

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 16, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Buys, Bulecza-Banks, Daniel, Fletcher,
Livingston, Walden) *WIPD* *CRB* *BB*
Office of the General Counsel (Hartman) *MSB* *ALM*

RE: Docket No. 080250-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

AGENDA: 10/28/08 – 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: Argenziano

CRITICAL DATES: 60-Day Suspension Date Waived Through 10/28/08.

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080250.INTERIM.RCM.DOC

RECEIVED-FPSC
08 OCT 16 AM 11:52
COMMISSIONER
CLERK

Case Background

Mid-County Services, Inc. (Mid-County or the Utility) is a Class A wastewater utility providing service to approximately 1,170 customers in the City of Dunedin in Pinellas County. Mid-County is located in a region which has been designated by the Southwest Florida Water Management District as a critical use area. Water service and billing are provided by Pinellas County. The Utility's wastewater rates were last established in its 2006 rate proceeding.¹

¹ See Order No. PSC-07-0134-PAA-SU, issued February 16, 2007, in Docket No. 060254-SU, In re: Application for rate increase in Pinellas County by Mid-County Services, Inc. Consolidating Order No. PSC-07-0227-CO-SU, issued March 13, 2007, made Order No. PSC-07-0134-PAA-SU final and effective.

09847 OCT 16 g

FPSC-COMMISSION CLERK

On August 27, 2008, Mid-County 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). As of the filing of this recommendation, 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.

Mid-County requested interim rates designed to generate annual wastewater revenues of \$1,907,277, an increase of \$175,711 or 10.15 percent. The Utility requested final wastewater rates designed to generate annual revenues of \$2,098,901, an increase of \$386,288, or 22.56 percent.

The sixty-day statutory deadline for the Commission to suspend the Utility's requested final rates is October 21, 2008. However, by letter dated September 8, 2008, Mid-County agreed to extend the statutory time frame through October 28, 2008. This recommendation addresses the suspension of Mid-County's final rates and staff's recommended interim rate increase. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Utility's proposed wastewater rates be suspended?

Recommendation: Yes. Mid-County's proposed wastewater rates should be suspended. (Buys)

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 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) the Commission has not acted upon the requested rate increase; or (2) 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 further investigation of this information, including on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends suspension of the Utility's proposed rate increase.

Issue 2: Should an interim revenue increase be approved?

Recommendation: Yes. On an interim basis, the Utility should be authorized to collect annual wastewater revenues as indicated below:

	<u>Adjusted Test</u> <u>Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Wastewater	\$1,731,567	\$62,872	\$1,794,439	3.63%

(Buys, Walden)

Staff Analysis: In its MFRs, Mid-County requested interim rates designed to generate annual revenues of \$1,907,277. This represents a wastewater revenue increase of \$175,711 (10.15 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. Staff has reviewed the Utility's interim request, as well as prior orders concerning the Utility's rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended 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

Mid-County filed a 13-month average wastewater rate base for the calendar year ended December 31, 2007. The Utility made adjustments to allocate plant, construction work in progress (CWIP), accumulated depreciation, accumulated amortization of contributions in aid of construction (CIAC), and working capital. Staff has reviewed Mid-County's MFRs for consistency with the last rate proceeding. As a result of this review, staff believes that several adjustments should be made.

Utility Plant in Service

In its 2003 rate proceeding,² the Commission reduced the land account by \$2,603. This action reduced the monthly account balance from \$21,006 to \$18,403. In the last rate case, the Commission reduced the land account because the Utility inadvertently included the disallowed \$2,603 for one month which increased the 13-month average by \$200. See Order No. PSC-07-0134-PAA-SU, p. 6. In this rate case, Mid-County again inadvertently included the disallowed \$2,603 for five of the thirteen months which had the effect of increasing the 13-month average by \$1,001. As required by Section 367.082(5), F.S., the same adjustment made in the prior rate

² See Order No. PSC-04-0819-PAA-SU, issued August 23, 2004, in Docket No. 030446-SU, In re: Application for rate increase in Pinellas County by Mid-County Services, Inc. Consummating Order No. PSC-04-0904-CO-SU, issued September 17, 2004, made Order No. PSC-04-0819-PAA-SU final and effective.

case shall be applied in this rate case for interim purposes. Accordingly, staff recommends that the 13-month average balance in the land account be reduced by \$1,001.

Non-Used and Useful Plant

Staff has reviewed the Utility's used and useful (U&U) calculation for interim. Mid-County's calculation is consistent with the methodology used in the last rate case. The Utility calculated the wastewater treatment plant (WWTP) to be 85 percent U&U. On Schedule F-6 of its MFRs, Mid-County stated that the WWTP should be considered 100 percent U&U for both interim and final for the following reasons:

The treated flows in 2005 at Mid-County have decreased continually from 279.9MG in 2002 to 241.8MG in 2005 to 238.9 MG in 2007. This continual reduction has occurred in spite of modest increases in ERCs. This downward trend in treated flows is indicative of the redevelopment of mobile home parks in the service area with less dense housing and commercial developments and the results of (A) the capital investment made by Mid-County in numerous manhole repairs and replacing or relining of mains to reduce infiltration, (B) the dismantling of the poorly maintained mobile home park collection systems and (C) the replacement of those mains in new developments with materials meeting Mid-County's requirements. In the last case setting U&U, Docket No. 060254-SU, the PSC found the WWTP to be 92% U&U. In this case, the PSC should recognize that the U&U would be approaching 100% were not for the actions of the utility to reduce infiltration as much as practicable.

The Utility calculated its U&U percentage for the wastewater treatment plant by taking the sum of the annual average daily flows (AADF) of 654,413 gallon per day (gpd) and a growth allowance of 10,247 gpd. It then divided that total by the plant's Department of Environmental Protection (DEP) permitted capacity of 900,000 gpd AADF. Mid-County did not make any adjustments for inflow and infiltration (I&I) in its calculations. This resulted in an 85 percent U&U percentage for the wastewater treatment plant.

Using linear regression, the Utility calculated annual customer growth to be 63 equivalent residential connections (ERCs). Mid-County also calculated the average growth through the 5-year period to be 3.57 percent. The growth rate (.0357) multiplied by the test year number of ERCs (1,882) results in an annual growth of 67 ERCs. Staff agrees with the Utility's calculations of the average annual growth for interim.

In its MFR Schedule F-8, in calculating its 110,247 gpd growth allowance, Mid-County multiplied the annual growth of 63 ERCs by the five-year statutory growth period and the test year average consumption of 348 gpd/ERC. Staff agrees with the Utility's calculation for its growth allowance.

Applying this adjustment to the U&U formula and assuming the I&I is zero for interim, the WWTP should be considered to be 85 percent U&U. However, in Mid-County's last rate case, the Commission found the Utility's WWTP to be 92 percent U&U. See Order No. PSC-07-0134-PAA-SU, p. 10. The Commission also found that Mid-County transferred a large portion of the balance in Account 380 to Account 354, and consequently, applied an adjustment

to both accounts to reduce the balances by 8 percent to account for the 92 percent U&U. Therefore, as required by Section 367.082(5), F.S., the same adjustments for a U&U of 92 percent that was applied to Account Nos. 354 and 380 in the last case should be applied in this case for interim purposes. Accordingly, staff recommends that net non-used and useful plant be reduced by \$125,359.

Wastewater Collection Systems

In its filing, the Utility stated that the collection system should be considered 100 percent U&U because it was built by various developers who then contributed the assets to Mid-County. The master feeders and lift stations that serve the system were built by the Utility. Mid-County also stated that this Commission recognized that the collection system was 100 percent U&U in the Utility's last rate case. See Order No. PSC-07-0134-PAA-SU, p. 11. Mid-County stated that while there is some limited undeveloped land in the service territory, additional collection mains would have to be constructed before new customers could be added.

A review of the Utility's analysis shows that there has been some growth in customers, but no changes in its service territory since the last rate case. Therefore, the collection system should be considered 100 percent U&U for interim.

Summary

As a result of the above adjustments, the Utility's rate base should be reduced by a total of \$126,360. Corresponding adjustments should be made to reduce depreciation expense by \$96,188, and property tax expense by \$8,100. Based on the above, staff recommends that Mid-County's interim rate base should be \$2,879,963.

COST OF CAPITAL

In its MFRs, Mid-County used a 13-month average capital structure consisting of allocated investor sources of capital from Utilities, Inc. (UI). The Utility included a zero balance in customer deposits. Staff reviewed Mid-County's requested capital structure and believes that the Utility erred in calculating its cost rate for common equity. Section 367.082(5)(b)3., F.S., requires that, in calculating the cost of capital for an interim rate increase, the minimum of the range of the last authorized rate of return on equity (ROE) shall be used. In Mid-County's last rate case, the midpoint of the authorized ROE was established as 11.46 percent, with a range of 10.46 percent to 12.46 percent. See Order No. PSC-07-0134-PAA-SU, p. 13. Therefore, for interim purposes, staff recommends a cost of equity of 10.46 percent. Accordingly, staff's recommended cost of capital for interim purposes is 7.94 percent. Schedule No. 2 details staff's recommended capital structure.

NET OPERATING INCOME

Operating Revenues

Section 367.082(5)(b)1., F.S., requires that the achieved rate of return be calculated by applying adjustments consistent with a utility's last rate proceeding and annualizing any rate changes occurring during the interim test year. For interim purposes, Mid-County chose the historical twelve-month period ended December 31, 2007. The Utility implemented the rate increase approved in its previous rate case on April 7, 2007, and implemented a price index rate increase on September 19, 2007. The Utility then annualized its revenues using the rates in effect at the end of the test year. In its MFRs, Mid-County's adjusted test year revenues are \$1,731,567. Staff reviewed the Utility's annualized revenues and recommends no adjustments.

Operating Expenses

Mid-County made several adjustments to operating expenses for interim purposes. Staff has reviewed the adjustments and believes that they are appropriate. However, staff made adjustments to operating expenses related to the 8 percent non-used and useful adjustment to the WWTP. Depreciation expense was reduced by \$96,188 and property tax expense was reduced by \$8,100.

Net Operating Income

Based on these adjustments, staff recommends that the appropriate test year operating income, before any revenue increase, is \$191,294. Schedule No. 3-A details staff's recommended net operating income, with adjustments reflected on Schedule No. 3-B.

REVENUE REQUIREMENT

The Utility requested an interim revenue requirement of \$1,907,277. Based on the above, staff recommends an interim revenue requirement of \$1,794,439. This represents an interim revenue increase of \$62,872, or 3.63 percent. This will allow Mid-County the opportunity to recover its operating expenses and earn a 7.94 percent return on its rate base.

Issue 3: What are the appropriate interim wastewater rates?

Recommendation: The wastewater service rates for Mid-County in effect as of December 31, 2007, should be increased by 3.63 percent 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’s decision, the proposed customer notice is adequate, and the required security discussed in Issue 4 has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice. (Buys)

Staff Analysis: Staff recommends that interim wastewater service rates for Mid-County be designed to allow the Utility the opportunity to generate annual operating revenues of \$1,794,439. This reflects an increase of \$62,872, or 3.63 percent, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. In its MFRs, Mid-County included miscellaneous revenues of \$1,350. The calculation is as follows:

1	Total Test Year Revenues	\$1,731,567
2	Less: Miscellaneous Revenues	<u>1,350</u>
3	Test Year Revenues from Service Rates	\$1,730,217
4	Revenue Increase	<u>\$62,872</u>
5	% Service Rate Increase (Line4/Line 3)	<u>3.63%</u>

The interim rate increase of 3.63 percent for wastewater should be applied as an across-the-board increase to the service rates in effect as of December 31, 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 discussed in Issue 4 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 wastewater rates, and staff’s recommended interim wastewater rates are shown on Schedule No. 4.

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 refunds of revenues collected under interim conditions. UI's total guarantee should be equal to the outstanding amount of \$528,209 plus the amount approved by the Commission in this docket and Docket Nos. 080247-SU, 080248-SU, and 080249-WS. 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. (Buys, Livingston)

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 \$62,872. In accordance with Rule 25-30.360, F.A.C., staff calculated the potential refund of revenues and interest collected under interim conditions to be \$36,938. 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 Schedule No. 4.

Mid-County is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. UI has requested a corporate undertaking to secure any interim increases granted in Docket Nos. 080247-SU, 080248-SU, and 080249-WS. The Commission's consideration of interim rates for those dockets is also being decided at the October 28, 2008, Agenda Conference. The recommended cumulative corporate undertaking amount for those dockets is \$310,106. At present, UI has a corporate undertaking for Miles Grant Water & Sewer Company (Miles Grant) and Lake Utility Services, Inc. (LUSI), for a combined corporate undertaking in the amount of \$528,209.³ As such, staff reviewed the financial statements of the parent company. As a result of staff's interim recommendations in all of the above dockets, and the previously approved corporate undertaking amount for Miles Grant and LUSI, the total requested cumulative corporate undertaking amount is \$875,253, which includes \$36,938 subject to refund for this docket. However, in case the recommended incremental amounts for the above four dockets are not approved by the Commission, staff recommends that UI's total guarantee should be equal to the outstanding amount of \$528,209 plus the amount approved by the Commission in this docket and Docket Nos. 080247-SU, 080248-SU, and 080249-WS.

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 2005 to 2007 to determine the financial condition of the parent company. UI's relative level of liquidity has decreased compared to 2006. The Utility has also experienced a decline in its interest coverage ratio and relative level of net income over the three year review period. However, UI's equity ratio has increased to 44.48 percent in 2007 from 40

³ See Order Nos. PSC-08-0338-PCS-WS, issued May 27, 2008 in Docket No. 070695-WS, In re: Application for rate increase in water and wastewater in Martin County, by Miles Grant Water & Sewer Company; and PSC-08-0308-PCO-WS, issued May 12, 2008 in Docket No. 070693-WS, In re: Application for rate increase in water and wastewater Lake County by Lake Utility Services, Inc.

percent in 2006. In addition, net income has been on average three times greater than the requested interim undertaking amount. UI's financial performance has demonstrated adequate levels of both equity capitalization and profitability on an absolute basis to offset the decline in interest coverage and profitability on a relative basis. Based upon this analysis, staff recommends that a cumulative corporate undertaking of \$875,253 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 should 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. 080250-SU

Date: October 16, 2008

Issue 5: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the Utility's requested rate increase. (Hartman)

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

Mid-County Services, Inc. Schedule of Wastewater Rate Base Test Year Ended 12/31/07				Schedule No. 1-A Docket No. 080250-SU		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$6,244,515	\$30,944	\$6,275,459	\$0	\$6,275,459	
2 Land and Land Rights	20,148	0	20,148	(1,001)	19,147	
3 Non-used and Useful Components	0	0	0	(125,359)	(125,359)	
4 Accumulated Depreciation	(1,984,790)	(4,672)	(1,989,462)	0	(1,989,462)	
5 CIAC	(3,025,365)	0	(3,025,365)	0	(3,025,365)	
6 Amortization of CIAC	1,636,280	9,211	1,645,491	0	1,645,491	
7 CWIP	46,438	(46,438)	0	0	0	
8 Working Capital Allowance	<u>0</u>	<u>80,052</u>	<u>80,052</u>	<u>0</u>	<u>80,052</u>	
9 Rate Base	<u>\$2,937,226</u>	<u>\$69,097</u>	<u>\$3,006,323</u>	<u>(\$126,360)</u>	<u>\$2,879,963</u>	

Mid-County Services, Inc. Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 1-B Docket No. 080250-SU
Explanation		Wastewater
<u>Land</u>		
To reflect proper balance		<u>(\$1,001)</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment		<u>(\$125,359)</u>

Mid-County Services, Inc.
Capital Structure-Simple Average
Test Year Ended 12/31/07

Schedule No. 2-A
Docket No. 080250-SU

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$178,404,556)	\$1,595,444	53.07%	6.65%	3.53%	
2 Short-term Debt	1,530,769	0	\$1,530,769	(1,517,201)	\$13,568	0.45%	12.34%	0.06%	
3 Preferred Stock	0	0	\$0	0	\$0	0.00%	0.00%	0.00%	
4 Common Equity	141,856,780	0	\$141,856,780	(140,599,422)	\$1,257,358	41.82%	11.57%	4.84%	
5 Customer Deposits	0	0	\$0	0	\$0	0.00%	6.00%	0.00%	
6 Deferred Income Taxes	<u>139,952</u>	<u>0</u>	<u>\$139,952</u>	<u>0</u>	<u>\$139,952</u>	<u>4.66%</u>	0.00%	<u>0.00%</u>	
10 Total Capital	<u>\$323,527,501</u>	<u>\$0</u>	<u>\$323,527,501</u>	<u>(\$320,521,179)</u>	<u>\$3,006,322</u>	<u>100.00%</u>		<u>8.43%</u>	
Per Staff									
11 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$178,474,889)	\$1,525,111	52.96%	6.65%	3.52%	
12 Short-term Debt	1,530,769	0	1,530,769	(1,517,799)	12,970	0.45%	12.34%	0.06%	
13 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
14 Common Equity	141,856,780	0	141,856,780	(140,654,850)	1,201,930	41.73%	10.46%	4.37%	
15 Customer Deposits	0	0	0	0	0	0.00%	6.00%	0.00%	
16 Deferred Income Taxes	<u>139,952</u>	<u>0</u>	<u>139,952</u>	<u>0</u>	<u>139,952</u>	<u>4.86%</u>	0.00%	<u>0.00%</u>	
20 Total Capital	<u>\$323,527,501</u>	<u>\$0</u>	<u>\$323,527,501</u>	<u>(\$320,647,538)</u>	<u>\$2,879,963</u>	<u>100.00%</u>		<u>7.94%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>10.46%</u>	<u>12.46%</u>		
OVERALL RATE OF RETURN						<u>7.53%</u>	<u>8.36%</u>		

Mid-County Services, Inc. Statement of Wastewater Operations Test Year Ended 12/31/07						Schedule No. 3-A Docket No. 080250-SU	
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>\$1,624,065</u>	<u>\$283,213</u>	<u>\$1,907,278</u>	<u>(\$175,711)</u>	<u>\$1,731,567</u>	<u>\$62,872</u> 3.63%	<u>\$1,794,439</u>
Operating Expenses							
2 Operation & Maintenance	\$1,308,988	\$22,009	\$1,330,997	\$0	\$1,330,997		\$1,330,997
3 Depreciation	141,732	1,621	143,353	(96,188)	47,165		47,165
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	104,113	20,747	124,860	(16,007)	108,853	2,829	111,682
6 Income Taxes	<u>(5,751)</u>	<u>60,514</u>	<u>54,763</u>	<u>(1,505)</u>	<u>53,258</u>	<u>22,594</u>	<u>75,852</u>
7 Total Operating Expense	<u>1,549,082</u>	<u>104,891</u>	<u>1,653,973</u>	<u>(113,700)</u>	<u>1,540,273</u>	<u>25,423</u>	<u>1,565,697</u>
8 Operating Income	<u>\$74,983</u>	<u>\$178,322</u>	<u>\$253,305</u>	<u>(\$62,011)</u>	<u>\$191,294</u>	<u>\$37,449</u>	<u>\$228,742</u>
9 Rate Base	<u>\$2,937,226</u>		<u>\$3,006,323</u>		<u>\$2,879,963</u>		<u>\$2,879,963</u>
10 Rate of Return	<u>2.55%</u>		<u>8.43%</u>		<u>6.64%</u>		<u>7.94%</u>

Mid-County Services, Inc. Adjustment to Operating Statement Test Year Ended 12/31/07		Schedule 3-B Docket No. 080250-SU
Explanation	Wastewater	
<u>Operating Revenues</u>		
Remove requested interim revenue increase.		<u>(\$175,711)</u>
<u>Depreciation Expense - Net</u>		
To remove net depreciation on non-U&U adjustment.		<u>(\$96,188)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above		(\$7,907)
2 To reflect reduction of property taxes for non-U&U Plant		<u>(8,100)</u>
Total		<u>(\$16,007)</u>
<u>Income Taxes</u>		
To reflect the appropriate income taxes		<u>(\$1,505)</u>

Mid-County Services, Inc.		Schedule 4		
Wastewater Bi-Monthly Service Rates		Docket No. 080250-SU		
Test Year Ended 12/31/07				
	Test Year Rates on 12/31/07	Utility Requested Interim	Utility Requested Final	Staff Recommended Interim
<u>Residential</u>				
Base Facility Charge All Meter Sizes:	\$32.22	\$35.49	\$39.49	\$33.39
Gallage Charge Per 1,000 Gallons (20,000 gal. bi-monthly cap)	\$3.23	\$3.56	\$3.96	\$3.35
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$32.22	\$35.49	\$39.49	\$33.39
1"	\$82.68	\$91.07	\$101.34	\$85.68
1-1/2"	\$186.04	\$204.93	\$228.02	\$192.80
2"	\$330.74	\$364.31	\$405.37	\$342.76
2" (UI)	\$330.74	\$364.31	\$405.37	\$342.76
3"	\$744.37	\$819.93	\$912.33	\$771.42
4"	\$1,322.95	\$1,457.25	\$1,621.46	\$1,371.02
6"	\$2,977.06	\$3,279.27	\$3,648.80	\$3,085.24
Gallage Charge, per 1,000 Gallons	\$3.88	\$4.27	\$4.76	\$4.02
<u>Multi-Residential - Metered</u>				
Base Facility Charge by Meter Size:				
Flat Rate	\$63.36	\$69.79	\$77.66	\$65.66
5/8" x 3/4"	\$32.22	\$35.49	\$39.49	\$33.39
1"	\$82.68	\$91.07	\$101.34	\$85.68
1-1/2"	\$186.04	\$204.93	\$228.02	\$192.80
2"	\$330.74	\$364.31	\$405.37	\$342.76
3"	\$744.37	\$819.93	\$912.33	\$771.42
4"	\$1,322.95	\$1,457.25	\$1,621.46	\$1,371.02
6"	\$2,977.06	\$3,279.27	\$3,648.80	\$3,085.24
Gallage Charge Per 1,000 gallons	\$4.65	\$5.12	\$5.70	\$4.82
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$41.91	\$46.17	\$51.37	\$43.43
5,000 Gallons	\$48.37	\$53.29	\$59.29	\$50.13
10,000 Gallons	\$64.52	\$71.09	\$79.09	\$66.86
(Wastewater Gallage Cap - 20,000 Gallons Bi-Monthly)				