

06 JUL -6 AM 11:18

State of Florida



Public Service Commission

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

COMMISSION
CLERK

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

DATE: July 6, 2006

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

FROM: Division of Economic Regulation (Revell, Massoudi, Rendell, Springer)
Office of the General Counsel (Gervasi)

RE: Docket No. 060254-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

AGENDA: 07/18/06 – Regular Agenda-Decision on Suspension of Rates and on Interim Rates
– Participation is at the Discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Arriaga

CRITICAL DATES: 07/18/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060254.RCM.DOC

Case Background

Mid-County Services, Inc. (Mid-County or utility) is a Class A wastewater utility providing service to 2,144 customers in the City of Dunedin in Pinellas County. The utility is located in a region which has been designated by the Southwest Florida Water Management District as a critical use area. Water services and billing is provided by Pinellas County. The utility's wastewater rates were last established in its 2003 rate proceeding.¹

¹ See Order No. PSC-04-0819-PAA-SU, issued August 23, 2004, in Docket No. 030446-SU, In re: Application for rate increase in Pinellas County by Mid-County Services, Inc. Consummating Order No. PSC-04-0904-CO-SU, issued September 17, 2004, made Order No. PSC-04-0819-PAA-SU final and effective.

DOCUMENT NUMBER-DATE

05971 JUL -6 g

FPSC-COMMISSION CLERK

On May 11, 2006, the utility filed its application for approval of final and interim rate increases in this docket and requested that the Commission process the case under the PAA procedure. After review of the Minimum Filing Requirements (MFRs), staff determined that the MFRs contained a number of deficiencies that will require revisions by the utility. These revisions will not be received until after the statutory 60-day limit to suspend the requested interim rate increase; therefore the official filing date has not been established.

The test year for interim and final purposes is the historical test year ended December 31, 2005. Mid-County requested interim wastewater revenues of \$1,561,739. The interim revenue request represented an increase of \$169,622, or 12.18%. The utility has requested final wastewater revenues of \$1,769,847. This represents an increase of \$377,730, or 27.13%.

The original sixty-day statutory deadline for the Commission to suspend the utility's requested final rates was July 10, 2006. However, by letter dated June 5, 2006, the utility agreed to extend the statutory timeframe by which the Commission is required to address Mid-County's interim rate request. This recommendation addresses the suspension of Mid-County's final rates and staff's recommended interim rate increase. The Commission has jurisdiction pursuant to Sections 367.081, and 367.082, Florida Statutes (F.S.) .

Discussion of Issues

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

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

Staff Analysis: Section 367.081(6), F.S., provides that the rates proposed by the utility shall become effective within sixty days after filing unless the Commission votes to withhold consent of implementation of the requested rates. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the utility.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff recommends that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed rate increase.

Issue 2: Should an interim revenue increase be approved?

Recommendation: Yes. On an interim basis, the utility should be authorized to collect annual wastewater revenues as indicated below: (Revell, Massoudi)

	<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Wastewater	\$1,392,117	\$142,169	\$1,534,286	10.21%

Staff Analysis: In its MFRs, Mid-County requested interim rates designed to generate annual revenues of \$1,561,739. This represents a wastewater revenue increase of \$169,622 (12.18%). The utility has filed rate base, cost of capital, and operating statements to support its requested wastewater increase.

Pursuant to Section 367.082(5)(b)1., Florida Statutes, the achieved rate of return for interim purposes must be calculated by applying appropriate adjustments consistent with those made in the utility's most recent rate proceeding. Staff has reviewed the utility's interim request, as well as prior orders concerning the utility's rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedule is labeled as No. Schedule 1-A, with adjustments shown on Schedule No. 1-B; the capital structure schedule is Schedule No. 2, and the operating income schedule is Schedule No. 3-A, with the adjustments shown on Schedule No. 3-B.

Rate Base

The utility filed a 13-month average wastewater rate base for the calendar year ended December 31, 2005. The utility made adjustments to allocated plant, construction work in progress and working capital. Staff has reviewed the utility's MFRs for consistency with the last rate proceeding. As a result of this review, staff believes that several adjustments should be made.

Utility Plant in Service

In its last rate proceeding, the Commission reduced the land account by \$2,603. This action reduced the account balance from \$21,006 to \$18,403. In the present case, the 13-month average for land in the MFRs is \$18,603 because the utility inadvertently included the disallowed \$2,603 for one month. This had the effect of increasing the 13-month average by \$200 over the approved balance. Thus, staff recommends that the balance in the land account be reduced by \$200.

Non-Used and Useful Plant

Staff has reviewed the utility's used and useful calculation for interim. The utility's calculation is consistent with the methodology used in the last rate case. The utility calculated the wastewater treatment plant (WWTP) to be 74% used and useful. On Schedule F-6 of its MFRs,

the utility stated that the WWTP should be considered 100% for both interim and final for the following reasons:

“The treated flows in 2005 are 38 MG [million gallons] or 14% less than they were in 2002, the Test Year of the last case, although the billed wastewater gallons have remained virtually the same. The lack of increase in wastewater billed, in spite of an increase in meter equivalent ERCs [equivalent residential customers] is indicative of the redevelopment of mobile home parks in the service area with less dense housing and commercial developments. The substantial reduction in treated flows is the result of (A) the capital investment made by Mid-County in numerous manhole repairs and replacing or relining of mains to reduce infiltration, (B) the dismantling of the poorly maintained mobile home park collection systems and (C) the replacement of those mains in new developments with materials meeting Mid-County’s requirements. In the last case setting U&U, Docket No. 030446-SU, the PSC found the WWTP to be 92% U&U. In this case, the PSC should recognize that the U&U would be approaching 100% were not for the actions of the utility to reduce infiltration as much as practical.”

The utility calculated its used and useful percentage for the wastewater treatment plant by taking the sum of the annual average daily flows (AADF) of 662,537 gallon per day (gpd) and a growth allowance of 1,231 gpd. It then divided that total by the plant’s DEP permitted capacity of 900,000 gpd AADF. The utility did not make any adjustments for inflow and infiltration (I&I) in its calculations. This resulted in a 74% used and useful percentage for the wastewater treatment plant.

In its MFRs, Schedule F-10, the utility calculated the linear regression to be negative 10.9 ERCs. The utility stated that a simple average was used in growth calculation because the regression result was not statistically significant. This resulted in an average growth of 0.72%. It then multiplied the average growth rate by the test year number of ERCs of 2,736. This resulted in an annual growth of 20 ERCs. In this case, since the regression result is not statistically significant, staff agrees with the utility’s growth calculation of 20 ERCs for interim.

In its MFRs, Schedule F-8, in calculating its 1,231 gpd growth allowance, the utility multiplied the annual growth of 20 ERCs times the five-year statutory growth period and the test year average consumption of 242 gpd/ERC. Staff does not believe that the utility’s calculation for growth is correct. Based on the utility’s data, the growth allowance should be 24,200 gpd (20 X 5 X 242), not 1,231 gpd.

Applying this adjustment to the used and useful formula and assuming the I&I would be zero for interim, the wastewater treatment plant should be considered to be 76% used and useful.

However, since the flows have decreased due to a reduction in the number of customers since the utility's last rate case, staff recommends that the used and useful percentage should be 92% for interim as it was allowed in the last rate case, Docket No. 030446-SU (Order No. PSC-04-0819-PAA-SU). For final rates, staff will analyze the used and useful with more accurate data. This used and useful of 92% should be applied to Account No. 380-Treatment and Disposal Equipment.

Wastewater Collection Systems

In its filing, the utility stated that the collection system should be considered 100% used and useful because it was built by various developers who then contributed the assets to the utility. The master feeders and lift stations that serve the system were built by the utility. The utility also stated that this Commission recognized that the collection system was 100% used and useful in Mid-County's last rate case (Order No. PSC-04-0819-PAA-SU). The utility stated that while there is some limited undeveloped land in the service territory, additional collection mains would have to be constructed before new customers could be added.

A review of the utility's analysis shows that there has been no substantial growth or changes in its service territory since the last rate case. Therefore, the collection system should be considered 100% used and useful for interim.

Staff has applied the corrected non-used and useful percentage to the staff adjusted balance of plant, as discussed above. Thus, staff recommends that net used and useful plant be reduced by \$110,409, or 8%. Corresponding adjustments should be made to reduce depreciation expense by \$9,309, and property tax expense by \$510.

Working Capital

In its MFRs, the utility requested working capital based on the balance sheet approach which is consistent with the method required by Class A utilities by Rule 25-30.433(2), Florida Administrative Code. Thus, consistent with the rule, staff agrees with the utility that the balance sheet approach is appropriate. Staff is not recommending any adjustments to working capital for interim purposes.

Based on the above adjustments, staff recommends that Mid-County's interim rate base should be \$2,257,499.

Cost of Capital

In its MFRs, Mid-County used a 13-month average capital structure, which consisted of allocated investor sources of capital, from Utilities, Inc. (the parent). The utility included a zero balance in customer deposits. Staff has reviewed the utility's requested capital structure and believes that the utility erred in using the leverage formula in calculating its cost rate for common equity. Section 367.082(5)(b)3, Florida Statutes, states that in calculating an interim increase, the minimum of the range of the last authorized ROE shall be used. In Mid-County's last rate case, the midpoint of the authorized ROE was established as 11.00%, with a range of 10%-12%. See Order No. PSC-04-0819-PAA-SU, p. 12. Accordingly, for interim purposes,

staff recommends a cost of equity of 10%. Based on the above, staff's recommended cost of capital for interim purposes is 7.53%. Schedule No. 2 details staff's recommended capital structure.

Net Operating Income

Operating Revenues

Section 367.082(5)(b)1, Florida Statutes, states that the achieved rate of return is calculated by applying adjustments consistent with the utility's last rate proceeding and annualizing any rate changes occurring during the interim test year. For purposes of the interim application, Mid-County chose the test period ended December 31, 2005. Mid-County implemented a price index rate adjustment on January 14, 2005, and an index and pass through rate increase on December 24, 2005, and annualized its revenues accordingly. In its MFRs, the utility's adjusted test year revenues were \$1,392,117. Staff has reviewed the utility's revenues and recommends no adjustments.

Operating Expenses

Mid-County made several adjustments to operating expenses for interim purposes. Staff has reviewed these and believes that three adjustments are appropriate, as discussed below.

Mid-County increased interim Taxes Other than Income by \$2,344 resulting from salary changes, and \$98 for property taxes associated with tangible property increases. Staff believes these expenses are pro forma in nature and are not appropriate on an interim basis. Accordingly, Taxes Other than Income should be reduced by \$2,442. Additionally, based on its reported income, the utility overpaid its regulatory assessment fees (RAFs) by \$7,441. This amount has been removed to reflect the proper expense.

Net Operating Income

Based on these adjustments, staff recommends that the appropriate test year operating income, before any revenue increase, is \$85,233. Schedule 3-A details staff's recommended net operating income, with adjustments reflected on Schedule No. 3-B.

REVENUE REQUIREMENT

Based on the above, staff recommends an interim revenue requirement of \$1,534,286. This represents an interim increase of \$142,169, or 10.21%. This will allow the utility the opportunity to recover its operating expenses and earn a 7.53% return on its rate base.

Issue 3: What are the appropriate interim wastewater rates?

Recommendation: The service rates for Mid-County in effect as of December 31, 2005, should be increased by 10.22% to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The revised tariff sheets should be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision, that the proposed notice to the customers is adequate, and that the required security discussed in Issue 4 has been filed. Also, the rates should not be implemented until the required security has been filed. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice. (Revell)

Staff Analysis: Staff recommends that interim service rates for Mid-County be designed to allow the utility the opportunity to generate additional annual operating revenues of \$142,169, an increase of 10.21% over the adjusted 2004 test year revenues. To determine the appropriate increase to apply to the service rates, miscellaneous service and other revenues should be removed from the test year revenues. The calculation is as follows:

1	Total Test Year Revenues	\$1,392,117
2	Less: Miscellaneous Revenues	<u>599</u>
3	Test Year Revenues from Service Rates	\$1,391,518
4	Revenue Increase	<u>\$142,169</u>
5	% Service Rate Increase (Line4/Line 3)	<u>10.21%</u>

This rate increase of 10.22% should be applied as an across the board increase to the service rates in effect as of December 31, 2005. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The revised tariff sheets should be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision, that the proposed notice to the customers is adequate, and that the required security discussed in Issue 4 has been filed. The utility should provide proof to staff of the date notice was given within 10 days after the date of the notice.

The utility's current and proposed interim and final rates, and staff's recommended interim rates, are shown on Schedule No. 4.

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

Recommendation: A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states. UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee should be a cumulative amount of \$718,575, which includes an amount of \$84,119 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. (Revell, Springer)

Staff Analysis: Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 2, the total annual interim increase is \$142,169 for wastewater. In accordance with Rule 25-30.360, F.A.C., staff has calculated the potential refund of revenues and interest collected under interim conditions to be \$84,119. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the utility's current authorized rates shown on Schedule No. 4.

Mid-County is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. UI has requested a corporate undertaking to secure any interim increases granted in Dockets Nos. 060254-SU, 060255-SU, 060256-SU, 060257-WS, 060258-WS, 060260-WS, 060261-WS, and 060262-WS. As such, staff reviewed the financial statements of the parent company. As a result of staff's interim recommendations in all of the above dockets, the total requested cumulative corporate undertaking amount is \$718,575, which includes \$84,119 subject to refund for this docket.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff has reviewed UI's financial statements from 2003 to 2005 to determine the financial condition of the parent company. Staff's analysis shows that UI has experienced a significant decline in liquidity and interest coverage during 2005 compared to prior years. However, UI's average equity ratio over the three-year period has been 40%. Additionally, net income has been on average six times greater than the requested cumulative corporate undertaking amount. UI's financial performance has demonstrated adequate levels of both profitability and equity capitalization to offset the recent decline in liquidity and interest coverage. Based upon this analysis, staff recommends that a cumulative corporate undertaking of \$718,575 is acceptable contingent upon the receipt of the written guarantee of UI and written confirmation that UI does not have any outstanding guarantees on behalf of UI-owned utilities in other states.

Pursuant to Rule 25-30.360(6), F.A.C., the utility should provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

Docket No. 060254-SU
Date: July 6, 2006

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

Docket No. 060254-SU
Date: July 6, 2006

Issue 5: Should this docket be closed?

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

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

Mid-County Services, Inc. Schedule of Wastewater Rate Base Test Year Ended 12/31/05				Schedule No. 1-A Docket No. 050254-SU Interim	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$5,413,941	\$16,581	\$5,430,522	\$0	\$5,430,522
2 Land and Land Rights	\$18,603	\$0	18,603	(200)	18,403
3 Non-used and Useful Components	0	0	0	(110,409)	(110,409)
4 CWIP	144,135	(144,135)	0	0	0
5 Accumulated Depreciation	(1,633,555)	0	(1,633,555)	0	(1,633,555)
6 CIAC	(2,977,668)	0	(2,977,668)	0	(2,977,668)
7 Amortization of CIAC	\$1,444,003	\$0	1,444,003	0	1,444,003
8 Working Capital Allowance	<u>\$0</u>	<u>\$86,203</u>	<u>86,203</u>	<u>0</u>	<u>86,203</u>
9 Total Rate base	<u>\$2,409,459</u>	<u>(\$41,351)</u>	<u>\$2,368,108</u>	<u>(\$110,609)</u>	<u>\$2,257,499</u>

Docket No. 060254-SU

Date: July 6, 2006

**Mid-County Services, Inc.
Adjustments to Rate Base
Test Year Ended 12/31/05**

**Schedule No. 1-B
Docket No. 050254-
SU
Interim**

Explanation	Water	Wastewater
<u>Land</u>		
To reflect proper balance.		<u>(\$200)</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment.		<u>(\$110,409)</u>

**Mid-County Services, Inc.
Capital Structure
Test Year Ended 12/31/05**

**Schedule No. 2
Docket No. 050254-SU
Interim**

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	\$133,025,102	\$0	\$133,025,102	(131,532,846)	\$1,492,256	55.45%	6.65%	3.69%		
2 Short-term Debt	4,522,923	0	\$4,522,923	(4,472,186)	\$50,737	1.89%	5.01%	0.09%		
3 Preferred Stock	0	0	\$0	0	\$0	0.00%	0.00%	0.00%		
4 Common Equity	91,510,699	0	\$91,510,699	(90,484,146)	\$1,026,553	38.14%	11.87%	4.53%		
5 Customer Deposits	0	0	\$0	0	\$0	0.00%	6.00%	0.00%		
6 Deferred Income Taxes	<u>121,826</u>	<u>0</u>	<u>\$121,826</u>	<u>0</u>	<u>\$121,826</u>	<u>4.53%</u>	0.00%	<u>0.00%</u>		
10 Total Capital	<u>\$229,180,550</u>	<u>\$0</u>	<u>\$229,180,550</u>	<u>(\$226,489,178)</u>	<u>\$2,691,372</u>	<u>100.00%</u>		<u>8.31%</u>		
Per Staff										
11 Long-term Debt	\$133,025,102	\$0	\$133,025,102	(\$131,784,817)	1,240,285.15	54.94%	6.65%	3.65%		
12 Short-term Debt	4,522,923	0	\$4,522,923	(\$4,480,753)	42,170	1.87%	5.01%	0.09%		
13 Preferred Stock	0	0	\$0	\$0	0	0.00%	0.00%	0.00%		
14 Common Equity	91,510,699	0	\$91,510,699	(\$90,657,481)	853,218	37.79%	10.00%	3.78%		
15 Customer Deposits	0	0	\$0	\$0	0	0.00%	6.00%	0.00%		
16 Deferred Income Taxes	<u>121,826</u>	<u>0</u>	<u>\$121,826</u>	<u>\$0</u>	<u>121,826</u>	<u>5.40%</u>	0.00%	<u>0.00%</u>		
20 Total Capital	<u>\$229,180,550</u>	<u>\$0</u>	<u>\$229,180,550</u>	<u>(\$226,923,051)</u>	<u>\$2,257,499</u>	<u>100.00%</u>		<u>7.53%</u>		
						LOW	HIGH			
						RETURN ON EQUITY	<u>10.00%</u>	<u>12.00%</u>		
						OVERALL RATE OF RETURN	<u>7.53%</u>	<u>8.28%</u>		

Mid-County Services, Inc.
Statement of Wastewater Operations
Test Year Ended 12/31/05

Schedule No. 3-A
Docket No. 050254-SU
Interim

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$1,374,712</u>	<u>\$187,027</u>	<u>\$1,561,739</u>	<u>(\$169,622)</u>	<u>\$1,392,117</u>	<u>\$142,169</u> 10.21%	<u>\$1,534,286</u>
Operating Expenses							
2 Operation & Maintenance	\$1,139,821	\$0	\$1,139,821	\$0	\$1,139,821	0	\$1,139,821
3 Depreciation	77,943	0	77,943	(9,309)	68,634	0	68,634
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	105,210	3,417	108,627	(10,585)	98,042	6,398	104,440
6 Income Taxes	(35,478)	75,367	39,889	(39,502)	387	51,091	51,478
7 Total Operating Expense	<u>1,287,496</u>	<u>78,784</u>	<u>1,366,280</u>	<u>(59,396)</u>	<u>1,306,884</u>	<u>57,488</u>	<u>1,364,372</u>
8 Operating Income	<u>87,216</u>	<u>108,243</u>	<u>195,459</u>	<u>(110,226)</u>	<u>85,233</u>	<u>84,681</u>	<u>169,913</u>
9 Rate Base	<u>2,409,459</u>		<u>2,368,108</u>		<u>2,257,499</u>		<u>2,257,499</u>
10 Rate of Return	<u>3.62%</u>		<u>8.25%</u>		<u>3.78%</u>		<u>7.53%</u>

Mid-County Services, Inc. Adjustment to Operating Income Test Year Ended 12/31/05		Schedule No. 3-B Interim
Explanation	Wastewater	
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(169,622)</u>
<u>Depreciation Expense - Net</u>		
To reflect non-used and useful adjustment.		<u>(9,309)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(192)
2 To reflect correct historical test year RAFs.		(7,441)
3 To reflect reduced property taxes on NU & U Property.		(510)
4 Remove pro forma taxes on salary increases.		(2,344)
5 Remove pro forma property taxes on tangible plant.		<u>(98)</u>
Total		<u>(10,585)</u>
<u>Income Taxes</u>		
To adjust to test year income tax expense.		<u>(39,502)</u>

Mid-County Services, Inc. Wastewater Bi-Monthly Service Rates Test Year Ended 12/31/05		Schedule 4 Docket No. 050254-SU Interim		
	Test year Rates at 12/31/05	Utility Requested Interim	Utility Requested Final	Staff Recomm. Interim
<u>Residential</u>				
Base Facility Charge All Meter Sizes:	\$26.90	\$30.18	\$34.20	\$29.65
Gallage Charge - Per 1,000 gallons (10,000 gallon cap)	\$2.59	\$2.91	\$3.29	\$2.85
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$25.97	\$30.18	\$34.20	\$28.62
1"	\$66.65	\$77.44	\$87.77	\$73.46
1-1/2"	\$149.95	\$174.23	\$197.46	\$165.27
2"	\$266.59	\$309.76	\$351.05	\$293.83
3"	\$599.98	\$697.13	\$790.06	\$661.28
4"	\$1,066.38	\$1,238.99	\$1,404.16	\$1,175.33
6"	\$2,399.59	\$2,788.11	\$3,159.79	\$2,644.75
Gallage Charge, per 1,000 Gallons	\$3.00	\$3.49	\$3.95	\$3.31
<u>Multi-Residential-Metered</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$25.97	\$30.18	\$34.20	\$28.62
1"	\$66.65	\$77.44	\$87.77	\$73.46
1-1/2"	\$149.95	\$174.23	\$197.46	\$165.27
2"	\$266.59	\$309.76	\$351.05	\$293.83
3"	\$599.98	\$697.13	\$790.06	\$661.28
4"	\$1,066.38	\$1,238.99	\$1,404.16	\$1,175.33
6"	\$2,399.59	\$2,788.11	\$3,159.79	\$2,644.75
Gallage Charge, per 1,000 Gallons	\$3.00	\$3.49	\$3.95	\$3.31
<u>Multi-Residential-Flat Rate</u>	\$57.23	\$66.50	\$75.36	\$63.08
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$34.67	\$38.91	\$44.07	\$38.20
5,000 Gallons	\$39.85	\$44.73	\$50.65	\$43.90
10,000 Gallons	\$52.80	\$59.28	\$67.10	\$58.15
(Wastewater Gallage Cap - 10,000 Gallons)				