

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

DOCKET NO. 100104-WU
ORDER NO. PSC-10-0513-PCO-WU
ISSUED: August 12, 2010

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM

ORDER SUSPENDING RATES AND
APPROVING INTERIM REVENUE INCREASE

BY THE COMMISSION:

I. Background

Water Management Services, Inc. (WMSI or Utility) is a Class A water utility providing service to approximately 1,805 water customers in Franklin County. For the year ended December 31, 2009, the Utility reported operating revenues of \$1,319,558 and a net operating loss of \$23,496. WMSI's last full-blown rate case was in 1994.¹

Also, on June 6, 2000, the Utility filed an application for a limited proceeding to increase its water rates to recover the cost of building a new water transmission main to connect its wells on the mainland to its service territory on St. George Island. The need for a new water transmission main was due to the Florida Department of Transportation (DOT) demolishing and replacing the bridge. WMSI's transmission main uses the bridge to transport water to the island. We found that the construction of a new water supply main was justified and the increase was phased in over three phases.²

On May 25, 2010, the Utility filed its application for rate increase at issue in the instant docket, and requested that the application be set directly for hearing and requested interim rates. The filing satisfied the Minimum Filing Requirements (MFRs) and May 25, 2010, was set as the official date of filing. The test year established for interim and final rates is the 13-month average period ended December 31, 2009.

The Utility requested interim rates designed to generate annual water revenues of \$1,627,994. This would have been a revenue increase on an annual basis of \$327,504 (25.18

¹ See Order No. PSC-94-1383-FOF-WU, issued November 14, 1994, in Docket No. 940109-WU, In re: Petition for interim and permanent rate increase in Franklin County by St. George Island Company, Ltd.

² See Order Nos. PSC-00-2227-PAA-WU, issued November 21, 2000, PSC-03-1005-PAA-WU, issued September 8, 2003, and PSC-05-1156-PAA-WU, issued November 21, 2005, in Docket No. 000694-WU, In re: Petition by Water Management Services, Inc. for limited proceeding to increase water rates in Franklin County.

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percent). WMSI requested final rates designed to generate annual water revenues of \$1,943,296. This represents a revenue increase of \$641,629 (49.29 percent).

The original 60-day statutory deadline for us to suspend the Utility's requested final rates was July 26, 2010. However, by letter dated June 3, 2010, WMSI agreed to extend the statutory time frame through August 3, 2010. This Order addresses the suspension of the Utility's requested final rates and its requested interim rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

II. Suspension of Rates

Section 367.081(6), F.S., provides that we 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. Further, the above referenced statute permits the proposed final rates to go into effect, under bond, escrow or corporate undertaking, eight months after filing unless final action has been taken by this Commission.

Our staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. We find further investigation of this information is required, including on-site investigations by our staff accountants and engineers. Based on the foregoing, the Utility's proposed rate increase shall be suspended.

III. Interim Revenue Increase

The Utility has filed rate base, cost of capital, and operating statements to support its requested interim water increase. 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. Our staff reviewed the Utility's interim request, as well as Order No. PSC-94-1383-FOF-WU, in which we last established rate base, and Order No. PSC-05-1156-PAA-WU, the Utility's limited proceeding. Based on this review, we have made adjustments as set out below. The attached accounting schedules illustrate our approved rate base, capital structure, and test year operating income amounts. The water rate base is shown on Schedule No. 1-A, with adjustments to rate base shown on Schedule No. 1-B. The capital structure is shown on Schedule No. 2. The operating income schedule for water is labeled as Schedule No. 3-A. The operating income adjustments are shown on Schedule No. 3-B.

A. Rate Base

Based on an analysis of the MFRs and our staff's review of Order Nos. PSC-94-1383-FOF-WU and PSC-05-1156-PAA-WU from WMSI's last rate proceedings, we find that several working capital adjustments are necessary.

On MFR Schedule A-17, the Utility reflected an interim working capital allowance (working capital) of \$66,850 using the balance sheet approach. WMSI included \$112,034 of unamortized debt discount and issuing expense in its working capital calculation. As indicated

on MFR Schedule D-5, the unamortized debt discount and issuing expense is also incorporated in the Utility's long-term debt cost rate in the capital structure. As such, it shall not be included in the working capital calculation. Therefore, consistent with our practice,³ the unamortized debt discount and issuing expense of \$112,034 shall be removed from the working capital calculation.

We also find that several adjustments to WMSI's deferred accounts used in the calculation of working capital are necessary. The Utility recorded \$60,754 of amortization for an undepreciated supply main which had been replaced. In WMSI's limited proceeding, we approved an annual amortization of \$14,298 for the undepreciated portion of the supply main. Recalculating the amortization using our approved amortization rate results in a balance of \$62,187. Therefore, we have increased the deferred account by \$1,432 (\$62,187 - \$60,754). Finally, because this is a water only proceeding, we have decreased the working capital calculation by \$35,603 for deferred costs incurred by WMSI in seeking to obtain an original certificate for a wastewater system.

The summation of our adjustments results in a negative working capital allowance of \$79,355. A negative working capital balance is not typical of a "normal" utility or the expected future condition of a utility. Therefore, consistent with our practice,⁴ the working capital allowance shall be set at zero, and the working capital allowance is reduced by \$66,850, accordingly.

Based on the above adjustments, we calculate the rate base for interim purposes to be \$3,818,437.

B. Cost of Capital

In its interim request, the Utility used a return on equity (ROE) of 11.30 percent. However, based on Order No. PSC-94-1383-FOF-WU, the minimum of WMSI's authorized ROE is 10.34 percent. Although we make this adjustment in the capital structure, it has no effect on the amount of the interim rate increase because the Utility's capital structure consists of only long-term debt and customer deposits.

³ Past Commission practice has been to amortize the issuance costs over the life of the loan and to incorporate the amortization in the cost of long-term debt. See Order No. PSC-97-1225-FOF-WU, issued October 10, 1997, in Docket No. 970164-WU, In re: Application for increase in rates in Martin County by Hobe Sound Water Company.

⁴ See Order Nos. PSC-10-0168-PAA-SU, issued March 23, 2010, in Docket No. 090182-SU, In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC; PSC-97-0076-FOF-WS, issued January 27, 1997, in Docket No. 961364-WS, In re: Investigation of rates of Lindrick Service Corporation in Pasco County for possible overearnings; and PSC-95-0574-FOF-WS, issued May 9, 1995, in Docket No. 940917-WS, In re: Application for rate increase in Seminole, Orange, and Pasco Counties by Utilities, Inc. of Florida.

C. Net Operating Income

Pursuant to Section 367.082(5)(b)1., F.S., only those adjustments consistent with the most recent rate proceeding of a utility may be made. Based on this section and what appear to be other inappropriate adjustments made by the Utility, we find that the following adjustments are necessary:

1. Operating Revenues

WMSI recorded an adjustment to decrease revenues by \$18,824 in order to annualize test year revenues. On February 21, 2010, the Utility reduced its rates to remove the amortization of prior rate case expense. WMSI used the reduced rates to annualize its test year revenues. The rate change for the removal of prior rate case expense is outside of the test year. Therefore, we have calculated test year revenues using the rates in effect during the test year. This calculation results in an increase of \$19,753 to the Utility's adjusted test year revenues.

2. Operation and Maintenance Expense (O&M) Expense)

WMSI's requested revenue requirement includes an annualized provision for several of its expenses. The interim statute requires that annualized expenses be removed for purposes of determining interim rates. Our adjustments are as follows.

1	To remove normalization for bridge maintenance contract	(\$36,000)
2	To remove normalization for tank maintenance contract	(17,380)
3	To remove normalization for billing software lease & maint contract	(3,720)
4	To remove normalization for engineering service contract	(20,500)
5	To remove normalization for John Deere Lease	(2,084)
6	To remove normalization for hydra platform	(16,514)
7	To remove normalization for stuffer machine lease	(706)
8	To remove normalization for mail machine lease	(1,285)
9	To remove normalization for vehicle lease	(15,883)
10	To remove normalization for health insurance & pension	(5,588)
11	To remove normalization for accounting service contract	(13,775)
12	To remove normalization for salaries	<u>16,250</u>
	Total net decrease for normalization	<u>(\$117,185)</u>

The Utility increased O&M expense by \$1,570 to record a test-year legal expense that was booked in 2010. WMSI did not provide any support documentation indicating the expense was invoiced in 2009. Therefore, we have decreased O&M expense by \$1,570.

In the Utility's 1994 rate case, we made adjustments for the allocation of expenses for affiliates. The adjustments were made to salaries, pensions, miscellaneous, and rent expenses. Because we did not have a breakdown of the expense accounts for the salaries, pensions, and miscellaneous expenses, we calculated the ratio of the allocation adjustment to WMSI's adjusted

test year for each respective expense.⁵ Then, we applied that percentage to the Utility's total O&M expense for each respective account on its MFR Schedule B-5. Those calculations result in decreases of \$8,207 for salaries, \$4,792 for pensions, and \$8,800 for miscellaneous expenses.

For rent expense, we approved a 60 percent allocation to WMSI for office rental. Therefore, we applied the 40 percent allocation for affiliates to the Utility's contract for office rental of \$18,000 contained in WMSI's 2009 Annual Report. This calculation results in a decrease of \$7,200. Finally, we decreased the Utility's transportation expense to reflect the removal of allowances for administrative staff. In order to determine the appropriate adjustment, we used the same methodology described above.⁶ This calculation results in a decrease of \$5,561 to transportation expense.

On MFR Schedule B-5, the Utility reported a Contractual Services – Engineering expense of \$27,500. WMSI indicated on its MFR Schedule B-9 that this amount is for a water system evaluation. The Utility is relying on the recommendations of this evaluation for its proposed pro forma plant additions in this proceeding. For interim purposes, we find this amount shall be amortized over a five-year period which is consistent with the treatment of studies allowed in the Utility's last rate case. Therefore, we have decreased O&M expense by \$22,000.

WMSI's test year O&M expense included \$24,184 for rate case expense. As mentioned previously, the prior rate case expense amortization was \$17,986. In regard to the remaining balance of \$6,198, we are unsure if this rate case expense is related to the current proceeding. But, for interim purposes, it shall be removed from the calculation of interim rates. Therefore, we have reduced O&M expense by \$6,198 to remove unauthorized rate case expense.

Based on the above adjustments, we calculate that a net decrease of \$181,513 to O&M expense is appropriate.

3. Amortization – Other Expense

As discussed above, we approved an annual amortization of \$14,298 for the undepreciated portion of the supply main which had been replaced. The Utility recorded an annual amortization of \$14,616. Therefore, we have reduced the Utility's amortization amount by \$318.

4. Taxes Other Than Income (TOTI)

The Utility increased TOTI by \$5,730 to annualize the 2009 personal property tax. We have decreased TOTI by this amount to reflect the removal of this personal property tax normalization. Also, as discussed above, we removed WMSI's adjustment to normalize salaries. Accordingly, we have removed the corresponding normalization adjustment for payroll taxes and increased payroll taxes by \$1,243. Finally, we have decreased TOTI by \$628 to adjust payroll

⁵ Previous Order Adjustment/Utility's Adjusted Test Year: Salaries - $\$3,214/\$123,120 = 2.61\%$; Pensions and Benefits - $\$1,260/\$34,356 = 3.67\%$; Miscellaneous - $\$1,764/\$24,422 = 7.23\%$.

⁶ Transportation - $\$3,900/\$15,600 = 25.00\%$.

taxes for the adjustment made to salaries for the allocation to affiliates. The net adjustment to TOTI is a decrease of \$5,115.

Based on the above, we calculate the appropriate test year operating income, before any revenue increase, to be \$42,627 for water.

D. Revenue Requirement

Based on the above adjustments, we find that the water revenue requirement is \$1,429,470. This represents an interim increase in annual revenues of \$109,228 (or 8.27 percent) for water. The water increase will allow WMSI the opportunity to recover its water operating expenses and earn a 3.85 percent return on its water rate base. WMSI shall be 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	\$1,320,242	\$109,228	\$1,429,470	8.27%

IV. Interim Water Rates

As stated above, the interim water rates for WSMI shall be designed to allow the Utility the opportunity to generate annual water revenues of \$1,429,470. This reflects an increase of \$109,228 (8.27 percent), before removal of miscellaneous and other revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues must be removed from the test year revenues. Our calculation is as follows:

	<u>Water</u>
1 Total Test Year Revenues	\$1,320,242
2 Less: Miscellaneous Revenues	<u>\$3,157</u>
3 Test Year Revenues from Service Rates	\$1,317,085
4 Revenue Increase	<u>\$109,228</u>
5 % Service Rate Increase (Line 4/Line3)	<u>8.29%</u>

The interim rate increase of 8.29 percent for water shall be applied as an across-the-board increase to the service rates in effect as of December 31, 2009. 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 our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the

required security 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 rates, and our approved interim water rates are shown on Schedule No. 4.

V. Appropriate Security

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 approved above, the total annual interim increase is \$109,228 for water. In accordance with Rule 25-30.360, F.A.C., the potential refund of revenues and interest collected under interim conditions is estimated to be \$72,904. This amount is based on an estimated eight months of interim revenues being collected over the Utility's rates in effect as of December 31, 2009.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Our staff reviewed WMSI's 2007, 2008, and 2009 financial statements to determine the financial condition of the Utility. This review shows that WMSI has inadequate liquidity, profitability, ownership equity, and interest coverage to guarantee any potential refund. Based on this review, the Utility shall secure a surety bond, letter of credit, or escrow agreement to guarantee any potential refunds of water revenues.

If the security provided is an escrow account, said account shall be established between the Utility and an independent financial institution pursuant to a written escrow agreement. This Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state the following: that the account is established at the direction of the Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Commission Clerk, Office of Commission Clerk; the account shall be interest bearing; information concerning the escrow account shall be available from the institution to the Commission or its representative at all times; the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and, pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.

The Utility shall deposit \$9,102 into the escrow account each month for possible refund. The escrow agreement shall also state that if a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers, and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the Utility.

If the security provided is a surety bond or a letter of credit, said instrument shall be in the amount of \$72,904. If the Utility chooses a surety bond as security, the surety bond shall state that it will be released or terminated only upon subsequent order of this Commission. If the Utility chooses to provide a letter of credit as security, the letter of credit shall state that it is

irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the Utility or requiring a refund.

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. Should a refund be 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. Such 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 water rates proposed by Water Management Services, Inc., are hereby suspended. It is further

ORDERED that the request for an interim rate increase for water rates by Water Management Services, Inc., is hereby granted 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 rates shall not be approved or implemented until our 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 the approved interim rates shall become effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that Water Management Services, Inc., shall provide proof that notice has been provided within 10 days after the notice was given. It is further

ORDERED that Water Management Services, Inc., shall open an escrow account or file a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim rates. It is further

ORDERED that if the security provided is an escrow account, Water Management Services, Inc., shall deposit \$9,102 into the escrow account each month. It is further

ORDERED that if the security provided is a surety bond or letter of credit, said instrument shall be in the amount of \$72,904. It is further

ORDERED that regardless of the type of security, the Utility shall keep an accurate and detailed account of all monies it receives. It is further

ORDERED that during the time the interim rates are in effect, Water Management Services, Inc., shall file a report by the 20th of each month indicating the monthly and total revenue collected subject to refund pursuant to Rule 25-30.360(6), F.A.C. It is further

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

ORDERED that in no instance shall maintenance and administrative costs associated with any refund be borne by the customers. Such costs are the responsibility of, and shall be borne by, the Utility. It is further

ORDERED that this docket shall remain open pending the Commission's final action on the Utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 12th day of August, 2010



ANN COLE
Commission Clerk

(S E A L)

RRJ

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 10 days pursuant to Rule 25-22.0376, 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 25-22.0376, 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.

Water Management Services, Inc. Schedule of Water Rate Base Test Year Ended 12/31/09				Schedule No. 1-A Docket No. 100104-WU		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	
1 Plant in Service	\$8,932,312	\$0	\$8,932,312	\$0	\$8,932,312	
2 Land and Land Rights	90,994	0	90,994	0	90,994	
3 Non-used and Useful Components	0	(19,856)	(19,856)	0	(19,856)	
4 Accumulated Depreciation	(3,263,577)	0	(3,263,577)	0	(3,263,577)	
5 CIAC	(3,228,165)	0	(3,228,165)	0	(3,228,165)	
6 Amortization of CIAC	1,327,593	0	1,327,593	0	1,327,593	
7 Advances for Construction	(20,864)	0	(20,864)	0	(20,864)	
8 Working Capital Allowance	<u>66,850</u>	<u>0</u>	<u>66,850</u>	<u>(66,850)</u>	<u>0</u>	
9 Rate Base	<u>\$3,905,143</u>	<u>(\$19,856)</u>	<u>\$3,885,287</u>	<u>(\$66,850)</u>	<u>\$3,818,437</u>	

Water Management Services, Inc. Adjustments to Rate Base Test Year Ended 12/31/09	Schedule No. 1-B Docket No. 100104-WU
Explanation	Water
<u>Working Capital</u> To reflect the appropriate working capital allowance.	<u>(\$66,850)</u>

Water Management Services, Inc.
Capital Structure-Simple Average
Test Year Ended 12/31/09

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	\$7,768,865	\$0	\$7,768,865	(\$3,984,077)	\$3,784,788	97.41%	3.79%	3.69%		
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	(1,857,218)	1,857,218	\$0	0	\$0	0.00%	11.30%	0.00%		
5 Customer Deposits	100,499	0	\$100,499	0	\$100,499	2.59%	6.00%	0.16%		
6 Deferred Income Taxes	0	0	\$0	0	\$0	0.00%	0.00%	0.00%		
7 Total Capital	<u>\$6,012,146</u>	<u>\$1,857,218</u>	<u>\$7,869,364</u>	<u>(\$3,984,077)</u>	<u>\$3,885,287</u>	<u>100.00%</u>		<u>3.85%</u>		
Per Commission										
8 Long-term Debt	\$7,768,865	\$0	\$7,768,865	(\$4,050,927)	\$3,717,938	97.37%	3.79%	3.69%		
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	0	0	\$0	\$0	0	0.00%	10.34%	0.00%		
12 Customer Deposits	100,499	0	\$100,499	\$0	100,499	2.63%	6.00%	0.16%		
13 Deferred Income Taxes	0	0	\$0	\$0	0	0.00%	0.00%	0.00%		
14 Total Capital	<u>\$7,869,364</u>	<u>\$0</u>	<u>\$7,869,364</u>	<u>(\$4,050,927)</u>	<u>\$3,818,437</u>	<u>100.00%</u>		<u>3.85%</u>		
						LOW	HIGH			
						RETURN ON EQUITY	<u>10.34%</u>	<u>12.34%</u>		
						OVERALL RATE OF RETURN	<u>3.85%</u>	<u>3.85%</u>		

Water Management Services, Inc. Statement of Water Operations Test Year Ended 12/31/09						Schedule No. 3-A Docket No. 100104-WU	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$1,319,313</u>	<u>\$308,680</u>	<u>\$1,627,993</u>	<u>(\$307,751)</u>	<u>\$1,320,242</u>	<u>\$109,228</u> 8.27%	<u>\$1,429,470</u>
Operating Expenses							
2 Operation & Maintenance	\$1,057,196	\$118,756	\$1,175,952	(\$181,513)	\$994,439		\$994,439
3 Depreciation	175,545	(1,833)	173,712	0	173,712		173,712
4 Amortization	14,616	0	14,616	(318)	14,298		14,298
5 Taxes Other Than Income	100,197	13,933	114,130	(18,964)	95,166	4,915	100,082
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>1,347,554</u>	<u>130,856</u>	<u>1,478,410</u>	<u>(200,795)</u>	<u>1,277,615</u>	<u>4,915</u>	<u>1,282,531</u>
8 Operating Income	<u>(\$28,241)</u>	<u>\$177,824</u>	<u>\$149,583</u>	<u>(\$106,956)</u>	<u>\$42,627</u>	<u>\$104,313</u>	<u>\$146,940</u>
9 Rate Base	<u>\$3,905,143</u>		<u>\$3,885,287</u>		<u>\$3,818,437</u>		<u>\$3,818,437</u>
10 Rate of Return	<u>-0.72%</u>		<u>3.85%</u>		<u>1.12%</u>		<u>3.85%</u>

Water Management Services, Inc. Adjustment to Operating Income Test Year Ended 12/31/09		Schedule No. 3-B Docket No. 100104-WU
Explanation	Water	
<u>Operating Revenues</u>		
1	Remove requested final revenue increase.	(\$327,504)
2	To reflect the appropriate amount of annualized revenues.	19,753
	Total	<u>(\$307,751)</u>
<u>Operation and Maintenance Expense</u>		
1	To remove normalization for bridge maintenance contract.	(\$36,000)
2	To remove normalization for tank maintenance contract.	(17,380)
3	To remove normalization for billing software lease & maint contract.	(3,720)
4	To remove normalization for engineering service contract.	(20,500)
5	To remove normalization for John Deere Lease.	(2,084)
6	To remove normalization for hydra platform.	(16,514)
7	To remove normalization for stuffer machine lease.	(706)
8	To remove normalization for mail machine lease.	(1,285)
9	To remove normalization for vehicle lease.	(15,883)
10	To remove normalization for health insurance & pension.	(5,588)
11	To remove normalization for accounting service contract.	(13,775)
12	To remove normalization for salaries.	16,250
13	To remove legal expense booked in 2010.	(1,570)
14	To adjust salaries for allocation to affiliates.	(8,207)
15	To adjust pensions for allocation to affiliates.	(4,792)
16	To adjust miscellaneous expenses for allocation to affiliates.	(8,800)
17	To adjust transportation expense.	(5,561)
18	To adjust rent expense.	(7,200)
19	To amortize engineering study over 5 years.	(22,000)
20	To remove rate case expense.	(6,198)
	Total	<u>(\$181,513)</u>
<u>Amortization-Other Expense</u>		
	To reflect the appropriate annual amortization - loss on bridge.	<u>(\$318)</u>
<u>Taxes Other Than Income</u>		
1	RAFs on revenue adjustments above.	(\$13,849)
2	To remove payroll tax for salary normalization.	1,243
3	To remove adjustment for PP tax liability.	(5,730)
4	To adjust payroll taxes for affiliate adjustment.	(628)
	Total	<u>(\$18,964)</u>

Water Management Services, Inc.
Water Monthly Service Rates
Test Year Ended 12/31/09

Schedule No. 4
Docket No. 100104-WU

	Rates in Effect 12/31/09	Rates Prior to Filing*	Utility Requested Interim	Utility Requested Final	Commission Approved Interim
<u>Residential, GS and Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$27.89	\$27.50	\$34.41	\$58.42	\$30.20
3/4"	\$41.84	\$41.26	\$51.63	\$87.64	\$45.31
1"	\$69.74	\$68.78	\$86.07	\$146.10	\$75.52
1-1/2"	\$139.47	\$137.54	\$172.12	\$292.16	\$151.04
2"	\$223.16	\$220.08	\$275.41	\$467.50	\$241.67
3" Compound	\$418.42	\$412.64	\$516.38	\$876.53	\$453.12
3" Turbine	\$488.16	\$481.42	\$602.45	\$1,022.64	\$528.64
4" Compound	\$697.37	\$687.74	\$860.64	\$1,460.90	\$755.20
4" Turbine	\$836.84	\$825.28	\$1,032.76	\$1,753.07	\$906.24
6" Compound	\$1,394.73	\$1,375.46	\$1,721.26	\$2,921.76	\$1,510.40
6" Turbine	\$1,743.42	\$1,719.33	\$2,151.58	\$3,652.21	\$1,888.01
8" Compound	\$2,253.58	\$2,200.75	\$2,754.03	\$4,674.85	\$2,440.47
8" Turbine	\$2,510.52	\$2,475.83	\$3,098.26	\$5,259.17	\$2,718.72
10" Compound	\$3,207.89	\$3,163.57	\$3,958.90	\$6,720.08	\$3,473.93
10" Turbine	\$4,044.73	\$3,988.85	\$4,991.66	\$8,473.14	\$4,380.17
12" Compound	\$5,997.36	\$5,914.50	\$7,401.43	\$12,563.62	\$6,494.73
<u>Residential</u>					
Gallorage Charge					
0 - 8,000 Gallons	\$3.32	\$3.27	\$4.09	\$2.99	\$3.60
8,001 - 15,000 Gallons	\$4.14	\$4.08	\$5.11	\$2.99	\$4.48
over 15,000 Gallons	\$4.98	\$4.91	\$6.14	\$4.48	\$5.39
<u>General Service and Multi-Family</u>					
Gallorage Charge, per 1,000 Gallons	\$4.72	\$4.65	\$5.82	\$3.30	\$5.11
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$37.85	\$37.31	\$46.68	\$67.39	\$40.99
5,000 Gallons	\$44.49	\$43.85	\$54.86	\$73.37	\$48.18
10,000 Gallons	\$62.73	\$61.82	\$77.35	\$88.32	\$67.93
* This rate reflects a four-year rate reduction on February 21, 2010.					