 1994 would be more appropriate, the utility did not provide accounting information as of that date.

As mentioned earlier, Rule 25-30.434(4), Florida Administrative Code, states that the beginning date for accruing the AFPI charge shall agree with the month following the end of test year that was used to establish the amount of non-used and useful plant. Therefore, the utility's beginning date for accruing the AFPI charge shall be January 1, 1995. We also find that adjustments to the utility's calculation of carrying costs for the non-used and useful plant assets are required. Since Southlake's existing AFPI tariff requires the above modifications, its existing AFPI tariff is cancelled. This portion of our decision is issued as a proposed agency action and will become final and effective if there is not a timely protest by a substantially affected person. See the Notice of Further Proceedings at the end of this Order. If there is a timely protest, any revenues collected under the old tariff shall be collected subject to refund.

Denial of Utility's Proposed AFPI Tariff

The utility also filed an AFPI application to obtain approval of a change in the starting date of the AFPI charges and to adjust the specified AFPI amounts to reflect actual construction costs. The utility used the water and wastewater treatment plant balances as of December 31, 1994 as the test year for its calculation. Southlake requested that the charges be effective on January 1, 1993 instead of January 1, 1995, because the vast majority of the utility plant costs were incurred in January 1, 1993. Accordingly, the utility requested a beginning date for the utility's proposed tariff based on 1994 net non-used and useful plant assets moved two years to January 1, 1993.

Upon our review of the AFPI charges requested in the utility's application, we have found several areas that are incorrect. Therefore, we deny the utility's AFPI tariff as filed. The utility shall file revised tariff sheets consistent with our decision herein.

Non-used and useful percentages for the water and wastewater treatment plants should be recalculated. In calculating the amount of non-used and useful plant, the utility relied upon the original flow estimates per equivalent residential connections of 350 gallons per day (gpd) for water and 300 gpd for wastewater from our initial rate setting order. A better indicator is the actual flow data from the utility's records. Calendar-year 1994 was a start-up year for active connections, with three months of no flows and the remainder of the year with less than full occupancy. We have instead relied upon flow data for 1995, normalized back to the 1994 connections at full occupancy. Actual flows are less than those projected in the initial rate setting order, and less than those in this docket filing.

The predominance of the connections are master-metered apartments. Our calculations show each apartment using 200 gpd in water, and contributing 120 gpd of wastewater. Used and useful calculations are as follows:

	<u>FOR WATER</u>		<u>FOR WASTEWATER</u>
Plant Capacity	537,000 gpd		164,750 gpd
Fire Flow	- 120,000 gpd		
434 Apts.	- 86,800 gpd		- 52,080 gpd
Service Station	- 875 gpd		_____
Remaining Capacity	<u>329,000 gpd</u>		<u>112,670 gpd</u>
Used and Useful	<u>329,000 gpd</u> 39%		<u>112,670 gpd</u> 32%
	537,000 gpd		164,750 gpd
Non-used and Useful	61%		68%

Based on the adjusted non-used and useful percentages, we have recalculated the amount of qualifying assets and depreciation expenses associated with these assets for water and wastewater. The qualifying assets are \$115,702 for water and \$593,595 for wastewater. Depreciation expense is \$4,516 for water and \$34,155 for wastewater.

We have also included customer deposits of \$9,900 in the cost of capital calculation. The utility derives its cost of common equity of 11.88% by applying our leverage formula currently in effect pursuant to Order No. PSC-95-0982-FOF-WS, issued on August 10, 1995 in Docket No. 950006-WS. Therefore, no adjustment is necessary. Based upon the adjusted components of capital structure, the overall cost of capital shall be 8.42%.

Our calculation provides an AFPI charge for a five year period beginning January, 1995, and ending December, 1999. After December, 1999, the utility shall be entitled to collect the AFPI for the designated amount of equivalent residential connections, but the charge shall remain fixed at the December, 1999 amount. When 940 and 375 equivalent residential connections for water and wastewater, respectively, are collected, the AFPI charges shall cease. The utility shall bear the additional cost of carrying the excess plant after that date.

The calculation methodologies are attached to this order in Schedules Nos. 1-4. The utility's proposed, and our calculated charges for water and wastewater are shown on Schedules No. 4-A and 4-B, respectively. As stated above, the calculation is based on a five-year escalation period.

If the utility files revised tariff sheets within thirty days of the date of the Order which are consistent with our decision herein, the revised tariff shall be approved administratively. If no protest to our decision is timely filed, the new charges shall become effective for connections made on or after January 1, 1995. If the utility fails to file or incorrectly files the tariff, then our staff shall file a subsequent recommendation to resolve these issues. If there is a protest, the proposed tariff may be implemented, with all charges collected under it held subject to refund pending the resolution of the protest.

Refund of Previously Collected AFPI Charges

As discussed earlier, the utility implemented its approved AFPI charge prior to the completion of the plant and prior to the date the plant was placed in service. Further, the utility failed to notify this Commission that the in-service date would be postponed almost three years. As a result, the AFPI charges collected prior to the in-service date were inappropriate and must be refunded. As of December 31, 1994, the utility collected AFPI charges of \$294,775. Given the uniqueness of this utility's customers' make-up, a determination shall be made as to which date the customer became active. This date shall be determined by the date meters were set and service was available for each building,

whether or not the individual apartment units were occupied. Also as of this date, each customer shall be charged service rates that all active customers are required to pay.

The utility shall refund all AFPI charges collected prior to January 1, 1995, under the existing tariff. For the AFPI charges collected after this date, the utility shall refund any amount exceeding the amount allowed in the new tariff approved by us. The utility shall provide a reconciliation for each customer since inception to see whether any refunds are required. The refunds shall be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility shall be required to submit the proper refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code. If the utility is unable to make the refunds or is only able to make partial refunds due to its current financial situation, any unrefunded AFPI charges shall be designated as CIAC. This portion of our decision is issued as proposed agency action and will become final and effective if no timely protest is filed by a substantially affected person. See the Notice of Further Proceedings at the end of this Order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Southlake Utilities, Inc.'s request for waiver of Rule 25-30.434(4), Florida Administrative Code, is denied. It is further

ORDERED that Southlake Utilities, Inc.'s existing tariff authorizing allowance for funds prudently invested is cancelled. It is further

ORDERED that Southlake Utilities, Inc.'s proposed tariff for Allowance for Funds Prudently Invested charges is denied as set forth in the body of this Order. It is further

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

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

ORDERED that the utility shall file revised tariff sheets reflecting our decisions herein within 30 days of the date of this Order. It is further

ORDER NO. PSC-96-1082-FOF-WS
DOCKET NO. 950933-WS
PAGE 9

ORDERED that the revised tariff shall become effective for connections made on or after January 1, 1995. The tariff shall be approved administratively after staff's verification that the tariffs are consistent with the Commission's decision. It is further

ORDERED that if a protest to our decision denying the proposed AFPI tariff is filed within 21 days of this Order, the proposed tariff may be implemented, with all charges collected under it held subject to refund pending the resolution of the protest. It is further

ORDERED that all of the provisions of this Order, except for the denial of Southlake Utilities, Inc.'s proposed tariff for Allowance for Funds Prudently Invested, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director of Records and Reporting at her office at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. In the event of such a protest the old AFPI tariff remains in effect and any revenues collected under it are held subject to refund. It is further

ORDERED that if a substantially affected person does not file a timely protest, in accordance with the requirements set forth below, in the Notice of Further Proceedings, this Order shall become final, and this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 22nd day of August, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on the utility's proposed tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 September 12, 1996.

The balance of our actions proposed herein are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 12, 1996.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director,

ORDER NO. PSC-96-1082-FOF-WS
DOCKET NO. 950933-WS
PAGE 11

Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 1-A

**Allowance for Funds Prudently Invested - Water
 Calculation of Carrying Costs for Each ERC**

Information Needed	Per Utility	Per Commission
1. Cost of Qualifying Assets	\$ 151,039	\$ 115,702
2. Capacity of Qualifying Assets	537,000 GPD	537,000 GPD
3. Number of Future Customers	1,222 ERC	940 ERC
4. Annual Depreciation Expense	\$ 5,896	\$ 4,517
5. Rate of Return	8.47%	8.42%
6. Weighted Cost of Equity	3.40%	3.33%
7. Federal Income Tax Rate	34.00%	34.00%
8. State Income Tax Rate	5.50%	5.50%
9. Annual Property Tax	\$ 2,565	\$ 2,565
10. Other Costs	\$ 0	\$ 0
11. Depreciation Rate of Assets	3.80%	3.80%
12. Test Year	1994	1994

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 1-B

**Allowance for Funds Prudently Invested - Wastewater
 Calculation of Carrying Costs for Each ERC**

Information Needed	Per Utility	Per Commission
1. Cost of Qualifying Assets	\$ 332,326	\$ 593,596
2. Capacity of Qualifying Assets	164,750 GPD	164,750 GPD
3. Number of Future Customers	209 ERC	375 ERC
4. Annual Depreciation Expense	\$ 19,122	\$ 34,156
5. Rate of Return	8.47%	8.42%
6. Weighted Cost of Equity	3.40%	3.33%
7. Federal Income Tax Rate	34.00%	34.00%
8. State Income Tax Rate	5.50%	5.50%
9. Annual Property Tax	\$ 5,731	\$ 5,731
10. Other Costs	\$ 0	\$ 0
11. Depreciation Rate of Assets	5.52%	5.52%
12. Test Year	1994	1994

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 2-A
 PER COMMISSION

**Allowance for Funds Prudently Invested - Water
 Calculation of Carrying Costs for Each ERC:**

Cost of Qualifying Assets:	\$ 115,702	Annual Depreciation Expense:	\$ 4,517
Divided By Future ERC:	940	Future ERC's:	940
	<hr/>		<hr/>
Cost/ERC:	\$ 123.09	Annual Depr. Cost per ERC:	\$ 4.80
Multiply By Rate of Return:	8.42%		
	<hr/>		
Annual Return Per ERC:	\$ 10.36	Annual Property Tax Expense:	\$ 2,565
Annual Reduction in Return:	\$ 0.40	Future ERC's:	940
(Annual Depreciation Expense per ERC Times Rate of Return)		Annual Prop. Tax per ERC:	\$ 2.73
			<hr/>
Federal Tax Rate:	34.00%	Weighted Cost of Equity:	3.33%
Effective State Tax Rate:	3.63%	Divided by Rate of Return:	8.42%
	<hr/>		<hr/>
Total Tax Rate:	37.63%	% of Equity in Return:	39.56%
Effective Tax on Return:	14.89%	Other Costs:	\$ 0
(Equity % Times Tax Rate)		Future ERC's:	940
			<hr/>
Provision For Tax:	23.87%	Cost per ERC:	\$ 0.00
(Tax on Return/(1-Total Tax Rate))			

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 2-B
 PER COMMISSION

**Allowance for Funds Prudently Invested - Wastewater
 Calculation of Carrying Costs for Each ERC:**

Cost of Qualifying Assets:	\$ 593,596	Annual Depreciation Expense:	\$ 34,156
Divided By Future ERC:	375	Future ERC's:	375
Cost/ERC:	\$ 1,582.92	Annual Depr. Cost per ERC:	\$ 91.08
Multiply By Rate of Return:	8.42%		
Annual Return Per ERC:	\$ 133.25	Annual Property Tax Expense:	\$ 5,731
Annual Reduction in Return:	\$ 7.67	Future ERC's:	375
(Annual Depreciation Expense per ERC Times Rate of Return)		Annual Prop. Tax per ERC:	\$ 15.28
Federal Tax Rate:	34.00%	Weighted Cost of Equity:	3.33%
Effective State Tax Rate:	3.63%	Divided by Rate of Return:	8.42%
Total Tax Rate:	37.63%	% of Equity in Return:	39.56%
Effective Tax on Return:	14.89%	Other Costs:	\$ 0
(Equity % Times Tax Rate)		Future ERC's:	375
Provision For Tax:	23.87%	Cost per ERC:	\$ 0.00
(Tax on Return/(1-Total Tax Rate))			

SOUTHLAKE UTILITIES, INC.
DOCKET NO. 950933WS

SCHEDULE 3-A
PER COMMISSION

Allowance for Funds Prudently Invested - Water
Calculation of Carrying Cost Per ERC Per Year:

	1995	1996	1997	1998	1999
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	4.80	4.80	4.80	4.80	4.80
Unfunded Property Tax:	2.73	2.73	2.73	2.73	2.73
Subtotal Unfunded Annual Expense:	\$ 7.53	\$ 7.53	\$ 7.53	\$ 7.53	\$ 7.53
Unfunded Expenses Prior Year:	0.00	7.53	15.07	22.60	30.13
Total Unfunded Expenses:	\$ 7.53	\$ 15.07	\$ 22.60	\$ 30.13	\$ 37.67
Return on Expenses Current Year:	0.63	0.63	0.63	0.63	0.63
Return on Expenses Prior Year:	0.00	0.63	1.27	1.90	2.54
Return on Plant Current Year:	10.36	9.96	9.55	9.15	8.75
Earnings Proir Year:	0.00	10.36	21.82	34.48	48.43
Compound Earnings from Prior Year:	0.00	0.87	1.84	2.90	4.08
Total Compounded Earnings:	\$ 10.36	\$ 21.82	34.48	48.43	63.80
Earnings Expansion Factor for Tax:	1.24	1.24	1.24	1.24	1.24
Revenue Required to Fund Earnings:	\$ 12.83	\$ 27.03	\$ 42.71	\$ 59.99	\$ 79.02
Revenue Required to Fund Expenses:	7.53	15.07	22.60	30.13	37.67
Subtotal:	\$ 20.36	\$ 42.10	\$ 65.31	\$ 90.12	\$ 116.69
Divided by Factor for Regulatory Assessment Fee	0.975	0.975	0.975	0.975	0.975
ERC Carrying Cost for 1 Year:	\$ 20.88	\$ 43.18	\$ 66.98	\$ 92.43	\$ 119.68

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 3-B
 PER COMMISSION

**Allowance for Funds Prudently Invested - Wastewater
 Calculation of Carrying Cost Per ERC Per Year:**

	1995	1996	1997	1998	1999
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	91.08	91.08	91.08	91.08	91.08
Unfunded Property Tax:	15.28	15.28	15.28	15.28	15.28
Subtotal Unfunded Annual Expense:	\$ 106.37	\$ 106.37	\$ 106.37	\$ 106.37	\$ 106.37
Unfunded Expenses Prior Year:	0.00	106.37	212.73	319.10	425.46
Total Unfunded Expenses:	\$ 106.37	\$ 212.73	\$ 319.10	\$ 425.46	\$ 531.83
Return on Expenses Current Year:	8.95	8.95	8.95	8.95	8.95
Return on Expenses Prior Year:	0.00	8.95	17.91	26.86	35.82
Return on Plant Current Year:	133.25	125.58	117.92	110.25	102.58
Earnings Proir Year:	0.00	133.25	279.00	438.32	612.33
Compound Earnings from Prior Year:	0.00	11.22	23.49	36.90	51.55
Total Compounded Earnings:	\$ 133.25	\$ 279.00	438.32	612.33	802.28
Earnings Expansion Factor for Tax:	1.24	1.24	1.24	1.24	1.24
Revenue Required to Fund Earnings:	\$ 165.05	\$ 345.60	\$ 542.93	\$ 758.48	\$ 993.77
Revenue Required to Fund Expenses:	106.37	212.73	319.10	425.46	531.83
Subtotal:	\$ 271.42	\$ 558.33	\$ 862.03	\$ 1,183.94	\$ 1,525.60
Divided by Factor for Regulatory Assessment Fee	0.975	0.975	0.975	0.975	0.975
ERC Carrying Cost for 1 Year:	\$ 278.38	\$ 572.64	\$ 884.13	\$ 1,214.30	\$ 1,564.72

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 4-A

Allowance for Funds Prudently Invested - Water
 Calculation of Carrying Cost Per ERC Per Month:

	1993	1994	1995	1996	1997	1998
PER UTILITY						
January	1.70	22.25	44.18	67.58	92.59	116.95
February	3.41	24.07	46.12	69.65	94.80	116.95
March	5.11	25.89	48.06	71.72	97.02	116.95
April	6.81	27.70	50.00	73.80	99.23	116.95
May	8.52	29.52	51.93	75.87	101.45	116.95
June	10.22	31.34	53.87	77.94	103.66	116.95
July	11.92	33.16	55.81	80.01	105.88	116.95
August	13.62	34.97	57.75	82.08	108.09	116.95
September	15.33	36.79	59.69	84.15	110.31	116.95
October	17.03	38.61	61.63	86.23	112.52	116.95
November	18.73	40.42	63.57	88.30	114.74	116.95
December	20.44	42.24	65.51	90.37	116.95	116.95
	1995	1996	1997	1998	1999	2000
PER COMMISSION						
January	1.74	22.74	45.16	69.11	94.70	119.68
February	3.48	24.60	47.15	71.23	96.97	119.68
March	5.22	26.46	49.13	73.35	99.24	119.68
April	6.96	28.32	51.11	75.47	101.51	119.68
May	8.70	30.17	53.10	77.59	103.79	119.68
June	10.44	32.03	55.08	79.71	106.06	119.68
July	12.18	33.89	57.07	81.83	108.33	119.68
August	13.92	35.75	59.05	83.95	110.60	119.68
September	15.66	37.61	61.03	86.07	112.87	119.68
October	17.40	39.46	63.02	88.19	115.14	119.68
November	19.14	41.32	65.00	90.31	117.41	119.68
December	20.88	43.18	66.98	92.43	119.68	119.68

Note: The AFPI charge will cease accruing charges and will remain constant after December 31, 1999. The utility can continue to collect the constant charge until all ERCs projected in the calculation have been added.

SOUTHLAKE UTILITIES, INC.
 DOCKET NO. 950933WS

SCHEDULE 4-B

Allowance for Funds Prudently Invested - Wastewater
 Calculation of Carrying Cost Per ERC Per Month:

	1993	1994	1995	1996	1997	1998
PER UTILITY						
January	24.46	319.47	632.10	963.82	1,316.29	1,658.13
February	48.92	345.39	659.60	993.04	1,347.36	1,658.13
March	73.39	371.31	687.10	1,022.26	1,378.44	1,658.13
April	97.85	397.23	714.60	1,051.47	1,409.52	1,658.13
May	122.31	423.15	742.10	1,080.69	1,440.59	1,658.13
June	146.77	449.07	769.60	1,109.91	1,471.67	1,658.13
July	171.24	474.99	797.10	1,139.12	1,502.75	1,658.13
August	195.70	500.91	824.60	1,168.34	1,533.83	1,658.13
September	220.16	526.83	852.10	1,197.56	1,564.90	1,658.13
October	244.62	552.75	879.60	1,226.78	1,595.98	1,658.13
November	269.08	578.68	907.10	1,255.99	1,627.06	1,658.13
December	293.55	604.60	934.61	1,285.21	1,658.13	1,658.13
	1995	1996	1997	1998	1999	2000
PER COMMISSION						
January	23.20	302.91	598.60	911.65	1,243.50	1,564.72
February	46.40	327.43	624.56	939.16	1,272.70	1,564.72
March	69.60	351.95	650.52	966.68	1,301.90	1,564.72
April	92.79	376.47	676.47	994.19	1,331.11	1,564.72
May	115.99	400.99	702.43	1,021.70	1,360.31	1,564.72
June	139.19	425.51	728.39	1,049.22	1,389.51	1,564.72
July	162.39	450.03	754.35	1,076.73	1,418.71	1,564.72
August	185.59	474.56	780.30	1,104.24	1,447.91	1,564.72
September	208.79	499.08	806.26	1,131.76	1,477.11	1,564.72
October	231.99	523.60	832.22	1,159.27	1,506.31	1,564.72
November	255.19	548.12	858.18	1,186.79	1,535.52	1,564.72
December	278.38	572.64	884.13	1,214.30	1,564.72	1,564.72

Note: The AFPI charge will cease accruing charges and will remain constant after December 31, 1999. The utility can continue to collect the constant charge until all ERCs projected in the calculation have been added.