

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

**DATE:** April 10, 2008

**TO:** Director, Division of the Commission Clerk & Administrative Services (Cole)

**FROM:** Division of Economic Regulation (Wright, Fletcher, Springer, Walden) *CRB*  
Office of the General Counsel (Young) *1902*

**RE:** Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utilities Services, Inc.

**AGENDA:** 04/22/08 - Regular Agenda – Decision on Suspension of Rates and on Interim Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** McMurrian

**CRITICAL DATES:** 60-Day Suspension Date Waived by Company to 04/22/08

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\070693.RCM.DOC

Case Background

Lake Utilities Services, Inc. (LUSI or Utility) is a Class A utility providing water and wastewater service to approximately 8,659 water and 2,860 wastewater customers in Lake

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County. Water and wastewater rate bases were last established for this Utility in its 2002 earnings investigation.<sup>1</sup>

On February 18, 2008, LUSI filed the application for rate increase at issue in the instant docket. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the 13-month average period ending June 30, 2007 and June 30, 2009, respectively.

LUSI requested interim rates designed to generate annual water revenues of \$3,977,012 and wastewater revenues of \$2,008,683. This represents a revenue increase on an annual basis of \$1,023,406 (34.65%) for water and \$1,123,530 (126.93%) for wastewater. The Utility requested final rates designed to generate annual water revenues of \$5,771,006 and wastewater revenues of \$2,761,762. This represents a revenue increase of \$2,817,400 (95.39%) for water and \$1,876,609 (212.01%) for wastewater.

The original 60-day statutory deadline for the Commission to suspend the Utility's requested final rates was April 18, 2008. However, by letter dated March 19, 2008, the Utility agreed to extend the statutory time frame by which the Commission is required to address LUSI's interim rate request. This recommendation addresses the suspension of LUSI's requested final rates and the Utility's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

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<sup>1</sup> Order No. PSC-04-0404-PAA-WS, issued April 19, 2004, in Dockets No. 020567-WS, In re: Investigation of possible overearnings by Lake Groves Utilities, Inc. in Lake County.

**Discussion of Issues**

**Issue 1:** Should the Utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. LUSI's proposed final water and wastewater rates should be suspended. (Wright, Fletcher)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates by a vote to that effect within 60 days after the date the rate request is filed. However, by letter dated March 19, 2008, the Utility agreed to extend the statutory time frame by which the Commission is required to address LUSI's interim rate request. 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) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the Utility.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff recommends that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the Utility's proposed rate increase.

**Issue 2:** Should any interim revenue increases be approved?

**Recommendation:** Yes, the Utility should be authorized to collect annual water and wastewater revenues as indicated below: (Wright, Fletcher)

	Adjusted Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$2,912,625	<u>\$175,071</u> <del>\$189,131</del>	<u>\$3,087,696</u> <del>\$3,101,756</del>	<u>6.01%</u> <del>6.49%</del>
Wastewater	\$869,985	<u>\$387,582</u> <del>\$329,679</del>	<u>\$1,257,567</u> <del>\$1,199,664</del>	<u>44.55%</u> <del>37.89%</del>

**Staff Analysis:** LUSI has filed rate base, cost of capital, and operating statements to support its requested interim water and wastewater increases. Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the Utility's most recent rate proceeding and annualizing any rate changes. Staff has reviewed LUSI's interim request, as well as Order No. PSC-04-0404-PAA-WS, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Also, Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedules are labeled as Nos. 1-A and 1-B. The capital structure schedule is No. 2, and the operating income schedules for water and wastewater are labeled as Nos. 3-A and 3-B, respectively.

#### RATE BASE

Based on an analysis of the MFRs and Order No. PSC-04-0404-PAA-WS from the Utility's last rate proceeding, staff believes that several adjustments need to be made to the Utility's rate base. LUSI requested adjustments to Utility Plant to add the estimated cost of water and wastewater plant additions that were put in service by December 31, 2007 and the cost of reuse plant that will be completed in 2008, with the total adjustment to water in the amount of \$9,616,143 and the total adjustment to wastewater of \$7,629,553. LUSI also made adjustments to increase accumulated depreciation to December 31, 2008, for water in the amount of \$769,612 and for wastewater in the amount of \$310,687, corresponding with the adjustments to Utility Plant described above. The Utility made additional adjustments to Contributions in Aid of Construction (CIAC) to adjust the average CIAC to year-end December 31, 2007. The Utility's adjustments increase the amount of CIAC for water by \$434,188 and increase the amount of CIAC to wastewater by \$25,934. Finally, LUSI made adjustments to increase accumulated amortization of CIAC in the amounts of \$380,464 for water and \$178,615 for wastewater to adjust to year end as of December 31, 2007. Pursuant to Section 367.082(5)(b)(1), F.S., the achieved rate of return shall be calculated by applying appropriate adjustments consistent with the most recent individual rate proceeding of the Utility and annualizing any rate changes occurring during the interim test year may be made. All the aforementioned rate base adjustments should be considered pro forma adjustments as they fall outside the interim test year ending June 30, 2007 and therefore should be excluded. Staff recommends that LUSI's interim water rate base should be \$8,143,847. The Utility's wastewater rate base should be \$2,729,211 ~~\$2,107,837~~.

### COST OF CAPITAL

On MFR Schedule D-2 (Interim), LUSI reflected a balance of \$81,053 for accumulated deferred income taxes (ADITs). According to MFR Schedule A-18, the Utility's 13-month average debit ADITs is (\$101,241) and the Utility's credit ADITs, shown on MFR Schedule A-19 is \$0. Rule 25-30.433(3)&(4), Florida Administrative Code (F.A.C.), states:

(3) Used and useful debit deferred taxes shall be offset against used and useful credit deferred taxes in the capital structure. Any resulting net debit deferred taxes shall be included as a separate line item in the rate base calculation. Any resulting net credit deferred taxes shall be included in the capital structure calculation. No other deferred debits shall be considered in rate base when the formula method of working capital is used.

(4) The averaging method used by the Commission to calculate rate base and cost of capital shall be a 13-month average for Class A utilities.

The reported ADIT on MFR Schedule A-18 of (\$101,241) is a result of netting the debit balances of ADITs against the credit balances of ADITs. The resulting balance should have been classified as a credit rather than a negative debit amount. Therefore, in accordance with Rule 25-30.433(3) and (4), F.A.C., staff recommends that the 13-month average net credit ADITs balance of \$101,241 is the appropriate amount to be included in the capital structure calculation, rather than the \$81,053 shown on Interim Schedule D-1.

By Order No. PSC-07-0006-PAA-WS, the Utility's minimum of the range of its last authorized ROE is 8.81%. Based on the above, staff recommends that the interim weighted average cost of capital is 7.34% ~~7.43%~~.

### NET OPERATING INCOME

On MFR Schedule B-3 (Interim), page 1 of 2, the Utility made adjustments to water and wastewater revenues of \$63,217 and \$14,337, respectively, to annualize revenues based on a Price Index increase effective August 31, 2007. Annualized revenue adjustments for interim purposes are to be based on the most current rates implemented during the interim test period, which in this case ended June 30, 2007. Applying the test year rates results in an annualized revenue adjustment to water of \$22,236 and an annualized revenue adjustment to wastewater of (\$831).

### REVENUE REQUIREMENT

Based on the above adjustments, staff recommends revenue requirements of \$3,087,696 ~~\$3,101,756~~ for water and \$1,257,567 ~~\$1,199,664~~ for wastewater. This represents interim increases in annual revenues of \$175,071 ~~\$189,131~~ (or 6.01% ~~6.49%~~) for water and \$387,582 ~~\$329,679~~ (or 44.55% ~~37.89%~~) for wastewater. This will allow the Utility the opportunity to recover its water and wastewater operating expenses and earn a 7.34% ~~7.43%~~ return on its water and wastewater rate bases.

**Issue 3:** What are the appropriate interim water and wastewater rates?

**Recommendation:** The water and wastewater service rates for LUSI in effect as of June 30, 2007, should be increased by 6.09% ~~6.58%~~ and 45.01% ~~38.28%~~, respectively, to generate the recommended revenue increase for the interim period. The approved rates should 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. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice. (Wright, Fletcher)

**Staff Analysis:** Staff recommends that interim water and wastewater service rates for LUSI be designed to allow the Utility the opportunity to generate annual operating revenues of \$3,087,696 ~~\$3,101,756~~ for water operations and \$1,257,567 ~~\$1,199,664~~ for wastewater operations. Before removal of miscellaneous revenues, this would result in increases of \$175,071 ~~\$189,131~~ or 6.01% ~~6.49%~~ for water and \$387,582 ~~\$329,679~~ or 44.55% ~~37.89%~~ for wastewater. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

		Water	Wastewater
1	Total Test Year Revenues	\$2,912,625	\$869,985
2	Less: Miscellaneous Revenues	<u>39,572</u>	<u>8,837</u>
3	Test Year Revenues from Service Rates	\$2,873,053	\$861,148
4	Revenue Increase	<u>\$175,071</u>	<u>\$387,582</u>
		<u>\$189,131</u>	<u>\$329,679</u>
5	% Service Rate Increase (Line 4/Line3)	<u>6.09%</u>	<u>45.01%</u>
		<u>6.58%</u>	<u>38.28%</u>

The interim rate increase of 6.09% ~~6.58%~~ for water and 45.01% ~~38.28%~~ for wastewater should be applied as an across-the-board increase to the service rates in effect as of June 30, 2007. The approved rates should 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 should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should 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 rates, and staff's recommended interim rates are shown on Schedule No. 4-A and No. 4-B for water and Schedule No. 4-C for wastewater.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states. UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refund of revenues collected under interim conditions. UI's total guarantee should be the amount of \$330,964 ~~\$305,175~~. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. (Wright, Fletcher, Springer)

**Staff Analysis:** 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 the Commission. As recommended in Issue 2, the total annual interim increase is \$562,653 ~~\$518,810~~ for water and wastewater. In accordance with Rule 25-30.360, F.A.C., staff has calculated the potential refund of revenues and interest collected under interim conditions to be \$330,964 ~~\$305,175~~. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the Utility's current authorized rates shown on Schedules Nos. 4A, 4B and 4C.

LUSI is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. As such, staff reviewed the financial statements of UI. As a result of staff's interim recommendation, the total requested cumulative corporate undertaking amount is \$330,964 ~~\$305,175~~ subject to refund for this docket.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff has reviewed UI's financial statements from 2004 to 2006 to determine the financial condition of the parent company. Staff's analysis shows that UI has experienced a significant decline in liquidity and interest coverage during 2005 compared to prior years. However, UI's average equity ratio over the three-year period has been 40%. UI's financial performance has demonstrated adequate levels of both profitability and equity capitalization to offset the recent decline in liquidity and interest coverage. Based upon this analysis, staff recommends that a cumulative corporate undertaking of \$330,964 ~~\$305,175~~ is acceptable, contingent upon the receipt of the written guarantee of UI and written confirmation that UI does not have any outstanding guarantees on behalf of UI-owned utilities in other states.

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. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the Utility.

Docket No. 070693-WS

Date: April 10, 2008

**Issue 5:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's final action on the Utility's requested rate increase. (Wright, Fletcher, Young)

**Staff Analysis:** The docket should remain open pending the Commission's final action on the Utility's requested rate increase.



Lake Utilities Services, Inc. Schedule of Water Rate Base Test Year Ended 6/30/07			Schedule No. 1-A Docket No. 070693-WS Interim		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$23,323,348	\$9,711,034	\$33,034,382	(\$9,616,143)	\$23,418,239
2 Land and Land Rights	116,158	(989)	115,169	0	115,169
3 Construction Work in Progress	4,297,201	(4,297,201)			0
4 Accumulated Depreciation	(3,083,556)	(745,292)	(3,828,848)	769,612	(3,059,236)
5 CIAC	(14,771,966)	(434,188)	(15,206,154)	434,188	(14,771,966)
6 Amortization of CIAC	2,252,109	397,112	2,649,221	(380,464)	2,268,757
7 Advances For Construction	(38,400)		(38,400)		(38,400)
8 Working Capital Allowance	<u>0</u>	<u>211,284</u>	<u>211,284</u>	<u>0</u>	<u>211,284</u>
<b>9 Rate Base</b>	<b><u>\$12,094,894</u></b>	<b><u>\$4,841,760</u></b>	<b><u>\$16,936,654</u></b>	<b><u>(\$8,792,807)</u></b>	<b><u>\$8,143,847</u></b>

Lake Utility Services, Inc. Schedule of Wastewater Rate Base Test Year Ended 6/30/07			Schedule No. 1-B Docket No. 070693-WS Interim		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$8,469,253	\$7,823,358	\$16,292,611	\$(7,629,553)	\$8,663,058
2 Land and Land Rights	838,852	5,329	844,181	0	844,181
3 Accumulated Depreciation	(1,738,773)	(462,434)	(2,201,207)	310,687	(1,890,520)
4 CIAC	(6,183,118)	159,015	(6,024,103)	25,934	(5,998,169)
5 Amortization of CIAC	922,777	296,464	1,219,241	(178,615)	1,040,626
6 Working Capital Allowance	<u>0</u>	<u>70,035</u>	<u>70,035</u>	<u>0</u>	<u>70,035</u>
<b>8 Rate Base</b>	<b><u>\$2,308,991</u></b>	<b><u>\$7,891,767</u></b>	<b><u>\$10,200,758</u></b>	<b><u>\$(7,471,547)</u></b>	<b><u>\$2,729,211</u></b>

Lake Utility Services, Inc. Capital Structure - 13-Month Average Test Year Ended 06/30/07						Schedule No. 2 Docket No. 070693-WS Interim				
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost		
<b>Per Utility</b>										
1 Long-term Debt	\$173,636,576	\$0	\$173,636,576	(\$158,358,666)	\$15,277,912	56.30%	6.63%	3.73%		
2 Short-term Debt	5,439,769	0	5,439,769	(4,959,821)	479,948	1.77%	1.53%	0.03%		
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%		
4 Common Equity	125,643,139	0	125,643,139	(114,588,237)	11,054,902	40.74%	8.81%	3.59%		
5 Customer Deposits	243,594	0	243,594	0	243,594	0.90%	6.00%	0.05%		
6 Deferred Income Taxes	<u>81,053</u>	<u>0</u>	<u>81,053</u>	<u>0</u>	<u>81,053</u>	<u>0.30%</u>	0.00%	<u>0.00%</u>		
7 <b>Total Capital</b>	<u>\$305,044,133</u>	<u>\$0</u>	<u>\$305,044,133</u>	<u>(\$277,906,724)</u>	<u>\$27,137,409</u>	<u>100.00%</u>		<u>7.40%</u>		
<b>Per Staff</b>										
8 Long-term Debt	\$173,636,576	\$0	\$173,636,576	(\$167,637,340)	\$5,999,238	55.18%	6.63%	3.66%		
9 Short-term Debt	5,439,769	0	5,439,769	(5,251,822)	187,947	1.73%	1.53%	0.03%		
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%		
11 Common Equity	125,643,139	0	125,643,139	(121,302,101)	4,341,038	39.92%	8.81%	3.52%		
12 Customer Deposits	243,594	0	243,594	0	243,594	2.24%	6.00%	0.13%		
13 Deferred Income Taxes	<u>81,053</u>	<u>20,188</u>	<u>101,241</u>	<u>0</u>	<u>101,241</u>	<u>0.93%</u>	0.00%	<u>0.00%</u>		
14 <b>Total Capital</b>	<u>\$305,044,133</u>	<u>\$20,188</u>	<u>\$305,064,321</u>	<u>(\$294,191,263)</u>	<u>\$10,873,058</u>	<u>100.00%</u>		<u>7.34%</u>		
						<b>LOW</b>	<b>HIGH</b>			
						RETURN ON EQUITY	<u>8.81%</u>	<u>10.81%</u>		
						OVERALL RATE OF RETURN	<u>7.34%</u>	<u>8.13%</u>		

Lake Utility Services, Inc. Statement of Water Operations Test Year Ended 06/30/07						Schedule No. 3-A Docket No. 070693-WS Interim	
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 <b>Operating Revenues:</b>	<u>\$2,890,389</u>	<u>\$1,086,623</u>	<u>\$3,977,012</u>	<u>(\$1,064,387)</u>	<u>\$2,912,625</u>	<u>\$175,071</u>	<u>\$3,087,696</u>
						6.01%	
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$1,800,251	(\$311,066)	\$1,489,185	0	\$1,489,185		\$1,489,185
3 Depreciation	378,072	(28,908)	349,164	0	349,164		349,164
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	643,696	(124,616)	519,080	(47,897)	471,183	7,878	479,061
6 Income Taxes	<u>4,429</u>	<u>362,199</u>	<u>366,628</u>	<u>(256,718)</u>	<u>109,910</u>	<u>62,915</u>	<u>172,825</u>
7 <b>Total Operating Expense</b>	<u>\$2,826,448</u>	<u>(\$102,391)</u>	<u>\$2,724,057</u>	<u>(\$304,615)</u>	<u>\$2,419,442</u>	<u>\$70,793</u>	<u>\$2,490,235</u>
8 <b>Operating Income</b>	<u>\$63,941</u>	<u>\$1,189,014</u>	<u>\$1,252,955</u>	<u>(\$759,772)</u>	<u>\$493,183</u>	<u>\$104,278</u>	<u>\$597,462</u>
9 <b>Rate Base</b>	<u>\$12,094,894</u>		<u>\$16,936,653</u>		<u>\$8,143,847</u>		<u>\$8,143,847</u>
10 <b>Rate of Return</b>	<u>0.53%</u>		<u>7.40%</u>		<u>6.06%</u>		<u>7.34%</u>

Lake Utility Services, Inc Statement of Wastewater Operations Test Year Ended 06/30/07						Schedule No. 3-B Docket No. 070693-WS Interim	
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 <b>Operating Revenues:</b>	<u>\$870,616</u>	<u>\$1,137,867</u>	<u>\$2,008,683</u>	<u>(\$1,138,698)</u>	<u>\$869,985</u>	<u>\$387,582</u>	<u>\$1,257,567</u>
						44.55%	
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$329,951	\$298,499	\$628,450	0	\$628,450		\$628,450
3 Depreciation	89,696	104,496	194,182	0	194,182		194,182
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	0	210,593	210,593	(51,241)	159,352	17,441	176,793
6 Income Taxes	<u>29,228</u>	<u>191,588</u>	<u>220,816</u>	<u>(302,182)</u>	<u>(81,366)</u>	<u>139,284</u>	<u>57,918</u>
7 <b>Total Operating Expense</b>	<u>\$448,875</u>	<u>\$805,166</u>	<u>\$1,254,041</u>	<u>(\$353,424)</u>	<u>\$900,617</u>	<u>\$156,725</u>	<u>\$1,057,343</u>
8 <b>Operating Income</b>	<u>\$421,941</u>	<u>\$332,701</u>	<u>\$754,642</u>	<u>(\$785,274)</u>	<u>(\$30,632)</u>	<u>\$230,857</u>	<u>\$200,225</u>
9 <b>Rate Base</b>	<u>\$2,308,991</u>		<u>\$10,200,758</u>		<u>\$2,729,211</u>		<u>\$2,729,211</u>
10 <b>Rate of Return</b>	<u>18.27%</u>		<u>7.40%</u>		<u>(1.12%)</u>		<u>7.34%</u>

<b>Lake Utility Services, Inc. - Excluding Lake Groves</b>		<b>Schedule No. 4-A</b>		
<b>Water Service Rates – Bi-Monthly</b>		<b>Docket No. 070693-WS</b>		
<b>Test Year Ended 06/30/07</b>		<b>Interim</b>		
<b>Bi-Monthly Rates</b>	<b>Rates Prior to Filing</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4" - Residential	\$12.48	\$17.08	\$22.00	\$13.24
5/8" x 3/4" – Irrigation	\$12.48	\$17.08	\$22.00	\$13.24
1" - irrigation	\$31.20	\$42.69	\$55.00	\$33.10
1"	\$31.20	\$42.69	\$55.00	\$33.10
1-1/2"	\$62.38	\$85.36	\$110.00	\$66.18
2"	\$99.78	\$136.54	\$176.00	\$105.86
3"	\$187.08	\$256.03	\$352.00	\$198.47
4"	\$311.82	\$426.73	\$550.00	\$330.81
6"	\$725.52	\$992.90	\$1,100.00	\$769.70
Gallonage Charge, Per 1,000 Gallons	\$0.72	\$0.99		\$0.76
Up to 10,000 gallons			\$1.30	
Over 10,000 gallons			\$2.00	
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8" – General Service	\$12.48	\$17.08	\$22.00	\$13.24
5/8" - Irrigation	\$12.48	\$17.08	\$22.00	\$13.24
1" – General Service	\$31.20	\$42.69	\$55.00	\$33.10
1" - Irrigation	\$31.20	\$42.69	\$55.00	\$33.10
1 1/2" – Irrigation	\$62.38	\$85.36	\$110.00	\$66.18
1 1/2" – General Service	\$62.38	\$85.36	\$110.00	\$66.18
2" General Service	\$99.78	\$136.54	\$176.00	\$105.86
2" Irrigation	\$99.78	\$136.54	\$176.00	\$105.86
3"	\$187.08	\$256.03	\$352.00	\$198.47
4"	\$311.82	\$426.73	\$550.00	\$330.81
6"	\$725.52	\$992.90	\$1,100.00	\$769.70
<b><u>Typical Residential Bills 5/8" x 3/4" Meter – Bi-Monthly</u></b>				
3,000 Gallons	\$14.64	\$20.05	\$25.90	\$15.52
5,000 Gallons	\$16.08	\$22.03	\$28.50	\$17.04
Over 10,000 Gallons	\$19.68	\$26.98	\$42.00	\$20.84

<b>Lake Utility Services, Inc. - Lake Groves</b>		<b>Schedule No. 4-B</b>		
<b>Water Monthly Service Rates</b>		<b>Docket No. 070693-WS</b>		
<b>Test Year Ended 06/30/07</b>		<b>Interim</b>		
	<b>Rates Prior to Filing</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b>Residential</b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4" - Residential	\$12.57	\$17.20	\$11.00	\$13.33
1"	\$31.42	\$43.01	\$27.50	\$33.33
1-1/2"	\$62.84	\$86.00	\$55.00	\$66.67
2"	\$100.54	\$137.60	\$88.00	\$106.66
3"	\$201.07	\$275.17	\$176.00	\$213.31
4"	\$314.18	\$429.96	\$275.00	\$333.31
Gallage Charge, per 1,000 Gallons				
Up to 10,000 Gallons	\$1.25	\$1.72	\$1.30	\$1.33
Over 10,000 Gallons			\$2.00	
<b>General Service</b>				
Base Facility Charge by Meter Size:				
5/8" - General Service	\$12.57	\$17.20	\$11.00	\$13.33
5/8" - Irrigation	\$12.57	\$17.20	\$11.00	\$13.33
1" - General Service	\$31.42	\$43.01	\$27.50	\$33.33
1" - Irrigation	\$31.42	\$43.01	\$27.50	\$33.33
1 1/2" - Irrigation	\$62.84	\$86.00	\$55.00	\$66.67
1 1/2" - General Service	\$62.84	\$86.00	\$55.00	\$66.67
2" General Service	\$100.54	\$137.60	\$88.00	\$106.66
2" Irrigation	\$100.54	\$137.60	\$88.00	\$106.66
3" - General Service	\$201.07	\$275.17	\$176.00	\$213.31
4" - Irrigation	\$314.18	\$429.96	\$275.00	\$333.31
Over 4" - General Service	\$314.18	\$429.96	\$550.00	\$333.31
<b>Typical Residential Bills 5/8" x 3/4" Meter</b>				
3,000 Gallons	\$16.32	\$22.36	\$14.90	\$17.32
5,000 Gallons	\$18.82	\$25.80	\$17.50	\$19.98
Over 10,000 Gallons	\$25.07	\$34.40	\$31.00	\$26.63

<b>Lake Utility Services, Inc. Wastewater Monthly Service Rates Test Year Ended 06/30/07</b>		<b>SCHEDULE NO. 4-C Docket No. 070693-WS Interim</b>		
	<b>Rates Prior to Filing</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$15.72	\$36.49	\$45.00	\$22.79
1"	\$15.72	\$36.49	\$45.00	\$22.79
1-1/2"	\$15.72	\$36.49	\$45.00	\$22.79
2"	\$15.72	\$36.49	\$45.00	\$22.79
All Sizes - Residential	\$15.72	\$36.49	\$45.00	\$22.79
<b><u>General Service</u></b>				
5/8" x 3/4"	\$15.72	\$36.49	\$45.00	\$22.79
1"	\$39.32	\$91.28	\$112.50	\$57.02
1-1/2"	\$78.62	\$182.50	\$225.00	\$114.01
2"	\$125.79	\$291.99	\$360.00	\$182.41
3"	\$251.58	\$584.01	\$720.00	\$364.82
4"	\$393.12	\$912.57	\$1,125.00	\$570.06
Over 4" General Services	\$393.12	\$912.57	\$2,250.00	\$570.06
Gallonage Charge, per 1,000 Gallons				
Residential (10,000 gallon max)	\$1.08	\$2.51	\$2.60	\$1.57
General Service	\$1.36	\$3.15	\$3.50	\$1.97
<b><u>Reclaimed Water</u></b>				
Base Facility Charge			\$3.65	
Gallonage Charge			\$0.60	
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$18.96	\$44.02	\$52.80	\$27.50
5,000 Gallons	\$21.12	\$49.04	\$58.00	\$30.64
10,000 Gallons	\$26.52	\$61.59	\$71.00	\$38.49
(Wastewater Gallonage Cap - 10,000 Gallons)				

