

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Rate) DOCKET NO. 921261-WS
Increase in Lee County by Harbor) ORDER NO. PSC-93-1450-FOF-WS
Utilities Company, Inc.) ISSUED: October 5, 1993

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
JULIA L. JOHNSON
LUIS J. LAUREDO

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

BY THE COMMISSION:

BACKGROUND

Harbor Utilities Company, Inc. (Harbor or utility) is a Class C water and wastewater utility in Lee County which provides service to 644 water and 439 wastewater customers. It is a wholly-owned subsidiary of Imperial Harbor Association. Harbor is in an area which has been designated by the South Florida Water Management District as a critical water supply area.

On June 14, 1993, Harbor filed the instant request for interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. On July 26, 1993, the utility cured the deficiencies which we found in its original filing, so that date is the official date of filing for this proceeding. Pursuant to Section 367.081(8), Florida Statutes, the utility requested that we process this case using our proposed agency action (PAA) procedure. The utility requested the twelve-month period ended December 31, 1992, as the test year for interim purposes. Harbor has requested approval to implement its permanent rates in two phases. The requested projected test years are based on the historical period ending December 31, 1992. The first phase is based on the December 31, 1993, test year and the second phase is based on the December 31, 1994 test year.

The final rates requested for phase one are designed to generate annual revenues of \$166,499 and \$127,291 for water and wastewater, respectively. These 1993 revenues exceed the 1992 test year revenues by \$58,190 (53.73 percent) for water and \$76,862

DOCKETED DATE

10576 OCT-5 93

(152.41 percent) for wastewater. The final rates requested for phase two are designed to generate annual revenues of \$199,610 and \$185,508 for water and wastewater, respectively. These revenues exceed the 1992 test year revenues by \$91,300 (84.30 percent) for water and \$135,079 (267.85 percent) for wastewater.

SUSPENSION OF PROPOSED RATES

Pursuant to Section 367.081(6), Florida Statutes, the utility may implement its proposed rates within 60 days of filing, unless this Commission withholds consent to those rates. We have reviewed the filing and have considered the proposed rates, the revenues generated, and the information filed in support of the rate application. In its application, the utility has requested recovery of substantial costs for upgrading its plants in 1993 and 1994. Consequently, we think a detailed investigation will be necessary to fully analyze the expenses and investments included in the filing. Upon consideration of the foregoing, we find it reasonable and necessary to require further explanation, amplification, and corroboration of the information in the utility's filing. Accordingly, we hereby withhold consent to the utility's implementation of its requested rates.

INTERIM RATES REQUEST

In its application, Harbor had adjusted test year revenues in 1992 of \$108,309 and \$50,430 for its water and wastewater systems, respectively. The corresponding net operating income amounts were (\$16,251) and (\$35,375). Harbor has requested interim water and wastewater rates designed to generate annual revenues of \$136,630 and \$99,791, respectively. These revenues exceed test year revenues by \$28,321 (26.15 percent) for water and \$49,361 (97.88 percent) for wastewater.

Upon reviewing the utility's request, we find it appropriate to authorize the utility to collect, on an interim basis, annual operating revenues of \$135,235 for the water system and \$98,826 for the wastewater system. This represents an increase of \$27,072 (25.03 percent) for the water system, and \$48,361 (95.83 percent) for the wastewater system over test year revenues. We have made several adjustments as discussed further in this Order.

We find it appropriate to increase Harbor's rates on an interim basis as is set forth below and in the schedules attached hereto, which are by reference incorporated herein.

RATE BASE

Our calculation of rate base is depicted on Schedule No. 1-A for the water system and Schedule No. 1-B for the wastewater system. Adjustments appear on Schedule No. 1-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

The utility calculated working capital using the formula method (one-eighth of operation and maintenance expenses). Pursuant to Section 367.082(5)(b)(1), Florida Statutes, the achieved rate of return shall be calculated by applying the appropriate adjustments consistent with those which were used in the utility's most recent rate proceeding.

In Order No. 10704, issued on April 4, 1982, Harbor's most recent rate case, we used the balance sheet approach and determined the working capital allowance to be (\$472) and (\$183). In order to be consistent with the previous rate case, we used the balance sheet approach which resulted in a working capital allowance of \$1,271 and \$847 for water and wastewater, respectively. Therefore, we find an adjustment to decrease working capital for water by \$12,736 and for wastewater by \$8,789.

All other rate base adjustments made in the last rate case were made by the utility. We find that the average rate base is \$90,676 for the water division and \$103,900 for the wastewater division.

COST OF CAPITAL

The utility's requested cost of capital for interim purposes is 10.44 percent based on the parent's capital structure. In the last rate case, we used the capital structure of the parent since the utility has no outside long-term debt. The current capital structure of the utility consists of 100 percent debt from the parent. Therefore, we believe that it is appropriate for interim purposes to use the parent's capital structure to determine the cost of capital.

In the utility's previous rate case, the range of return on equity established was 12.85 to 14.85 percent. Pursuant to the interim statute, the utility may request rates that will allow it

to earn at the bottom of its last authorized range of return on equity on 12.85 percent. In this filing, the utility requested a return on equity of 10.44 percent, which was the mid-point of the leverage graph in effect on the official filing date, reflected in Order No. PSC-92-0686-FOF-WS, issued on July 7, 1992. Since the utility has requested a return on equity of less than what the interim statute allows, we find it appropriate that the requested return be used.

As the parent's capital structure is essentially 100 percent equity, we find that a 10.44 percent overall cost of capital for interim purposes is appropriate. The schedule of the capital structure is attached as Schedule No. 2.

NET OPERATING INCOME

The utility used booked revenues for its adjusted test year revenues. The test year revenues should be adjusted to reflect the annualized revenues generated per the billing analysis, not booked revenues. Therefore, we find that the water revenues shall be reduced by \$146 and the wastewater revenues shall be increased by \$35.

Even though we have approved the utility's requested operation and maintenance expenses, we are concerned that the level of expenses appears unreasonable for a utility of its size. An amount of \$8,8085 in accounting fees for preparation of the PSC annual report appears excessive. Also, the requested legal fees related to Department of Environmental Protection consent orders may be non-recurring expenses. There are contractual services balances which appear excessive. Also, there appears to be a duplication of contractual services by salaried employees. The requested miscellaneous expenses also appear excessive.

Although we are concerned about these expenses, we are constrained by the provisions of the interim statute to make only those adjustments consistent with the last rate case. Although we could have required an interim hearing to investigate these apparently excessive expenses, we were concerned that the legal expenses the utility would incur in such a proceeding might ultimately be passed through to the ratepayers. It is possible that the utility can explain and corroborate these expenses. Therefore, we have decided to allow these expenses on an interim basis, which, of course, places them subject to refund. However, these matters

will be thoroughly investigated prior to the issuance of our proposed agency action order.

The schedules showing the calculation of net operating income are attached as Schedules Nos. 3-A and 3-B. The adjustments are itemized on Schedule No. 3-C.

Revenue Requirement

Based upon recovery of actual operating expenses for the year ended December 31, 1992, and a 10.44 percent return on average rate base, we find it appropriate to approve an interim rate increase of \$27,072 (25.03 percent) for water service and an increase of \$48,361 (95.83 percent) for wastewater service. This results in annual revenues of \$135,235 for water and \$98,826 for wastewater.

INTERIM RATES

The approved interim rates are designed to give the utility the opportunity to earn the interim revenue requirements determined above.

The interim rates set forth below are designed to generate annual revenues of \$135,235 and \$98,826 for the water and wastewater divisions, respectively. We find these rates to be fair, just and reasonable. The other rates are listed for comparative purposes.

The utility shall file revised tariff sheets to reflect the rates approved herein. The revised tariff sheets will be approved upon Commission Staff's verification that the tariffs are consistent with the Commission's decision, the appropriate security has been filed and the proposed customer notice is adequate. The interim rates shall be effective for meter readings on or after 30 days from the stamped approval date of the tariff sheets.

SECURITY FOR REFUND

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over the previously authorized rates shall be collected under guarantee subject to refund with interest. The amount of a potential refund in this case has been calculated to be \$42,000. A review of the utility's financial statements indicates that the utility cannot support a corporate undertaking for \$42,000. We find that a bond, letter of credit or escrow agreement

is appropriate to protect potential refunds. Therefore, we find it appropriate to require the utility to provide a bond, letter of credit or escrow agreement to guarantee the revenues collected subject to refund.

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. The 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 this Commission for the purpose set forth above, that no withdrawals of funds should occur without the prior approval of this Commission through the Director of the Division of Records and Reporting, that the account shall be interest bearing, that information concerning the escrow account shall be available from the institution to this Commission or its representative at all times, and that pursuant to Consentino v. Elson, 263 So. 2d 253 (Fla. 3d. DCA 1972), escrow accounts are not subject to garnishments.

The utility shall deposit the funds to be escrowed, \$8,400, into the escrow account each month. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$42,000. If the utility chooses a bond as security, the bond shall state that it will be released or shall terminate upon subsequent order of this Commission addressing overearnings or requiring a refund. 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 addressing overearnings or requiring a refund.

Notwithstanding 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), Florida Administrative Code, the utility shall 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 shall be with

interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. In no instance shall maintenance and administrative costs associated with any refund be borne by the customer. These costs are the responsibility of, and shall be borne by, the utility.

Water
Monthly

Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u> ⁽¹⁾	<u>Utility Proposed Final Rates</u> ⁽²⁾	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 6.21	\$ 7.83	\$ 10.82	\$ 12.71	\$ 7.77
1"	15.56	19.63	27.05	31.78	19.48
1-1/2"	31.09	39.22	54.10	63.55	38.92
Gallage Charge (per 1,000 gallons)	\$ 3.91	\$ 4.93	\$ 5.35	\$ 6.57	\$ 4.90

Residential Typical Bills

5/8" X 3/4"

3M	\$ 17.94	\$ 22.62	\$ 26.87	\$ 32.42	\$ 22.47
5M	25.76	32.48	37.57	45.56	32.27
10M	45.31	57.13	64.32	78.41	56.77

⁽¹⁾ Phase I

⁽²⁾ Phase II

Wastewater
Monthly

Residential

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u> ⁽¹⁾	<u>Utility Proposed Final Rates</u> ⁽²⁾	<u>Commission Approved Interim Rates</u>
All Sizes	\$ 5.56	\$ 11.00	\$ 11.35	\$ 15.06	\$ 11.00
Gallonge Charge (per 1,000 gallons) (Maximum 10M gallons)	\$ 1.95	\$ 3.86	\$ 6.30	\$ 9.95	\$ 3.86
Maximum Bill	\$ 25.06	\$ 49.60	\$ 74.35	\$114.56	\$ 49.60

General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Utility Proposed Final Rates</u> ⁽¹⁾	<u>Utility Proposed Final Rates</u> ⁽²⁾	<u>Commission Approved Interim Rates</u>
5/8" X 3/4"	\$ 5.56	\$ 11.00	\$ 11.35	\$ 15.06	\$ 11.00
1"	13.90	27.51	28.38	37.65	27.50
1-1/2"	27.79	54.99	56.75	75.30	54.99
Gallonge Charge (per 1,000 gallons)	\$ 1.95	\$ 3.86	\$ 6.30	\$ 9.95	\$ 3.86

⁽¹⁾ Phase I

⁽²⁾ Phase II

It is, therefore,

ORDERED by the Florida Public Service Commission that the rates and schedules proposed by Harbor Utilities Company, Inc., are hereby suspended in accordance with Section 367.081(6), Florida Statutes. It is further

ORDERED that the request for an interim increase in water and wastewater rates by Harbor Utilities Company, Inc., is hereby granted in part, as set forth in the body of this order. It is further

ORDERED that the difference between the interim rates granted herein and Harbor Utilities Company, Inc.'s previously authorized rates shall be collected subject to refund, with interest. It is further


ORDERED that Harbor Utilities Company, Inc., shall provide a bond, letter of credit, or escrow agreement in the amount of \$42,000 as guarantee for any potential refund of interim revenues. It is further

ORDERED that prior to its implementation of the interim rates approved herein, Harbor Utilities Company, Inc., shall file and have approved tariff pages revised in accordance with the provisions of this Order, a proposed customer notice, and the appropriate security for a refund. It is further

ORDERED that the interim rates approved herein shall become effective for meters read on or after thirty days from the stamped approval date on the revised tariff sheets. The tariff sheets will be stamped approved upon verification that they are consistent with out decision as reflected herein, that the proposed customer notice is adequate, and that the appropriate security has been provided. It is further

ORDERED that during the time that interim rates are in effect, Harbor Utilities, Inc., pursuant to Rule 25-30.060(6), Florida Administrative Code, shall file a report by the twentieth (20th) day of each month indicating the monthly and total revenue collected subject to refund.

By ORDER of the Florida Public Service Commission this 5th day of October, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JBL

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) 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 Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

HARBOR UTILITIES, INC. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 12/31/92			SCHEDULE NO. 1-A DOCKET NO. 921261-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 397,393	\$ 0	\$ 397,393	\$ 0	397,393	
2 LAND	2,500	0	2,500	0	2,500	
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0	
4 ACCUMULATED DEPRECIATION	(186,089)	0	(186,089)	0	(186,089)	
5 CIAC	(177,428)	0	(177,428)	0	(177,428)	
6 AMORTIZATION OF CIAC	53,029	0	53,029	0	53,029	
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	14,812	(805)	14,007	(12,736)	1,271	
RATE BASE	\$ 104,217	\$(805)	\$ 103,412	\$(12,736)	90,676	
	=====	=====	=====	=====	=====	

HARBOR UTILITIES, INC. SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/92			SCHEDULE NO. 1-B DOCKET NO. 921261-WS		
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 387,181	\$ 0	\$ 387,181	\$ 0	387,181
2 LAND	625	0	625	0	625
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(143,910)	0	(143,910)	0	(143,910)
5 CIAC	(202,711)	0	(202,711)	0	(202,711)
6 AMORTIZATION OF CIAC	61,868	0	61,868	0	61,868
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
9 DEFERRED TAXES	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	10,169	(533)	9,636	(8,789)	847
RATE BASE	\$ 113,222	\$ (533)	\$ 112,689	\$ (8,789)	103,900
	=====	=====	=====	=====	=====

HARBOR UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED 12/31/92

SCHEDULE NO. 1-C
DOCKET NO. 921261-WS
PAGE 1 OF 1

EXPLANATION	WATER	WASTEWATER
-------------	-------	------------

(1) <u>WORKING CAPITAL ALLOWANCE</u> To adjust working capital to reflect the balance sheet approach.	\$ (12,736)	\$ (8,789)
--	-------------	------------

HARBOR UTILITIES, INC. CAPITAL STRUCTURE TEST YEAR ENDED 12/31/92						SCHEDULE NO. 2 DOCKET NO. 921261-WS				
DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION	
1 LONG TERM DEBT	\$ 4,696	0.19%	12.50%	0.02%	\$ (4,334)	\$ 362	0.19%	8.50%	0.02%	
2 SHORT-TERM DEBT	0	0.00%	6.71%	0.00%	0	0	0.00%	0.00%	0.00%	
3 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
4 COMMON EQUITY	2,521,228	99.81%	12.10%	12.08%	(2,327,014)	194,214	99.81%	10.44%	10.42%	
5 CUSTOMER DEPOSITS	0	0.00%	7.64%	0.00%	0	0	0.00%	0.00%	0.00%	
7 DEFERRED ITC'S	0	0.00%	10.78%	0.00%	0	0	0.00%	0.00%	0.00%	
8 OTHER	0	0.00%	12.10%	0.00%	0	0	0.00%	0.00%	0.00%	
9 TOTAL CAPITAL	\$ 2,525,924	100.00%		12.10%	\$ (2,331,348)	\$ 194,576	100.00%		10.44%	
RANGE OF REASONABLENESS							LOW	HIGH		
							-----	-----		
RETURN ON EQUITY							10.44%	12.44%		
							-----	-----		
OVERALL RATE OF RETURN							10.44%	12.43%		
							-----	-----		

HARBOR UTILITIES, INC.
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/92

SCHEDULE NO. 3-A
 DOCKET NO. 921261-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 108,309	\$ 28,321	\$ 136,630	\$(28,467)	\$ 108,163	\$ 27,072	135,235
OPERATING EXPENSES:		26.15%				25.03%	
2 OPERATION AND MAINTENANCE	\$ 118,492	\$(6,439)	\$ 112,053	0	\$ 112,053	\$	112,053
3 DEPRECIATION	11,619	0	11,619	0	11,619		11,619
4 AMORTIZATION	(5,505)	0	(5,505)	0	(5,505)		(5,505)
5 TAXES OTHER THAN INCOME	6,393	1,274	7,667	(1,281)	6,386	1,218	7,604
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 130,999	\$(5,165)	\$ 125,834	\$ 250,387	\$ 124,553	\$ 1,218	125,771
8 OPERATING INCOME	\$ (22,690)	\$ 33,486	\$ 10,796	\$(278,854)	\$(16,390)	\$ 25,853	9,463
9 RATE BASE	\$ 104,217		\$ 103,412		\$ 90,676		\$ 90,676
RATE OF RETURN	-21.77%		10.44%		-18.08%		10.44%

HARBOR UTILITIES, INC.
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED 12/31/92

SCHEDULE NO. 3-B
 DOCKET NO. 921261-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 50,430	\$ 49,361	\$ 99,791	\$(49,326)	\$ 50,465	\$ 48,361	\$ 98,826
OPERATING EXPENSES		97.88%				95.83%	
2 OPERATION AND MAINTENANCE	\$ 81,352	\$(4,261)	\$ 77,091	\$ 0	\$ 77,091	\$	\$ 77,091
3 DEPRECIATION	11,488	0	11,488	0	11,488		11,488
4 AMORTIZATION	(6,056)	0	(6,056)	0	(6,056)		(6,056)
5 TAXES OTHER THAN INCOME	3,282	2,221	5,503	(2,220)	3,283	2,176	5,459
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 90,066	\$(2,040)	\$ 88,026	\$(2,220)	\$ 85,806	\$ 2,176	\$ 87,982
8 OPERATING INCOME	\$ (39,636)	\$ 51,401	\$ 11,765	\$(47,106)	\$(35,341)	\$ 46,184	\$ 10,843
9 RATE BASE	\$ 113,222		\$ 112,689		\$ 103,900		\$ 103,900
RATE OF RETURN	-35.01%		10.44%		-34.01%		10.44%

HARBOR UTILITIES, INC.
 ADJUSTMENTS TO OPERATING STATEMENTS
 TEST YEAR ENDED 12/31/92

SCHEDULE NO. 3-C
 DOCKET NO. 921261-WS
 PAGE 1 OF 1

EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES		
a) Reverse utility's proposed rate increase	\$ (28,321)	\$ (49,361)
b) Adjust book revenues to annualize revenues	(146)	35
	<u>\$ (28,467)</u>	<u>\$ (49,326)</u>
(2) TAXES OTHER THAN INCOME		
a) Regulatory assessment fees related to revenue adjustment	\$ (1,281)	(2,220)
(3) OPERATING REVENUES		
a) Adjustment to reflect recommended revenue requirement	\$ 27,072	\$ 48,361
(4) TAXES OTHER THAN INCOME TAXES		
a) Regulatory assessment taxes on additional revenues	\$ 1,218	\$ 2,176