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

DATE: July 18, 2005

TO: Division of the Commission Clerk and Administrative Services

FROM: Adrienne E. Vining, Senior Attorney, Office of the General Counsel AEV

RE: Docket No. 000694-WU - Petition by Water Management Services, Inc. for limited proceeding to increase water rates in Franklin County.

Please place the attached letter from Kenneth Hoffman, Rutledge, Ecenia, Purnell & Hoffman, dated July 8, 2005 in the ~~correspondence section of the~~ above-referenced docket file.

Thanks.

(14)

8/1/05 note:
Document numbered and entered in CMS per request of OCL/Vining.

14

AEV/jb

cc: Division of Economic Regulation

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07400 AUG-1 05
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FLORIDA PUBLIC SERVICE COMMISSION
COMMISSION CLERK & ADMINISTRATIVE SERVICES

July 8, 2005

HAND DELIVERY

Adrienne Vining, Esq.
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 000694-WU
Water Management Services, Inc.'s Petition for Approval of Phase III Final Rates

Dear Ms. Vining:

Water Management Services, Inc. ("WMSI") appreciates the hard work and effort of the Staff in the preparation of the June 9, 2005 Recommendation. In reviewing that Recommendation, there are two interrelated issues that substantially concern WMSI. These are Issue Nos. 2 and 6. Issue 2 addresses the true up of interim revenues received and recoverable expenses. Issue No. 6 addresses rate structure. WMSI's analysis shows that the Staff Recommendation on both issues will exacerbate an already substantially negative cash flow situation for the utility. In preparation for the noticed meeting of the parties on July 18, we would like to provide you with the reasons for and arguments supporting WMSI's concerns so that we can have a meaningful and productive meeting. Hopefully, we can then avoid, or at least minimize, a contested agenda.

Issue No. 2

To understand WMSI's concerns regarding Issue No.2 we must first put them in the context of Issue No. 1. Issue No. 1 addresses the revenue requirement to recover costs associated with the supply main and fire protection project under consideration in this limited proceeding. It does so adequately and in keeping with the traditional constraints of utility regulatory practice. In general, WMSI is in agreement with several adjustments recommended by Staff to the project's construction costs and related expenses. In theory, the revenues recommended by Staff should be adequate to allow WMSI to recover its costs. However, in this case, there is a wide gap in cost recovery between the amount recommended under the Staff Recommendation and the real world debt service requirements of WMSI. The difference stated in terms of annual amounts: **$391,274** recommended by Staff versus **approximately $600,000** in real world cash and debt service obligations.

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As a result, WMSI is left in the untenable position of continually falling behind in its ability to meets its loan payment obligations. This unfortunate situation exists in part as a fallout of the timing difference between the occurrence of costs in the real world and the recovery of those costs under regulation. Under regulation, the funds made available to WMSI in the revenue requirement to pay the principal and interest on its loans is through the recovery of average interest expense and depreciation expense. In this case, as stated above, the Staff has recommended a combined annual amount for this purpose of $391,274:

Interest expense	$ 209,693
Depreciation expense	191,023
Depr. Exp. Reduction for retired mains	(8,992)
Total Available	$391,274

Source: Table 2 of Staff Recommendation

The annual principal and interest payment on the DEP loan alone is $419,000. That means WMSI will fall short of funds annually - - on the DEP loan alone - - by at least $27,276. And the DEP loan does not account for all of the funding of the additions in this project as WMSI has presented it in this filing. This unfortunate result occurs because the loan payments are based on a 20 year amortization period, while, based on PSC guideline rates, depreciation expense recovers capital over 32 years. This problem is exacerbated by the fact that many of the costs that are included in Plant in Service, requested and recommended, are recovered over time, while, in fact, they were direct cash outlays that had to be funded by short term borrowing. Such costs, amounting to several hundred thousand dollars, including such items as:

$229,000 for the bridge approach work
$178,000 for legal fees, costs and judgments related to pursuing the eminent domain case against FDOT
$210,000 to fund the 20-year cash reserve required as a prerequisite for the DEP loan
$ 85,000 and growing for consultants, attorney and an additional CPA related to filing this case, responding to the audit and the Staff and settling with OPC
$ 25,000 for miscellaneous permitting, bid costs, and additional engineering & inspection fees.
$727,000 Total

These costs had to be funded by short-term loans that do not show up in the revenue requirement because they are capitalized and recovered over time. Nevertheless, they add some $200,000 to WMSI's annual debt service cost. WMSI understands that in the end it may all even out, if it can survive to that point. But, considering the **$27,276 cash shortfall** discussed above and the **additional $200,000 cash requirements** WMSI will face annually, it becomes imperative to

minimize any adjustment that will put additional pressure on WMSI's cash position.

That brings us to our concern with the Staff's recommendation regarding true up in Issue No. 2. WMSI was required by the DEP loan agreement to make a cash contribution of $209,875 to a loan reserve fund. WMSI, in its filing, has recognized the cash loan payment as a factor in determining the effective interest rate to be allowed and as a cash outlay to have been recovered through revenues generated by interim rates in the true up. Staff points out that it believes it is inappropriate to include the reserve as a separate cost for purposes of calculating a true up, while at the same time including the amortization of the reserve in the calculation of the effective interest rate. The Staff recommended solution is to recognize the loan payment as a factor in determining the effective interest rate to be allowed and not recover the cash outlay through revenues generated by interim rates in the true up. Under that approach, the effective rate of interest is 3.48% as calculated by the utility and there is an over-collection of revenues under interim rates of $103,964 net of previous year losses to be recovered over one year. Because of the strain on cash previously discussed, this is not an acceptable solution. The reality is that the $209,875 was a real cash outlay. WMSI was required to arrange a short-term loan, personally guaranteed, in order to provide those funds. As previously pointed out, cash available in the recommended revenue requirement for principal and interest payments is already at a premium. To reduce those funds by $103,964 for one year would just drive WMSI further into debt and jeopardize its financial credibility and viability.

WMSI's recommended approach is to not recognize the loan payment as a factor in determining the effective interest rate to be allowed and to recover the cash outlay through revenues generated by interim rates in the true up. Under this approach, the effective rate of interest would drop from 3.48% to 3.37% as calculated by WMSI and there is an under-collection of revenues under interim rates of $62,471 (see **Att. 1**) without recognition of previous year losses (if previous losses are recognized, the under-collection would be $95,335). WMSI then recommends recovering the under-collection, excluding previous losses, by amortizing it over 20 years.

The following is a comparison of revenue requirements under the various options:

	As Filed	Staff	Utility Recomm
Effective Interest Rate	3.48%	3.48%	3.37%
Revenues in Year 1	$1,387,480	$1,265,113	$1,364,922
Revenues in following years	1,387,480	1,368,807	1,364,922
Difference from filed		$(18,673)	$(22,558)
Difference from Staff			$(3,886)

See **Att. 2** for details.

This approach mitigates the impact on the utility's current negative cash flow while still providing a solution with minimal impact on WMSI's customers.

Issue No. 6

Issue No. 6 addresses the proper rate structure for WMSI. The recommendation is two part - a base facility charge (BFC) that collects 40% of revenues as opposed to the 58% now collected through the BFC and a three tier inclining block gallonage charge. The purpose of both changes is to induce conservation through pricing. WMSI's concern with these recommendations is that they will exacerbate WMSI's tenuous cash flow situation, while not necessarily inducing conservation.

The most serious concern is reducing the revenues collected under the BFC from 58% to 40%. WMSI understands that Staff has considered that concern and has prepared a fixed cost analysis to determine whether the final rates cover the utility's fixed monthly costs. Its conclusion was that, in the minimum usage month, the rates not only covered fixed monthly costs, they exceeded them. According to Staff, this was true, even in the first year, when allowed revenues are reduced by $103,000 annually to credit an "over-collection" of interim revenues.

The Staff's analysis is well intentioned, but flawed. As pointed out in the discussion of Issue No. 2, the total revenues recommended do not even provide for a sufficiently large component to cover the principal and interest payments on the DEP loan, it self. That is an indicator that something is wrong.

The analysis is flawed, because rather than evaluating coverage of monthly "fixed costs", it evaluates coverage of monthly "fixed revenues". Under the current rate structure, the BFC accounts for 58% of revenues and Staff has apparently assumed that the BFC includes all fixed costs. It does not and it never has. Fixed monthly costs are those recurring costs that the utility faces each month, regardless of the level of output; i.e., even if only the minimum quantity of water is produced. WMSI has examined the most readily discernible fixed costs as reported in its 2004 Annual Report. They are listed below:

WMSI Fixed Costs (2004), Fixed Revenues and Deficit of Monthly Revenues to Costs

	Annual	Monthly	Staff	Deficit
Salaries & Benefits	$ 394,685	$ 32,890		
Electric & Chem (min mo.)	37,480	3,123		
Testing	2,303	192		
Transp. Exp. (mostly gas for vehicles)	34,219	2,852		
Insurance payments	52,723	4,394		
Telephone bills	12,991	1,083		
Employee uniforms	3,567	297		
Electric for offices	2,893	241		
Principal & Interest on debt	710,552	59,213		
Total	$1,251,413	$104,284	$66,159	$(38,125)

As shown above, the Staff analysis determined that the "fixed costs" to be recovered monthly were $66,159. This actually represents the "fixed revenues" recovered through the BFC under the existing rate structure. As can be seen, fixed monthly revenues recover only 63% of the monthly fixed costs of $104,284 being incurred. If the BFC is reduced such that it recovers only 40% of the revenue requirement, then it will recover only $45, 627 monthly or only 44% of the fixed costs being incurred. If, as Staff assumes, BFC revenues actually equal fixed costs, the effect of its recommendation to reduce BFC revenues to 40% means that 30% of fixed costs would have to be recovered in the gallonage charge. But in actuality, since the current rate structure already only recovers 63% of fixed charges in the BFC charge, the effect of Staff's recommendation is to leave 56% of fixed costs to be recovered though the gallonage charge. This places a tremendous strain on WMSI's cash flow and could severely jeopardize its financial situation.

Our point is not that the BFC should be raised to capture all fixed costs, but rather that the Commission exercise sound judgment in each case before deferring to the Water Management Districts' (WMDs) goal of setting BFC revenue at 40%. The WMDs goal is simply to induce conservation. The PSC's obligation is much broader. If a 40% BFC revenue recovery is detrimental to a utility's financial health, then it must exercise its judgment and defer to a higher BFC revenue recovery. That is the case with this utility. This is a 100% debt company. There is little room for error in revenue collection. Changing to a tiered gallonage charge already places revenues in jeopardy because the repression analysis is theoretical and not based on this utility's circumstances. It does not recognize that there has been repression in blocks lower than the final block; it does not recognize that there will be greater than average repression for users of 100,000 gallons per month or more. These are results determined by Hartman Consulting & Design (HCD) in its price elasticity

analysis, dated June 16, 2005 (**Att. 3**). It also does not recognize the potential for the permanent loss of revenues from those who may opt to replace purchased water for irrigation with shallow wells (shallow fresh water wells can be drilled for $300-400 and have not been restricted by the WMD). Lowering the utility's fixed revenue recovery only exacerbates the situation.

WMSI does not challenge the premise that conservation should be encouraged. However, the goals of the WMDs to promote conservation should be implemented by the Commission on a case-by-case basis tailored to fit the specific circumstances of each utility. In this case, the risks of an inclining block rate structure to the financial stability of WMSI are particularly unique because of the seasonal nature of the consumption and the typography of the service area which lends itself to relatively quick and inexpensive access to shallow wells. The facts support retaining the current BFC revenue recovery of 58%, even though it is substantially below the fixed cost portion of costs. An effective tiered rate can still be developed to recover the remaining 42% of the revenue requirement.

WMSI has developed an alternative rate structure based on a recovery of 58% of revenues through the BFC and on HCD's analysis. The rate structure also corrects Staff's overstatement of billed gallons for the test period. WMSI indicated that total billed consumption was 175,747,000 gallons. Staff used 178,638,000 gallons, an amount, which Staff incorrectly identifies as a revised amount. The alleged revised amount is the raw gallons billed before adjustments for over reads, misreads, final billing corrections, etc. The 175,747,000 gallons is the correct billed amount. Based on these factors, WMSI proposes the following rate structure to collect the reduced revenue requirement of $1,364,922 discussed under the response to Issue No. 2:

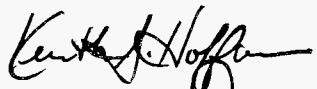
	Staff 1st Year True-Up	Staff Final	WMSI Proposed
BFC per month	$20.87	$22.59	$32.36
0-8 k-gals	$3.64	$3.94	$2.89
8-15 k-gals	$4.56	$4.93	$3.62
over 15 k-gals	$5.46	$5.91	$4.34

See **Att. 4**.

This retains the 1.0/1.25/1.50 rate factor selected by Staff. It provides revenue stability for the utility and still sends a strong price signal for very large users. WMSI believes that this structure reflects a fair balancing of the goals of the WMDs, the financial requirements of the utility, and the interests of WMSI's customers. WMSI looks forward to working with Staff to reach an appropriate resolution of the rate structure issue.

The massive project of replacing the supply main to the island was not one sought by the utility or its customers. It was thrust upon us by the State's decision to replace the bridge to the island. Although the State saw fit to distribute the cost of the bridge amongst all of the citizens of Florida, it apparently thought it proper to leave all of the cost of replacing the mains attached to it to the less than 2,000 customers on the island. The utility fought this in court, but the State prevailed. The Applicant has done everything in its power to keep the costs to the customer as low as possible, both in contracting for services and obtaining financing. We believe that the Commission's review of the case, and through its adjustments, has recognized this effort. The Applicant is aware that the customers have been subjected to very sizable increases in rates because of this. We hope the Commission will recognize the proposals to address the true up of funds expended and to modify its rate structure recommendation as being fair to the Utility, fair to the customers and takes a step toward maintaining the financial viability of the utility.

Sincerely,



Kenneth A. Hoffman

KAH/rl
cc: Ms. Jennie Lingo, via Hand Delivery
Mr. Jan Kyle, via Hand Delivery
Stephen C. Reilly, Esq., via Hand Delivery
Gene D. Brown, Esq.
Mr. Frank Seidman

wmsi\vining.july8ltr

06/12/05

WATER MANAGEMENT SERVICES, INC. - DOCKET NO. 000694-WU
TRUE UP OF REVENUES COLLECTED and
EXPENSES INCURRED through 6/04
RESTATED TO REFLECT REDUCTION IN EFFECTIVE INTEREST EXPENSE

	Interest * # Revenue Requirement	Depreciation* Revenue Requirement	RC Expense* Revenue Requirement	Total Revenue Requirement	Cum. Total Collected @ Phased Rates
Jan, 2000					
Feb					
Mar					
Apr	145			145	
May	359			359	
June	754			754	
July	1,328			1,328	
Aug	2,143			2,143	
Sep	3,041			3,041	
Oct	4,643			4,643	
Nov	6,849			6,849	
Dec	10,139			10,139	6,218
Jan, 2001	13,563	797		14,360	
Feb	17,016	1,594		18,610	
Mar	20,540	2,391		22,930	
Apr	23,924	3,188		27,111	
May	27,411	3,984		31,396	
June	31,012	4,781		35,793	
July	35,458	5,578		41,037	
Aug	40,322	6,375		46,697	
Sep	45,366	7,172		52,538	
Oct	51,342	7,969		59,311	
Nov	58,665	8,766		67,431	
Dec	65,862	9,563		75,424	97,263
Jan, 2002	69,813	10,474		80,287	
Feb	72,964	11,386		84,350	
Mar	76,121	12,297		88,418	
Apr	79,644	13,209		92,853	
May	83,715	14,120		97,835	
June	88,832	15,032		103,864	
July	93,845	15,943		109,788	
Aug	98,960	16,855		115,815	
Sep	105,007	17,766		122,773	
Oct	111,769	18,678		130,447	
Nov	118,287	19,589		137,876	
Dec	127,332	20,501		147,832	188,908
Jan, 2003	137,210	21,412		158,622	
Feb	147,402	22,324		169,726	
Mar	159,759	23,236		182,995	
Apr	171,942	24,147		196,089	
May	183,766	25,059		208,825	
June	198,521	25,970		224,491	
July	213,334	26,882		240,216	
Aug	227,947	27,793		255,741	
Sep	243,201	28,705	911	272,817	
Oct	258,928	29,873	1,821	290,622	
Nov	275,167	31,041	2,732	308,940	
Dec	291,666	32,210	3,643	327,518	402,690
Jan, 2004	308,961	35,414	4,553	348,928	
Feb	326,621	38,864	5,464	370,949	
Mar	345,162	53,372	6,375	404,909	
Apr	363,047	68,331	7,285	438,664	
May	381,119	83,334	8,196	472,648	
June	399,230	98,484	9,106	506,820	654,134
Plus: Cash expenditure required to fund reserve:				209,785	
Total Revenue Requirement through 6/30/04				716,605	
Difference: Revenue collected less revenue requirement @ 6/30/04					(62,471)

- Cumulative Interest Expense from Schedule 3, page 1
* - Grossed up for 4.5% RAF

Att. 1

Water Management Services, Inc.
Restatement of Effect of Staff Recommendation on Revenue Requirement Request
Loan Reserve Treated as Cash and not in Effective Interest Rate
Under-collection Amortized over 20 Years

	Staff Recom	True Up Alternative	Difference	Explanation
RATE BASE PORTION				
Total Project Cost	6,119,226	6,119,226	-	
Less 1/2 year depreciation	95,511	95,511	-	
Net additions to rate base	**6,023,715**	**6,023,715**	**-**	**Final project addition to Rate Base**
REVENUE REQUIREMENT				
Interest expense on rate base @ 3.48%/3.37%	209,693	202,999	(6,694)	Recalculate effective interest rate w/o $209,785 loan reserve payment
Depreciation expense @ 3.13%	191,023	191,023	-	
Property tax @ 1.14%	68,730	68,730	-	
Rate case expense amortization	17,986	17,986	-	
Increased property insurance cost	8,253	8,253	-	
Cost of annual audit	12,000	12,000	-	
Amortization of retired supply main	14,298	14,298	-	
Annual depreciation exp. of retired main	(8,992)	(8,992)	-	
Subtotal, addition revenue req.	512,991	506,297	(6,694)	
Gross-up @ 4.5%	24,172	23,857	(315)	
Total required additional revenue	**537,163**	**530,154**	**(7,009)**	**This is amount required for the whole project**
Less: Revenue from Phase II rates	489,584	489,584	-	
Less: reduced expenses	(1,371)	(1,371)	-	
Additional revenues required over Phase II	**46,208**	**39,199**	**(7,009)**	**This is the amount in addition to Phase II**
TOTAL COMPANY REVENUES				
Based on Phase II rates applied to TY factors	1,322,599	1,322,599	-	
Add: Additional revenues over Phase II rates	46,208	39,199	(7,009)	
Amortize $62,471 under-collection over 20 years	-	3,124	3,124	
Final Revenues	**1,368,807**	**1,364,922**	**(3,886)**	**These are the revenues to be recovered by rates for TY**
Less: credit for "overcollection"	(103,694)		103,694	
Revenues in Year 1	**1,265,113**	**1,364,922**	**99,808**	**These are the reduced revenues in Year 1 re the reserve funding**

HCD HARTMAN CONSULTING & DESIGN

June 16, 2005

HCD # 05.030.001

Gene Brown, Esquire
Water Management Services, Inc.
3038-A Crawfordville Highway
Crawfordville, FL 32327

Subject: Price Elasticity Analysis – Conservation Rates

Dear Mr. Brown:

Pursuant to our discussion late last week, Hartman Consulting & Design (HCD) has prepared a price elasticity analysis of switching from a gallonage charge based on a flat rate per thousand gallons to an inclining-block rate structure with three blocks based on escalation factors of 1.0/1.25/1.5 as recommended by the Florida Public Service Commission (FPSC) Staff in its report issued June 9, 2005. In preparing our analysis, we utilized customer and flow information the Utility provided to the FPSC for the 12-month period of July 1, 2003 through June 30, 2004 (the "Analysis Period").

Based on Staff's recommendation, the total repression adjustment to flows was calculated at 2.2%, which represents a reduction of 3,913 kgal. According to Staff's analysis, "Staff's recommended rate structure results in pre-repression price decreases below 10 kgal per month and nominal price increases from 10 kgal to 15 kgal; therefore, no repression adjustment is warranted for consumption less than 15 kgal.

Staff's statement with regard to the pre-repression price decreases and nominal increases for flows less than 15 kgal is accurate for part of the analysis when comparing the Commission Approved Phase 2 Rates ("Phase 2 Rates") to the Staff Recommended Final Rates ("Final Rates"), however, the Phase 2 Rates where not in effect for the entire Analysis Period. It is our understanding that the Phase 2 Rates were not implemented until October 2003. Therefore, a minimum of 5 months in the Analysis Period passed before customers were affected by the Phase 2 Rates. Before that time, Phase 1 Rates were charged. When comparing the Phase 1 Rates to the Final rates, the Staff's recommended Final Rates do result in significant pre-repression price increases in flows less than 15 kgal (See Schedule 2).

301 E. Pine Street - Suite 1020 - Orlando, Florida 32801 - 407-447-9095 - Fax 407-447-9406 - www.consultharman.com

In reviewing the customer and flow information presented for the Analysis Period, two different sensitivity analyses were performed:

A. Residential Flow Analysis as Submitted by the Utility
B. Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month

A. Residential Flow Analysis as Submitted by the Utility

In preparing this analysis, HCD reviewed the flow information provided by the Utility to the FPSC. The information for residential customers was broken down by usage block to determine the total flows and average customer usage per block (See Schedule 1). Then, utilizing the weighted average price increase for the year for the appropriate average consumption, a repression percent was developed and total gallons repressed were calculated (Schedules 1 and 2). Based on our analysis, total gallons repressed based on this sensitivity are 7,850 kgal, which represents a 4.39% decrease in overall consumption. Revenues collected based on this repression would be approximately $20,600 less than the revenue requirement, as shown on Schedule 3.

B. Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month

In preparing this analysis, HCD reviewed the flow information provided by the Utility to the FPSC. The information for residential customers was broken down by usage block, to determine the total flows and average customer usage per block (See Schedule 1). In analyzing this information, HCD noted for residential customers with a 5/8" meter that there were approximately 59 monthly bills with recorded flows of greater than 100 kgal per month. The typical capacity range for a 5/8" meter is from 0 to 15 gallons per minute (gpm) based on AWWA Standards, with a normal range from 0 to 10 gpm. In general, typical utility practices limit the capacity determination to 10 gpm. Assuming 12 hours of constant use, flow would be approximately 220 kgal per month. Therefore, HCD believes it is reasonable to discount the flows over 100 kgal per month by 50%, which results in a decrease of 5,195 kgal in block 3.

In addition, in a manner similar to Sensitivity Analysis A, utilizing the weighted average price increase for the year for the appropriate average consumption, a repression percent was developed and total gallons repressed were calculated (Schedules 1 and 2). Based on our analysis, total gallons repressed based on this sensitivity are 12,238 kgal (7,043 kgal + 5,195 kgal), which represents a 6.85% decrease in overall consumption. Revenues collected based on this repression would be approximately $42,600 less than the revenue requirement, as shown on Schedule 3.

Conclusion

The results of these price elasticity analyses show that the Final Rates developed by the FPSC Staff could result in revenue requirement shortfalls between $20,600 and $42,600. Resulting gallonage rates under these two sensitivities have been calculated and are presented on Schedule 4. It should be noted that these analyses and findings have been reviewed by me from a financial standpoint and Mr. Gerald C. Hartman, P.E., DEE from an engineering and utility management standpoint.

Very truly yours,

Hartman Consulting & Design

Tara Hollis

Tara L. Hollis, C.P.A., M.B.A.

TLH/jev/05.030.001/corresp/
Brown

Attachments

Schedule 1
Water Management Services, Inc.
Analysis Period: July 1, 2003 through June 30, 2004
(In Thousand Gallons)

A.) Residential Flow Analysis As Submitted by Utility

	Cumulative Bills	Total Flows	Per Block Bills	Flows	Incremental Flows Cumulative	Incremental Flows Per Block	Average Flows	Repression Percent (1)	Gallons Repressed	Adjusted Average Flows
5/8" Meter										
Block 1 (0 - 8,000 gal)	14,999	79,253	14,999	79,253	40,845	40,845	2.72	0.00%	-	2.72
Block 2 (8,001 - 15,000 gal)	17,370	104,262	2,371	25,009	67,812	26,967	11.37	4.47%	1,117	10.87
Block 3 (> 15,000 gal)	19,800	149,076	2,430	44,814	149,076	81,264	33.44	14.43%	6,468	28.62
1.0" Meter										
Block 1 (0 - 8,000 gal)	169	1,675	169	1,675	499	499	2.95	0.00%	-	2.95
Block 2 (8,001 - 15,000 gal)	235	2,465	66	790	1,250	751	11.38	4.47%	35	10.87
Block 3 (> 15,000 gal)	316	4,062	81	1,597	4,062	2,812	34.72	14.43%	230	29.71
Total										
Block 1 (0 - 8,000 gal)	15,168	80,928	15,168	80,928	41,344	41,344	2.73	0.00%	-	2.73
Block 2 (8,001 - 15,000 gal)	17,605	106,727	2,437	25,799	69,062	27,718	11.37	4.47%	1,152	10.87
Block 3 (> 15,000 gal)	20,116	153,138	2,511	46,411	153,138	84,076	33.48	14.43%	6,698	28.65
									7,850	

Residential Thousand Gallons Repressed	(7,850.00)
/ Total Overall Flows (in thousand gallons)	178,636.70
= Overall Repression	-4.39%

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Schedule 1
Water Management Services, Inc.
Analysis Period: July 1, 2003 through June 30, 2004
(In Thousand Gallons)

B.) Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month

5/8" Meter Flows > 100,000 gallons per month:		10,389
Proposed Reduction:	50%	5,195

	1 Cumulative Bills	2 Total Flows	3 Per Block Bills	4 Flows	5 Incremental Flows Cumulative	6 Incremental Flows Per Block	6-3 Average Flows	Repression Percent (1)	Gallons Repressed	Adjusted Average Flows
5/8" Meter										
Block 1 (0 - 8,000 gal)	14,999	79,253	14,999	79,253	40,845	40,845	2.72	0.00%	-	2.72
Block 2 (8,001 - 15,000 gal)	17,370	104,262	2,371	25,009	67,812	26,967	11.37	4.47%	1,117	10.87
Block 3 (> 15,000 gal)	19,800	143,881	2,430	39,619	143,881	76,069	31.30	13.85%	5,486	26.97
1.0" Meter										
Block 1 (0 - 8,000 gal)	169	499	169	499	499	499	2.95	0.00%	-	2.95
Block 2 (8,001 - 15,000 gal)	235	1,250	66	751	1,250	751	11.38	4.47%	34	10.87
Block 3 (> 15,000 gal)	316	4,062	81	2,812	4,062	2,812	34.72	14.43%	406	29.71
Total										
Block 1 (0 - 8,000 gal)	15,168	79,752	15,168	79,752	41,344	41,344	2.73	0.00%	-	2.73
Block 2 (8,001 - 15,000 gal)	17,605	105,512	2,437	25,760	69,062	27,718	11.37	4.47%	1,151	10.87
Block 3 (> 15,000 gal)	20,116	147,943	2,511	42,431	147,943	78,881	31.41	13.87%	5,892	27.06
									7,043	
									5,195	
									12,238	

Residential Thousand Gallons Repressed	**(12,238.00)**
/ Total Overall Flows (In thousand gallons)	**178,636.70**
= Overall Repression	**-6.85%**

Note (1): See Schedule 2

Schedule 2
Water Management Services, Inc.
Monthly Rate Comparison at Various Levels of Consumption and Calculation of Anticipated Consumption Reduction

Monthly Usage	Phase 1 Rates	Commission Approved Rates, Phase 2	Utility Requested Final	Staff Recommended Final	12-Month True-Up Rates
3,000	$ 29.80	$ 42.45	$ 44.52	$ 34.41	$ 31.79
8,000	$ 40.80	$ 58.10	$ 60.92	$ 54.11	$ 49.99
10,000	$ 45.20	$ 64.36	$ 67.48	$ 63.97	$ 59.11
17,000	$ 60.60	$ 86.27	$ 90.44	$ 100.44	$ 92.83
8,000	$ 40.80	$ 58.10	$ 60.92	$ 54.11	$ 49.99
15,000	$ 56.20	$ 80.01	$ 83.88	$ 88.62	$ 81.91
2,700	$ 29.14	$ 41.51	$ 43.54	$ 33.23	$ 30.70
8,000	$ 40.80	$ 58.10	$ 60.92	$ 54.11	$ 49.99
11,400	$ 48.28	$ 68.74	$ 72.07	$ 70.87	$ 65.49
15,000	$ 56.20	$ 80.01	$ 83.88	$ 88.62	$ 81.91
31,300	$ 92.06	$ 131.03	$ 137.34	$ 184.95	$ 170.91
33,500	$ 96.90	$ 137.92	$ 144.56	$ 197.96	$ 182.92

	% Change Recommended to		Weighted Average Based on Months on Rates (1)			
Monthly Usage	Rates Prior To Filing	Commission Approved Rates, Phase 2	Phase 1 Rates	Commission Approved Rates, Phase 2	Average Annual Price Increase (Decrease)	Anticipated Consumption Reduction (2)
			5.00	7.00		
3,000	15.47%	-18.94%				
8,000	32.62%	-6.87%				
10,000	41.53%	-0.61%				
17,000	65.74%	16.43%				
8,000	32.62%	-6.87%				
15,000	57.69%	10.76%				
2,700	14.03%	-19.95%	5.85%	-11.64%	-5.79%	-1.22%
8,000	32.62%	-6.87%	13.59%	-4.01%	9.59%	2.01%
11,400	46.79%	3.10%	19.50%	1.81%	21.30%	4.47%
15,000	57.69%	10.76%	24.04%	6.28%	30.31%	6.36%
31,300	100.90%	41.15%	42.04%	24.01%	66.05%	13.85%
33,500	104.29%	43.53%	43.45%	25.39%	68.85%	14.43%

Note (1): Analysis period is July 1, 2003 through June 30, 2004. Phase 2 rates went into effect in October 2003.
Note (2): Based on FPSC assumption that a 33.33% water-only increase leads to a 6.98% reduction in consumption.

Schedule 3
Water Management Services, Inc.
Revenue Calculation

A.) Residential Flow Analysis As Submitted by Utility

	Determinant	Rate	Revenue
Base Facility Charge			
5/8" Meter	19,800	$ 22.59	$ 447,282.00
1.0" Meter	316	$ 56.48	17,847.68
General Service	3,875	$ 22.59	87,536.25
Total Base Facility Charge			$ 552,665.93
Gallonage Charge			
Residential			
Block 1 (0 - 8,000 gal)	80,928	$ 3.94	$ 318,856.32
Block 2 (8,001 - 15,000 gal)	24,647	$ 4.93	121,509.71
Block 3 (> 15,000 gal)	39,713	$ 5.91	234,703.83
Subtotal	145,288		$ 675,069.86
General Service	25,499	$ 4.67	119,080.33
Total Gallonage Charge	170,787		$ 794,150.19
Total Revenues Generated			**$ 1,346,816.12**
Revenue Requirement Per FPSC (1)			**$ 1,367,423.24**
Difference			**$ (20,607.12)**

Note (1): Includes an additional repression adjustment of $1,384.

Schedule 3
Water Management Services, Inc.
Revenue Calculation

B.) Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month

	Determinant	Rate	Revenue
Base Facility Charge			
5/8" Meter	19,800	$ 22.59	$ 447,282.00
1.0" Meter	316	$ 56.48	17,847.68
General Service	3,875	$ 22.59	87,536.25
Total Base Facility Charge			$ 552,665.93
Gallonage Charge			
Residential			
Block 1 (0 - 8,000 gal)	79,752	$ 3.94	$ 314,222.88
Block 2 (8,001 - 15,000 gal)	24,609	$ 4.93	121,322.37
Block 3 (> 15,000 gal)	36,538	$ 5.91	215,945.49
Subtotal	140,900		$ 651,490.74
General Service	25,499	$ 4.67	119,080.33
Total Gallonage Charge	166,399		$ 770,571.07
Total Revenues Generated			**$ 1,323,237.00**
Revenue Requirement Per FPSC (2)			**$ 1,365,883.39**
Difference			**$ (42,646.39)**

Note (2): Includes an additional repression adjustment of $2,924.

Schedule 4
Water Management Services, Inc.
Calculation of Gallonage Rates Based on Repression Analysis

A.) Residential Flow Analysis As Submitted by Utility

Total Revenue Requirement

Revenue Requirement	$ 1,367,423.24
Less: Amount Recovered Through Base Facility Charge	552,665.93
To be Recovered Through Gallonage Charge	$ 814,757.31

Gallonage Determinants

Residential Flows (in Thousand Gallons)	Actual Flows	Escalator	Adjusted for Rate Setting	Calculated Gallonage Rate
Block 1 (0 - 8,000 gal)	80,928	1.00	80,928	$ 4.04
Block 2 (8,001 - 15,000 gal)	24,647	1.25	30,840	$ 5.06
Block 3 (> 15,000 gal)	39,713	1.50	59,570	$ 6.06
General Service	25,499	1.19	30,223	$ 4.79
Total	170,787		201,561	

B.) Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month

Total Revenue Requirement

Revenue Requirement	$ 1,365,883.39
Less: Amount Recovered Through Base Facility Charge	552,665.93
To be Recovered Through Gallonage Charge	$ 813,217.46

Gallonage Determinants

Residential Flows (in Thousand Gallons)	Actual Flows	Escalator	Adjusted for Rate Setting	Calculated Gallonage Rate
Block 1 (0 - 8,000 gal)	79,752	1.00	79,752	$ 4.16
Block 2 (8,001 - 15,000 gal)	24,609	1.25	30,792	$ 5.20
Block 3 (> 15,000 gal)	36,539	1.50	54,809	$ 6.24
General Service	25,499	1.19	30,223	$ 4.93
Total	166,398		196,676	

Schedule No. 1
Water Management Services, Inc.
Water Monthly Service Rates
(Includes Corrections for Errors in Rate Comparisons)

	Rates Prior To Filing	Commission Approved Rates, Phase 2	Utility Requested Final	Staff Recommended Final	12-Month True-Up Rates	4-Year Rate Reduction
Residential and General Service						
Base Facility Charge per Meter Size:						
5/8" X 3/4"	$ 20.90	$ 33.06	$ 34.68	$ 22.59	$ 20.87	$ 0.31
3/4"	N/A	N/A	N/A	$ 33.89	$ 31.32	0.47
1.0"	$ 52.25	$ 82.66	$ 86.71	$ 56.48	$ 52.19	0.78
1.5"	$ 104.51	$ 165.34	$ 173.45	$ 112.95	$ 104.37	1.55
2.0"	$ 167.20	$ 264.52	$ 277.50	$ 180.72	$ 166.99	2.49
3.0" Compound	$ 334.40	$ 529.03	$ 554.98	$ 338.85	$ 313.11	4.66
3.0" Turbine	$ 365.77	$ 578.67	$ 607.06	$ 395.32	$ 365.29	5.44
4.0" Compound	$ 522.62	$ 826.50	$ 867.04	$ 564.75	$ 521.86	7.77
4.0" Turbine	$ 627.02	$ 991.98	$ 1,040.64	$ 677.70	$ 626.23	9.32
6.0" Compound	$ 1,045.03	$ 1,653.00	$ 1,734.09	$ 1,129.50	$ 1,043.71	15.54
6.0" Turbine	$ 1,306.30	$ 2,066.64	$ 2,168.02	$ 1,411.88	$ 1,304.64	19.43
8.0" Compound	$ 1,672.05	$ 2,644.80	$ 2,774.40	$ 1,807.20	$ 1,669.94	24.87
8.0" Turbine	$ 1,881.06	$ 2,975.40	$ 3,121.20	$ 2,033.10	$ 1,878.68	27.97
10.0" Compound	$ 2,403.58	$ 3,801.90	$ 3,988.20	$ 2,597.85	$ 2,400.54	35.74
10.0" Turbine	$ 3,030.59	$ 4,793.70	$ 5,028.60	$ 3,275.55	$ 3,026.76	45.07
12.0" Compound	$ 4,493.65	$ 6,281.40	$ 7,456.20	$ 4,856.85	$ 4,487.96	66.83
Gallonage Charge:						
Current and Requested Residentia	$ 1.98	$ 3.13	$ 3.28	N/A	N/A	N/A
Residential						
8000	N/A	N/A	N/A	$ 3.94	$ 3.64	$ 0.05
15000	N/A	N/A	N/A	$ 4.93	$ 4.56	$ 0.07
>15000	N/A	N/A	N/A	$ 5.91	$ 5.46	$ 0.08
General Service	$ 1.98	$ 3.13	$ 3.28	$ 4.67	$ 4.32	$ 0.06

	Typical Residential Bills 5/8" x 3/4" Meter				
3,000	$ 26.84	$ 42.45	$ 44.52	$ 34.41	$ 31.79
8,000	$ 36.74	$ 58.10	$ 60.92	$ 54.11	$ 49.99
10,000	$ 40.70	$ 64.36	$ 67.48	$ 63.97	$ 59.11
17,000	$ 54.56	$ 86.27	$ 90.44	$ 100.44	$ 92.83

Schedule 1
Water Management Services, Inc.
Utility Proposed Inclining-Block Rate Structure (7/8/05)
Analysis Period: July 1, 2003 through June 30, 2004
(In Thousand Gallons)

Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month and for differences between raw data and actual billed flows

5/8" Meter

Adjustment from Raw Data to Actual Flows Billed		2,890
Metered Flows > 100,000 gallons per month:		7,511
Proposed Reduction:	50%	3,756
Total Proposed Reduction:		**6,646**

	Cumulative Bills	Total Flows	Per Block Bills	Per Block Flows	Incremental Flows Cumulative	Incremental Flows Per Block	Average Flows	Repression Percent (1)	Gallons Repressed
5/8" Meter									
Block 1 (0 - 8,000 gal)	14,999	79,253	14,999	79,253	40,845	40,845	2.72	0.00%	-
Block 2 (8,001 - 15,000 gal)	17,370	104,262	2,371	25,009	67,812	26,967	11.37	2.63%	657
Block 3 (> 15,000 gal)	19,800	142,430	2,430	38,168	142,430	74,618	30.71	6.63%	2,529
1.0" Meter									
Block 1 (0 - 8,000 gal)	169	1,675	169	1,675	499	499	2.95	0.00%	-
Block 2 (8,001 - 15,000 gal)	235	2,465	66	790	1,250	751	11.38	2.63%	21
Block 3 (> 15,000 gal)	316	4,062	81	1,597	4,062	2,812	34.72	6.98%	111
Total									
Block 1 (0 - 8,000 gal)	15,168	80,928	15,168	80,928	41,344	41,344	2.73	0.00%	-
Block 2 (8,001 - 15,000 gal)	17,605	106,727	2,437	25,799	69,062	27,718	11.37	2.63%	678
Block 3 (> 15,000 gal)	20,116	146,492	2,511	39,765	146,492	77,430	30.84	6.64%	2,640
									3,318
									6,646
									9,964

Residential Thousand Gallons Repressed	**(9,964.00)**
/ Total Overall Flows (In thousand gallons)	**178,636.70**
= Overall Repression	**-5.58%**

Note (1): See Schedule 2

Att. 4

Schedule 2
Water Management Services, Inc.
Utility Proposed Inclining-Block Rate Structure (7/8/05)
Monthly Rate Comparison at Various Levels of Consumption and
Calculation of Anticipated Consumption Reduction

	Rates Prior To Filing	Commission Approved Rates, Phase 2	Utility Requested Final	Utility Proposed 7/8/05	Staff Recommended Final	4-Year Rate Reduction
Residential and General Service						
Base Facility Charge per Meter Size:						
5/8" X 3/4"	$ 23.20	$ 33.06	$ 34.68	$ 32.36	$ 22.59	$ 0.31
3/4"	N/A	N/A	N/A	$ 48.55	$ 33.89	0.47
1.0"	$ 58.15	$ 82.66	$ 86.71	$ 80.91	$ 56.48	0.78
1.5"	$ 104.51	$ 165.34	$ 173.45	$ 161.80	$ 112.95	1.55
2.0"	$ 167.20	$ 264.52	$ 277.50	$ 258.88	$ 180.72	2.49
3.0" Compound	$ 334.40	$ 529.03	$ 554.98	$ 485.40	$ 338.85	4.66
3.0" Turbine	$ 365.77	$ 578.67	$ 607.06	$ 566.29	$ 395.32	5.44
4.0" Compound	$ 522.52	$ 826.50	$ 867.04	$ 809.00	$ 564.75	7.77
4.0" Turbine	$ 627.02	$ 991.98	$ 1,040.64	$ 970.80	$ 677.70	9.32
6.0" Compound	$ 1,045.03	$ 1,653.00	$ 1,734.09	$ 1,618.00	$ 1,129.50	15.54
6.0" Turbine	$ 1,306.30	$ 2,066.64	$ 2,168.02	$ 2,022.51	$ 1,411.88	19.43
8.0" Compound	$ 1,672.05	$ 2,644.80	$ 2,774.40	$ 2,588.80	$ 1,807.20	24.87
8.0" Turbine	$ 1,881.06	$ 2,975.40	$ 3,121.20	$ 2,912.40	$ 2,033.10	27.97
10.0" Compound	$ 2,403.58	$ 3,801.90	$ 3,988.20	$ 3,721.40	$ 2,597.85	35.74
10.0" Turbine	$ 3,030.59	$ 4,793.70	$ 5,028.60	$ 4,692.20	$ 3,275.55	45.07
12.0" Compound	$ 4,493.65	$ 6,281.40	$ 7,456.20	$ 6,957.40	$ 4,856.85	66.83
Gallonage Charge:						
Residential	$ 2.20	$ 3.13	$ 3.28	N/A	N/A	N/A
Residential						
Block 1 (0 - 8,000 gal)	N/A	N/A	N/A	$ 2.89	$ 3.94	$ 0.05
Block 2 (8,001 - 15,000 gal)	N/A	N/A	N/A	$ 3.62	$ 4.93	$ 0.07
Block 3 (> 15,000 gal)	N/A	N/A	N/A	$ 4.34	$ 5.91	$ 0.08
General Service	$ 2.20	$ 3.13	$ 3.28	$ 3.43	$ 4.67	$ 0.06

Schedule 2
Water Management Services, Inc.
Utility Proposed Inclining-Block Rate Structure (7/8/05)
Monthly Rate Comparison at Various Levels of Consumption and
Calculation of Anticipated Consumption Reduction

Monthly Usage	Phase 1 Rates	Commission Approved Rates, Phase 2	Utility Requested Final	Utility Proposed 7/8/05	Staff Recommended Final
3,000	$ 29.80	$ 42.45	$ 44.52	$ 41.03	$ 34.41
8,000	$ 40.80	$ 58.10	$ 60.92	$ 55.48	$ 54.11
10,000	$ 45.20	$ 64.36	$ 67.48	$ 62.72	$ 63.97
17,000	$ 60.60	$ 86.27	$ 90.44	$ 89.50	$ 100.44
8,000	$ 40.80	$ 58.10	$ 60.92	$ 55.48	$ 54.11
15,000	$ 56.20	$ 80.01	$ 83.88	$ 80.82	$ 88.62
2,700	$ 29.14	$ 41.51	$ 43.54	$ 40.16	$ 33.23
8,000	$ 40.80	$ 58.10	$ 60.92	$ 55.48	$ 54.11
11,400	$ 48.28	$ 68.74	$ 72.07	$ 67.79	$ 70.87
15,000	$ 56.20	$ 80.01	$ 83.88	$ 80.82	$ 88.62
30,700	$ 90.74	$ 129.15	$ 135.38	$ 148.96	$ 181.41
33,500	$ 96.90	$ 137.92	$ 144.56	$ 161.11	$ 197.96

	% Change Utility Proposed 7/8/05 to		Weighted Average Based on Months on Rates (1)			
Monthly Usage	Phase 1 Rates	Commission Approved Rates, Phase 2	Phase 1 Rates	Commission Approved Rates, Phase 2	Average Annual Price Increase (Decrease)	Anticipated Consumption Reduction (2)
			4.00	8.00		
2,700	37.83%	-3.25%	12.61%	-2.16%	10.44%	2.19%
8,000	35.98%	-4.51%	11.99%	-3.01%	8.99%	1.88%
11,400	40.41%	-1.39%	13.47%	-0.93%	12.54%	2.63%
15,000	43.81%	1.01%	14.60%	0.67%	15.28%	3.20%
30,700	64.16%	15.34%	21.39%	10.22%	31.61%	6.63%
33,500	66.26%	16.82%	22.09%	11.21%	33.30%	6.98%

Note (1): Analysis period is July 1, 2003 through June 30, 2004. Phase 2 rates went into effect in October 2003.
Note (2): Based on FPSC assumption that a 33.33% water-only increase leads to a 6.98% reduction in consumption.

Schedule 3
Water Management Services, Inc.
Utility Proposed Inclining-Block Rate Structure (7/8/05)
Revenue Calculation

Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month and for differences between raw data and actual billed flows

	Determinant	Rate	Revenue
Base Facility Charge			
5/8" Meter	19,800	$ 32.36	$ 640,728.00
1.0" Meter	316	$ 80.90	25,564.40
General Service	3,875	$ 32.36	125,395.00
Total Base Facility Charge			$ 791,687.40
Gallonage Charge			
Residential			
Block 1 (0 - 8,000 gal)	80,928	$ 2.89	$ 233,881.92
Block 2 (8,001 - 15,000 gal)	25,121	$ 3.62	90,938.02
Block 3 (> 15,000 gal)	37,125	$ 4.34	161,122.50
Subtotal	143,174		$ 485,942.44
General Service	25,499	$ 3.43	87,461.57
Total Gallonage Charge	168,673		$ 573,404.01
Total Revenues Generated			**$ 1,365,091.41**

Schedule 4
Water Management Services, Inc.
Utility Proposed Inclining-Block Rate Structure (7/8/05)
Calculation of Gallonage Rates Based on Repression Analysis

Residential Flow Analysis with Adjustment for Flows over 100,000 gallons per month and for differences between raw data and actual billed flows

Total Revenue Requirement

Revenue Requirement	$ 1,364,922.00
Less: Amount Recovered Through Base Facility Charge	791,687.40
To be Recovered Through Gallonage Charge	$ 573,234.60

Gallonage Determinants

Residential Flows (in Thousand Gallons)	Actual Flows	Escalator	Adjusted for Rate Setting
Block 1 (0 - 8,000 gal)	80,928	1.00	80,928
Block 2 (8,001 - 15,000 gal)	25,799	1.25	32,281
Block 3 (> 15,000 gal)	37,125	1.50	55,688
General Service	25,499	1.19	30,223
Total	169,351		199,120

Calculated Gallonage Rate	
$	2.89
$	3.62
$	4.34
$	3.43